

# Case study – ford motor company

Education



Introduction Ford Motor Company was founded in 1903 by Henry Ford and eleven business associates. The company was responsible for the innovation of the moving assembly line where employees would remain in the same place while performing the same task on each automobile that move along the assembly line. Ford Motor Company has been a prominent car producer for over 100-years - an icon of U. S. manufacturing. However, the company has reached a pivotal impasse where timely planning has become crucial. Hence, to reestablish the brand and Henry Ford's original vision to produce "cars that were affordable to the masses" (What Would You Do?

Ford Motor Company, n. d. p. 1). This case study will examine four options; the first option is whether to close down older plants in an effort to realign production and sales. The second option is to re-engineer the company to produce smaller cars eliminating or sharply reducing the SUV and truck lines. The third option is to take the unprecedented step of dramatically reducing North American presence and focus the company efforts on international markets where the company has been very successful. The fourth option is to sell the entire Premier Automotive Group (PAG).

To determine what the criterion for the Ford Motor Company four options are, Ford's management team should collectively utilize the rational-decision making model that is define as " a systematic process in which managers define problems, evaluate alternatives, and choose optimal solutions that provide the maximum benefits to their organizations" (Williams, 2010, p. 85). In addition, management should utilize the SWOT (acronym for Strengths, Weaknesses, Opportunities, and Threats) analysis, to identify their

internal strengths and weaknesses and their external opportunities and threats.

Ford can use the SWOT analysis for assessing their strategic position in its internal and external environments. Rational decision-making and the SWOT analysis will allow Ford to obtain and ascertain key issues to determine what strategic plans to implement. The case outlines four strategic options Ford is pursuing to increase its profitability. Describe each of the four options. For each option list two criteria, you would use to evaluate the option.

Option number one recommends closing older plants to realign production and sales. Closing the older plants managers would have to evaluate how these closures will affect their internal environment, employees will lose their jobs; the company will be obligated to buy out each employee. In addition, the company has to evaluate their external challenges; how will the closure of these plants affect the community. The plants are currently producing more cars (supply) than the consumers are purchasing (demand).

Therefore, Ford Motor Company's has to create and implement a tactical plan that denotes how the internal threat of buying out the employee's will occur, hence buying out the employees will reduce Ford Motor Company's operation expense and maximize their internal opportunity because there will be more resources (cash) to invest in other areas of the business. In addition, the company could sell their supply to employees at a discounted price and offer the consumers in the community this same discount at a point lower to achieve goodwill in the community, thus minimizing their external challenges.

Option number two is eliminating or sharply reducing the SUV and truck lines and concentrating on the production of smaller cars. The company managers should determine the strength of this option, the company would need to evaluate the following: can fuel economy be realized in these particular vehicle lines without significant cost being passed on to the consumer; will there be a continuing market for SUVs and how will reducing or eliminating truck lines affect overall sales.

Therefore, to evaluate these challenges I propose managers review their industry forces that address the question; how should Ford Motor Company compete in the SUV and truck line industry. According to Harvard professor Michal Porter (as cited in Williams, 2010), " five industry forces determine and industry's overall attractiveness and potential for long-term profitability" (p. 107). The company can determine if this is a feasible market for the company to continue participating in by assessing their positioning strategies.

Option number three requires reducing Ford's North American presence and focus the company's efforts on international markets where the company has been very successful, particularly in Europe, South America, and China. Again, it is imperative that managers utilize the rational decision-making process to determine; what is the sustainability of the Ford brand in the international market, how will reducing or removing North American presence affect the overall brand, and which plants in North America should be closed for short periods to allow the demand to catch up with the supply.

In addition, Ford should implement an aggressive marketing strategy in Europe, South American and China to gain a sustainable competitive edge in a market that is receptive. Option number four is to sell the entire PAG. The PAG group is part of Fords portfolio strategy that did not align with Ford's vision. Therefore, retrenchment strategy should be applied for this option, sell the entire line because it is not part of Ford's original vision - "production of cars that were affordable to the masses" (What Would You Do, Ford Motor Company, n. . p. 1). According to the Boston Consulting Group, BGC matrix, " is a portfolio strategy that managers use to categorize their corporation's business growth and relative market share, helping them decide how to invest corporate funds" (Williams, 2010, p. 103). The PAG group can be defined as a dog; a company that " have a small share of a slow-growth market" (Williams, 2010, p. 104). In addition, the hand-built PAG automobiles do not fit Ford's innovation of the assembly line.

In light of the possibility that market conditions can and do change, discuss at least three examples of how the company should build-in flexibility to back-up it decision-making process. Ford Motor Company should implement flexible back-up plans and one plan or method is the option based planning that is the goal " to keep all options open and acquiring small investments in alternative plans" (Williams, 2010, p. 81).

Therefore, when one or several of the alternative plans flourish Ford would invest more in those plans, while reducing investments in other, for example, the North American plants. The second plan for the company to build in flexibility would be its slack resources that are people, money or production. Hence, the partial closing of the North American plant, slack resources would

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enable Ford to adjust, when demand increases there will be resources available to accommodate these changes.

In addition, for any plan to work well, management has to keep communication open with all members of the team to develop and encourage commitment. List at least three steps that make-up a workable plan and explain why each is important. To determine and execute strategies for the four options managers at Ford Motor Company have to be aware of the essential steps in preparing a workable plan. Therefore, step number one to prepare a workable plan is setting specific goals, using the S.

M. A. R. T. guidelines that are specific, measurable, attainable, realistic and timely. This is important because it directs behavior and increase efforts when the plan stipulates specific goals. Step number two is developing commitment. Goal commitment “ is the determination to achieve a goal” (Williams, 2010, p. 80). Therefore, both managers and employees should collectively set goals to encourage commitment; setting goals collectively encourages employees to intensify their efforts.

The third step is developing an effective action plan that list the specific steps, how the options will be carry out, which employees will perform each task, and what resources are going to be needed and how long it will take to accomplish the goal. The fourth step is tracking progress this will allow you to track your short-term (proximal) and long-term (distal) goals. In addition, the company managers should use a Gantt chart that will aid them in tracking this progress and keeping projects on task.

When you know where you are going, how you getting there, who is assisting and how long it will take allows you to be flexible when conditions change.

Discuss the option or combination of options you selected as the best course of actions for Ford Motor Company and detail your reasons for selecting that option or combination of options. I recommend Ford Motor Company put into operation, option number three, to take the unprecedented step to dramatically reduce their North American presence and focus their efforts on international markets where they have been successful.

Ford Motor Company also should elect option number four, to sell the entire PAG group. To maximize Ford's profits, it is clear that North American factories are not doing well and are the major sources of losses. Ford has lost a substantial amount of market share to its competitors. Ford does not want to produce more cars than they sell. Therefore, by reducing production in this market will provide them with slack resources to fund their European market. In addition, operation expense for their North American operations is expensive due to unionization.

The United Auto Workers (UAW) " represents most of the company's production employees and the contract terms over the years have been designed to provide significant long-term support to those employees" (What Would You Do? Ford Motor Company, n. d. , p. 1), and these generous benefits are weighing down the company operations and liquidity; therefore, Ford Motor Company should pay out the severance package to these employees and this will free up those monies to reinvest in the markets that are doing well or to repair older plants.

In addition, due to the general environment changes - the economy, the company should negotiate new compensation packages with UAW to decrease their operational expenses. Additionally, Ford Motor Company should sell PAG because they are not in the luxury car business and refocus their attention to what they do best -- producing cars that are affordable to masses. ? References Williams, C. (2010). Management. Mason, OH: Cengage Learning.