Analyze the ford motor company case study essay

Education

\n[toc title="Table of Contents"]\n

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Ford Motor Company has a long history, starting in Michigan in 1903. They have focused on designing and manufacturing and have been very successful, however with increasing competition, global markets and over-capacity the company needs to look at ways to improve profitability. The company has implemented various programs and processes to create a lean, responsive system with better consumer forecasting. Their challenge is to continue to research ways to stay viable in current market and industry conditions. Dell Computers has been very successful with a direct model and virtual integration that may or not work well for Ford.

Issue:

The Ford Motor Company is facing a number of challenges including the direction of CEO Jac Nasser to focus on customer responsiveness and shareholder value to deal with increasing competitiveness, an industry with potential over-capacity and the expansion into globalized markets.

Ford had begun to implement systems to reduce cycle-time, improve quality and to lower costs. Programs included consolidating product development into five Vehicle Centres (VCs), reeingineered processes such as Order to Delivery (OTD), Fort Production System (FPS) and Business to Business (B2B) capacity. Additionally, information flow was examined to overcome geographical constraints, thus becoming a critical component of Ford's global approach. During the past decade the company has implemented many programs and processes becoming the most improved automaker with steady upward trending sales and record profit sharing.

The supply chain initially had a base of many competitive suppliers until the 1990's when they began to move toward fewer, long term supplier relationships. Ford fostered relationships with tier one suppliers who would interface with tier two and other suppliers. With Ford's support, the suppliers tried a variety of strategies including Just-In-Time (JIT) inventory, Total Quality Management (TQM) and Statistical Process Control (SPC). A limitation emerged in the variance of IT expertise and capability among the supply chain members.

To reach the goal of reduced cycle time, creating a lean and flexible process, Ford is researching Dell Computer's successful direct model to see if this virtual integration system would work for them. The direct model reduces the time and costs of third party distribution through direct interfacing with as few partners as possible as a way to improve production and customer responsiveness. The challenge is to determine if this system will work for Ford Motor Company.

Analysis:

The CEO’s directive is complicated by various factors. While Dell’s direct model works for Dell, it may or may not be effective with Ford. The company has been through a decade of change and adjustments to various processes and directions and while the option is available, a decision is not urgent as Ford is in a fairly good position. Dell’s direct model involves a customer focus, small numbers of supplier partnerships, customization, a just-in-time inventory and manufacturing. In order to do this, Dell ties intechnologyto communicate and coordinate thesegoalsand strategies. They use what they call vertical integration.

This means that they work very closely with customers and suppliers including actually having staff on site working directly with customers and partners, sharing information and knowledge to enable flexibility and effectiveness reducing cycle times. Dell establishes partnerships or collaborations with their customers and suppliers which is much like controlled outsourcing. Michael Dell of Dell computers argues that outsourcing is traditionally a way to “ get rid of a problem”. His direct model, in contrast, is partnering with companies who are treated as though they are internal staff.

This model improves the level of information sharing andmotivationto succeed as a team. Technology means that the information sharing can be easily and effectively done in a win-win type of arrangement. The challenge is to maintain these relationships and focus on the task at hand. Providing suppliers with real-time information and up to date demand enables the supplier to act accordingly to meet Dell’s requirements. Removing multiple

layers and working closely with customers and suppliers removes the possibility of misinformation, reaction time and ability to not only react, but to make more accurate forecasts.

Dell has been able to streamline their customer response times by helping the customer ‘ decide’ what they need. They make it easier for the customer to make the decisions and are ultimately preparing for it while the conversation is happening. Dell acts as a consultant and trainer getting direct feedback and key information for planning, research and development. They include key people from a wide range of responsibilities in regular meetings to ensurecommunication, ideas and overall commitment from the entire supply chain. Virtual integration goes even further to merge the traditional roles and boundaries of the supply chain.

Dell argues that the direct model and virtual integration is beneficial to the customer from distribution to manufacturing and design. This model works for Dell, but whether it would work for Ford is the question. Ford has already reduced it’s supply chain base by dealing with Tier one suppliers to use Just-In-Time inventory processes and other strategies to improve commitment and capability. They implemented the Ford Production System (FPS), focusing on key parts of the manufacturing process to improve efficiency. The Synchronous Material Flow (SMF) was developed to ensure a continuous flow of materials.

This was done by using lean manufacturing concepts, careful scheduling and sequenced assembly. Their Order to Delivery (OTD) process was also developed to streamline the cycle time, reducing the order to delivery from 65 days to as little as 15 days. In order to do this they used forecasting,

keeping 15 days of vehicles in the assembly plant’s order bank, using regional mixing centers for deliveries and a responsive order amendment process. Last but not least they worked on something called the Ford Retail Network (FRN) to test best practices and to create an alternate distribution channel.

The idea was to consolidate Ford’s efforts to compete against the competition of other auto makers rather than compete against each other. Because Dell and Ford are such different companies it is difficult to know if vertical integration would work. Dell is a smaller company whose current success is due to customer focus, pull demand, speed of response and virtual integration. In contrast, Ford is a much larger company with a complex and long-standing system of supply chainleadershipwhere purchasing was historically heavily involved in the various activities of the company.

A move to virtual integration requires that roles shift and responsibilities change to allow greater collaboration and information sharing.

Alternatives:

Differences between the companies include dealer networks, product and process complexity, age and size of the company, technical expertise and control over systems. Ford has a great amount of control, difficulty forecasting customer needs, higher product complexity, a strong dealer network and unionized labour. Dell is relatively new, there is high technical expertise, the product is not as complex, forecasting can be fairly accurate and their supplier relationships are good.

Ford enjoys a significant amount of control over their supply chain, manufacturing, assembly and distribution, while Dell may not be able to exercise control depending on the relationships built and arrangements made. At this time, Ford does not really need to make a decision to change their business model, but there is a push for greaterglobalization, efficiency and flexibility. They can move toward virtual integration, stay the same, or adopt some kind of balance of the direct model with their current model.

Because of their size and established supply chain, a move toward vertical integration and a direct model would mean fairly drastic changes and giving up controls that have been carefully developed over the past decade. That said, staying the same would not be advisable, as the market is increasingly competitive on the local and global stage. Ford will be required to look at further adaptations to their operations in order to stay competitive.

Recommendation:

It would be advisable for Ford to examine vertical integration in at least some areas of their operations.

Because this requires high levels of technology, they can work with Tier one suppliers to develop collaborations and more extensive information sharing. Doing nothing is not usually a feasible option in successful business and full integration would be very difficult to accomplish and my not have the results that Dell has due to the various differences in the companies and their products.

Implementation:

Ford can use focus groups and regular meetings to move toward a direct model in at least some areas of the business.

The dealer network may be used as an advantage to forecasting if they work more closely with the development teams, manufacturing and assembly plants. The customer focus groups can begin to develop relationships that help to develop what customers want and might have as potions can be insightful and will improve forecasting. Purchasing, engineering, marketing and other groups can get involved in these focus groups, which may also encourage dialogue and collaboration toward cohesive end results.

Conclusion:

Ford has implemented many strategies successfully and has been forward thinking in their consideration of various models and options. Becoming faster may or may not work to their advantage as buying a car is a decision that is weighed carefully and is a bigger investment than choosing a computer or laptop. The speed at which the company supplies a vehicle once ordered is important, but I suggest, not as important as the customer getting the options, financing and service that they expect with this type of purchase.

That said, customers expect greater customization and choice than ever before. Whether Ford takes on this model or chooses to research another model is a step in the right direction. Supply chain management is a large part of how well the company can respond to customer needs and ultimately create profit and ongoing competitive advantage.

References:

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