

# Ford motor company case study

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As Teri Takai, Director of Supply Chain Systems, the purpose of this report was to determine if implementing new technologies would be beneficial for Ford Motor Company and in the way it interacts. The major findings indicate that there are several issues at Ford: The purchasing's job responsibilities are extremely isolated and protected, there is a lack of communication between Ford and their enduser customers, there is a limited understanding in the current technology in place among suppliers, and there is large amount of suppliers and distribution centres.

This report recommends that Teri Takai implements the virtual integration model similar to the model used by Dell. This model has been extremely successful for Dell, however since Ford and Dell are two different types of industries, Teri Takai should partially implement it. Completely implementing the virtual integration model would not be beneficial for Ford since customers want to test and feel the car before they buy it. When buying a computer, customers do not need to test it beforehand. Implementing the virtual integration model would begin in the short term.

By offering online shopping, keeping distribution centres, and linking Ford's system with all suppliers and distributors to see information transmitted instantly, lead times will decrease and forecasts will be more accurate. This will enable Ford to develop longer and more close relationships with their suppliers, and provide better and faster service to their customers and in turn increase sales. The following is a list of short term issues identified at Ford Motor Company: ? Purchasing activities organization ? Lack of communication with endcustomers. The long term issues discovered are the following:

The understanding of technology decreases in lower tiers of the supply chain. ? Large number of distribution centers Currently, the technology among Ford's first tier suppliers is fairly well developed. However, a critical and urgent issue is that Ford does not flow this technology through to their lower tier suppliers. Also, Ford increases their information technology faster than their suppliers can afford to. This gap in technology information and its understanding of it creates a bottleneck within the supply chain. It creates very large communication gaps by not linking the entire supply chain together.

If Ford continuously upgrades their technology at rates faster than the suppliers are able to afford, it becomes increasingly difficult for the suppliers to meet Ford's demands and manage their production operations as efficiently as Ford intends to. Without having the comprehension or access to the current technology, the demand becomes more inaccurate since information is not transferred to the lower supplier tiers as quickly. This further increases lead times, costs, and a lack of coordination among the supply chain.

At Ford, the buyer's jobs are extremely independent in the organization. Information is not shared freely with suppliers, and engineers are not authorized to discuss pricing negotiations with suppliers. While it is currently unclear with Teri Takai how this organizational structure may work in a virtually integrated system, Dell's methodology is that when buyers are continuously trying to protect themselves, the seller cannot add a lot of value. This is currently a short term, but potentially critical issue because it could potentially become very disabling for Ford.

Without engineers and purchasers working together in product development and pricing negotiations, and not sharing this information with their suppliers, Ford is unable to increase the value that they can offer to their suppliers, and vice versa. This in turn slows down the time it takes for a new model to reach the market, since information is shared slowly and is Ford's current number of suppliers is extremely high. However, this supply case differs from Dell's model in its level and complexity since Ford cars requires many components. However, the large number of suppliers is an issue because it becomes difficult to manage, develop and maintain close and longterm relationships, and monitor the supplier's quality and ontime delivery performance.

This is a long term issue because as the supply chain complexity increases, and purchasing department needs to spend a lot of time managing an extremely large number of parts from many vendors. A short term issue discovered at Ford is their lack of communication with their endcustomers. Due to the use of independent dealership to sell their products, Ford lacks control and visibility on what is selling and to who. A benefit of Dell's model is that they know what type of market is buying their product, and can position their product for this segment.

Also, customers buy directly from Dell so demand is completely accurate and instantly visible. Ford not having this direct type of visibility, and instant communication from their customers, is a short term issue because the demand can potentially be inaccurate due to the many middlemen that the demand needs to flow through before it reaches Ford. Also, Ford is unable to cater to the direct needs or any special customizations of the products that

customers may want if they do not have the direct level of communication with them. An issue that Ford has is that are an extremely large amount of distribution centres.

Having a lot of distribution centres means that there is more to manage, and the communication between these centres and with Ford is difficult and timeconsuming. Ford is unable to directly communicate with the customer with the current organization method, which is a long term issue because they are unable to provide a greater level of customer service, and can increase lead times. Ford is unable to potentially persuade a customer to purchase an item that there may be more materials available, since the distribution centres do not have access to this type of information.

This selling method is used by Dell frequently to match supply with demand. Having a large number of distribution centres makes forecasting more difficult and less accurate, and can increase the lead time of the product. If the sales person at the distribution centre does not have the tools or visibility to see what Ford has extra stock of. , they are unable to influence a customer to purchase an item that Ford can provide more quickly. Recommendations 1)Recommend a partial implementation of the virtual integration model that has been used by Dell among entire supply chain. See exhibit 1 for a SWOT analysis.

2) Review technology that is currently being used throughout the supply chain by meeting with suppliers to determine how the current technology benefits them, and what can be improved to the system to ensure a smooth flow of information among the supply chain. Integrate this will all tier suppliers. 3) Establish agreements with suppliers to remain with the same

technology and not continuously upgrade faster than the suppliers are able to support. 4) Reorganize job responsibilities of engineers and purchasers to work more closely together, in product development and selection, and be involved with pricing negotiations.

5) Determine the appropriate number of suppliers to have. 6) Begin sourcing suppliers that can provide multiple parts. 7) Ford will use the information technologies to interact with their suppliers and customers by linking distributor's computers to Ford's computer network.. 8) Develop marketing strategy for Ford's new online shopping experience of buying cars. 9) Run the proposed system with the existing supply chain so that Ford can cover both market segments at the same time.

To measure the performance of the integration of the new model, Ford should schedule evaluation meetings every week, with the goal to reduce this to every 6 months . Recommendations for improvements should be reviewed during the process in order to be evaluated. Once the purchasing and engineer departments begin to work more closely together, the effectiveness of this new relationship should be closely monitored to ensure that it does what it intends to do. Obtain feedback from both departments to find rooms for improvements, and to ensure that the purchasers are able to develop closer relationships with their suppliers. To monitor the effectiveness of the online ordering, lead times should be reviewed when an order is placed online.

A set amount of days should be enforced to ensure that lead times do not exceed this period. Obtaining customer feedback and their satisfaction level can evaluate the success of the customer service. To monitor the success of

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implementing a partial virtual integration model among the suppliers, the IT specialist should periodically visit the suppliers to ensure that they understand the system and to provide additional training when needed. Determining if the connection among suppliers improves forecasting and reduces lead times. The overall cycle time should be reviewed.

### Conclusion

Overall, by partially implementing a virtual integration model, Ford can increase the number of sales by providing faster and more personal customer service. By developing a closer relationship with their suppliers, and limiting the number of suppliers they deal with, Ford will experience a decrease in their lead times by being able to manage the supplier base and the products that they sell. Implementing technology among all suppliers and the distribution centre will decrease the communication gap since information will be shared and available instantly. This will in turn add value to Ford and reach a larger market.