

Foster functional and technical excellence marketing essay



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The history of the company is the history of the industry, in both the US, and worldwide. Many of the technological and managerial advances that have currently increased worldwide industrial productivity were either discovered within the walls of a Ford Motor Company (Ford) building, or discovered by a company's employee, or by someone working by or for Ford (like Frederick Taylor). Therefore, we will focus on the most influential milestones in the history of the company, in order to provide a wide and comprehensive frame.

Ford was incorporated by Henry Ford and 11 other investors on June 16, 1903, and it was actually his third business venture in the automobile business, after the Detroit Automobile Company, founded in 1899; and reorganized in 1901 as the Henry Ford Company, and Ford and Malcomson in 1902. The company was an immediate success, earning in the first six months \$100, 000, and a total of \$300, 000 by 1905.

Early models were produced at a rate of only a few a day at a rented factory in Detroit, Michigan, with groups of two or three men working on each car from components made to order by other companies. Yet, in 1913, Ford introduced the world's first moving assembly line, reducing chassis assembly time from 12 hours to around 3 hours, and boosted annual output to 202, 667 units per year, from 18, 000 units per year in 1909.

During World War I, Ford supported the war effort with the Model T becoming the underpinnings for Allied military vehicles, like the Ford 3-Ton M1918 tank, and the 1916 ambulance. Yet, after the war ended, Ford steadily began losing market share to domestic and foreign competitors, as they began offering freshly designed automobiles with more innovative features and

luxury options, and also, by extending credit for purchases, an approach Ford initially resisted, but eventually relented and offered the same terms in December 1927, when Ford unveiled the redesigned Model A, and retired the Model T.

In 1942, during World War II, the production of civilian vehicles was halted, as factory capacity was diverted to producing B-24 Liberator bombers, tanks, and other products for the war effort. Then, in 1946, Robert McNamara joined Ford as Manager of Planning and Financial Analysis, and then, on November 9th, 1960, President of the company (the first company head selected outside the Ford family), but less than five weeks after assuming the position, he accepted US President John F. Kennedy ' s invitation to join his cabinet, as Secretary of Defense.

In 2001, Henry Ford's great-grandson, William Clay Ford Jr., became the company's Chairman of the Board and CEO until September 5, 2006, when, under severe financial hardship, Alan Mulally was appointed. In December 2006, Ford announced it would mortgage all assets, including factories and equipment, office property, intellectual property (including the blue oval trademark), and its stakes in subsidiaries, to raise \$23. 4 billion in cash. The secured credit was gotten for financing product development as well as restructuring efforts from 2009 until turning a profit, an unprecedented action in the company's 103 year history.

International presence and expansion.

Ford attained international status in 1904 with the founding of Ford of

Canada, but it was in 1911 when the company began to rapidly expand
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overseas, with the opening of assembly plants in Ireland, England and France in 1917; followed by Denmark in 1923; Germany, Austria, and Argentina in 1925; and also in South Africa (in 1924) and Australia (in 1925) as subsidiaries of Ford of Canada.

Ford currently has operations worldwide, including in the United States, Canada, Mexico (Ford The Americas), the United Kingdom, Germany, France, Spain, Romania (Ford of Europe), Brazil, Argentina, Colombia, Chile, and Venezuela (Ford South America Operations), Australia, South Africa, Thailand, Japan, India, and China (Ford Asia Pacific and Asia). Ford also has a cooperative agreement with Russian automaker GAZ, and with Turkish automaker Otosan.

Mission, vision and values of the Company.

Ford Mission, vision and values are summarized under the One Ford Strategy, being:

One Team: People working together as a lean, global enterprise for automotive leadership, as measured by: customer, employee, dealer, investor, supplier, union/council, and community satisfaction.

One Plan:

Aggressively restructure to operate profitably at the current demand and changing model mix.

Accelerate development of new products our customers want and value.

Finance our plan and improve our balance sheet.

Work together effectively as one team.

One Goal: An exciting viable Ford delivering profitable growth for all.

Expected Behaviors:

Foster Functional and Technical Excellence:

Know and have a passion for our business and our customers.

Demonstrate and build functional and technical excellence.

Ensure process discipline.

Have a continuous improvement philosophy and practice.

Own working together:

Believe in skilled and motivated people working together.

Include everyone; respect, listen to, help, appreciate others.

Build strong relationships; be a team player, develop ourselves and others.

Communicate clearly, concisely and candidly.

Role Model Ford Values:

Show initiative, courage, integrity, and good corporate citizenship.

Improve quality, safety and sustainability.

Have a can do, find a way attitude and emotional resilience.

Enjoy the journey and each other; have fun – never at others' expense.

Deliver Results:

Deal positively with our business realities; develop compelling and comprehensive plans, while keeping an enterprise view.

Set high expectations and inspire others.

Make sound decisions using facts and data.

Hold ourselves and others responsible and accountable for delivering results and satisfying customers.

Strategy of the Company.

Ford's business strategy is embodied in the ONE Ford plan, which expands on the Company's four-point business plan for achieving success globally.

The four-point business plan consists of:

Aggressively restructure to operate profitably at the current demand and changing model mix.

Accelerate development of new products our customers want and value.

Finance our plan and improve our balance sheet.

Work together effectively as one team.

Building on this plan, ONE Ford encourages focus, teamwork and a single global approach, aligning employee efforts toward a common definition of success. It emphasizes the importance of working together as one team to achieve automotive leadership, which is measured by the satisfaction of the company's customers, employees and essential business partners, such as dealers, investors, suppliers, unions/councils and the communities in which the company operates.

The goal of ONE Ford is to create an exciting and viable company with profitable growth for all. The output of ONE Ford is:

Great Products, defined as those that are high quality, green, safe and smart.

Strong Business, based on a balanced portfolio of products and global presence; and

Better World, accomplished through our sustainability strategy.

Ford has made a remarkable turnaround over the last several years, fueled by disciplined adherence to the ONE Ford plan and resulting in the reinvention of the company as a highly competitive force in the global automotive industry.

Looking ahead, industry-wide vehicle sales are expected to rise significantly in the next few years, driven by accelerated expansion in developing markets, recovery in mature markets and sales of smaller and more fuel-efficient vehicles. The company expects sales to increase to about 8 million

units by mid-decade. By 2020, nearly one-third of the company's sales will
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come from the fast-growing Asia Pacific and Africa region, more than doubling the current percentage of global sales volume Ford has achieved in that region.

National and Worldwide Competitors.

According to 2011 data from the International Organization of Motor Vehicle Manufacturers, Ford is the 5th largest US vehicles manufacturer, with sales of 1, 942, 150 (22. 44%) passengers and commercial vehicles, out of the 8, 653, 560 sold. The largest competitors are General Motors, Volkswagen, Toyota, and Hyundai, which are also, Ford's largest competitors worldwide.

Financial Results of the Company.

Ford reported, on January 23, 2013, 2012 full year pre-tax profit of \$8 billion on the strength of record results from North America and continued solid performance from Ford Credit. Full year pre-tax profit of \$8 billion, or \$1. 41 per share, and net income of \$5. 7 billion, or \$1. 42 per share, were each lower than a year ago. Excluding the impact of 2011 changes in the valuation allowance against deferred tax assets, Ford fourth quarter net income was \$565 million higher than 2011, while full year was \$307 million lower than a year ago.

Fourth quarter pre-tax profit was \$1. 7 billion, or \$0. 31 per share, an increase of \$577 million from 2011. Ford now has posted a pre-tax profit for 14 consecutive quarters. Fourth quarter net income was \$1. 6 billion, or \$0. 40 per share.

Ford generated positive automotive operating-related cash flow of \$1 billion in the fourth quarter - the 11th consecutive quarter of positive performance - and positive Automotive operating-related cash flow of \$3. 4 billion for the full year. Ford ended 2012 with Automotive gross cash of \$24. 3 billion, exceeding debt by \$10 billion, and a strong liquidity position of \$34. 5 billion, an increase of \$2. 1 billion over 2011.

Products manufactured and services offered.

Products:

Cars:

Small: Ka, Fiesta and Figo (Worldwide).

Medium: C-Max and Focus (Worldwide).

Large: Mondeo (Europe) and Fusion (North America).

Sports: Mustang (North America).

Utilities:

Small: EcoSport (South America and Asia).

Medium: Kuga (Europe, Asia and South America), Escape, and Edge (North America).

Large: Explorer (Worldwide).

Trucks:

Small: Transit Connect (Worldwide).

Medium: Ranger (Europe, South America, Asia and Africa).

Large: F-Series (Worldwide).

Lincoln:

Lincoln MKZ (Large Car).

Lincoln MKC (Medium Utility).

Services:

Ford and Lincoln Service:

Quick Lane Tire and Auto Center:

Motorcraft and Ford Genuine Parts:

Genuine Ford Accessories:

Extended Service Business:

Ford Extended Service Plan (ESP):

Ford Credit:

SWOT analysis.

Strengths

Weaknesses

High commitment to Product Development

Significant growth in hybrid vehicles market

Solid position in the US Market

Financial Health

One Ford approach

Accomplish growth in largest market in the world (China)

Negative environmental reputation

High cost structure

Unprofitable Europe Operations

Opportunities

Threats

Transition to “ Green” vehicles

Changes in the emission standards regulations

Increasing fuel prices

Revitalize Lincoln brand through Lincoln Motor Company

Economic and political risks of South American operations

Decrease in fuel prices

Intense competition from Asian manufacturers solidifying international operations

Fluctuating exchange rates

Strengths:

Extremely committed to Product Development. Launched 25 vehicles and 31 powertrains worldwide in 2012 (including a refreshment of South America's product line).

Significant growth in hybrid vehicles market (hybrid, plug in hybrid and pure battery electric). Fourth Quarter in 2012 broke company's records.

Strong position in US market. Ford is the second largest automaker in US, the second largest vehicle market in the world (China is the first). Ford is the only brand to pass the 2 million vehicles sold mark in the US since 2007, and they have done it 2 years in a row.

Solid financial performance. Ford was the only big US car company that didn't need the government bailout and was the first to get investment status back. 14 straight quarters of operating profit and they have returned to pay dividends to shareholders.

'One Ford' approach. Ford has decided to produce single, streamlined global lineup of its models. The carmaker no longer produces customized vehicles for different regions but focus on designing and engineering the car that fits different regional tastes and regulations.

Significant growth in China. Ford, although not the strongest player in the China has experienced the significant growth in the largest automotive market in the world for the 2012. It grew its sales by 46%, according to Ford press release.

Weaknesses:

Poor environmental record. Ford has been criticized for poor efforts to decrease environment pollution. University of Massachusetts Amherst have rated Ford as the seventh worst air polluter due to its manufacturing plants. The US Environmental Protection Agency also linked Ford to 42 toxic waste sites.

High cost structure. Although ' One Ford' initiative led to substantial cost reduction, Ford still has a high cost structure, compared to other automobiles manufacturers. Ford's costs are driven by its generous employee compensation and pension plans.

Unprofitable Europe operations. In 2012, Ford lost \$1. 75 billion in Europe and plans to experience losses in the region until 2015.

Opportunities:

Revitalize Lincoln brand through Lincoln Motor Company

Positive attitude towards " green" vehicles. Cars that are fuel inefficient and emit large quantities of CO2 heavily pollute air and negatively affect the environment. Consumers are aware of this negative impact and are more likely to buy " green" vehicles that emit much less CO2 and are fuel-efficient.

Increasing fuel prices. Ford's strong emphasis on engineering fuel-efficient vehicles (Ford Fiesta and Ford Focus ECONetic) with flexible fuel and hybrid engines will pay off due to increasing fuel prices in the world.

New emission standards. A new wave for stricter regulations on vehicle emission standards would positively affect Ford position in automotive industry. Ford invests large amounts of money to produce fuel-efficient engines and reaped some success with its Ford Fiesta and Ford Focus ECONetic models.

Strategic partnerships. Ford has great experience in creating strategic alliances and partnerships with other automotive companies. Due to current competitive pressure, all companies are more likely to enter into such partnerships to drive R&D costs down, access new markets and gain some new skills.

Threats:

Economic and Political Risks of South America operations

Decreasing fuel prices. Some analysts forecast that future fuel prices will drop due to extraction of shale gas. This would negatively affect Ford as it focus on compact fuel-efficient hybrid and flexible fuel cars that are less attractive when the fuel price is low.

Intense competition. Ford faces more intense competition from other auto manufacturers more than ever, especially in small cars segment with hybrid engines.

Fluctuating exchange rates. Ford, including other largest automotive companies, may negatively be affected by fluctuating exchange rates as it earns more than half of its profits outside the US. The profits may be lower due appreciating dollar against other currencies.

Quality process.

In 2001 Ford ranked last among the big-seven automakers in quality. Since then, the company has made significant strides in to achieve world-class levels of quality and desirability. This has been accomplished by following an established global set of disciplined, standardized processes that are aimed at making Ford a leader in automotive quality. Via the company's common global management team, Ford is leveraging its assets by eliminating duplication, implementing best practices and utilizing a systematic approach to quality.

Overall, Ford expects quality to improve in 2013, including improvement in North America, where the company is making progress addressing specific customer concerns. The company has also made steady and significant progress in South America, Europe, and Asia Pacific & Africa.

In fact, using the key quality measure of " things gone wrong" (" TGW") per 1, 000 vehicles at three months in service, as measured by Global Quality Research System (GQRS), a Ford-sponsored competitive research survey, the company had its best performance of the last five years in 2010, as the indicator has improved to 1140, from 1846 in 2005. In 2011, the company changed the GQRS survey to include additional questions on vehicle

entertainment and information systems, therefore, the 2011 (1447 TGW) results are not comparable to previous years.

These improvements are mainly a result of the company's implementation of the Consumer Driven Six-Sigma program, in 2001. The set of tools and strategies for process improvement, originally developed by Motorola in 1985, comprises more than 200 Master Black Belts, 2, 200 Black Belts and nearly 40, 000 Green Belts worldwide. It also relies on the DMAIC methodology (Define, Measure, Analyze, Improve, and Control).

Since Six Sigma's inception, Ford has saved about \$1 billion in waste elimination globally. Year-over-year savings worldwide was \$359 million in 2010. Moreover, customer satisfaction has risen five percentage points in the company's internal customer satisfaction survey. However, results like these don't happen overnight. Ford invested heavily up front to train its employees as Six Sigma Green Belts, Black Belts, Master Black Belts and Project Champions. The company also implemented a project-tracking system in which members of separate project teams can observe via an internal database what others are working on.

Manufacturing process.

If Ford is a vehicle, then the engine that drives manufacturing is the Ford Production System (FPS). FPS defines the way that Ford operates within all of its manufacturing facilities throughout the world. FPS is the blueprint for today and for the future. It's about bringing processes together. It's about learning from each other. And it's about having operating systems developed

from best practices from around the world which are truly the best way to build vehicles.

While FPS has been solidly in place since the mid-'90s, Ford decided recently that the system needed to be approached in a different way, in order to leverage the opportunity that the One Ford strategy provides, the company has to be standard in all plants in every region of the world. It is necessary to do things the same way, having common, consistent standards, and in that way, leverage the knowledge, capability and improvement opportunities that come from all plants to help make the system stronger.

Having a standardized approach is very important because it provides a baseline on which to build and improve. Although the company has operated in different ways around the world in the past, the company recognizes the benefit of having a structured standard that's integrated together and works as a system. In addition to establishing consistent standards for people and processes, the Ford's manufacturing teams have worked to standardize the manufacturing equipment used at plants throughout the world. In addition, performance within manufacturing is measured around seven elements; Safety, Quality, Delivery, Cost, People, Maintenance and Environment (SQDCPME).

Process technology.

Ford Motor Company has been an icon not only for the automobile industry but to all manufacturing firms around the world by establishing since the early 20th century a solid relationship between technological advances and productivity growth.

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The moving assembly line around 1913 has not been the only contribution the company has made to the manufacturing industry. Ford Motor Company has been a pioneer in the automobile industry by incorporating computer simulations to plan vehicle assembly at their facilities, making this high-tech solution a fundamental part of Ford's production worldwide.

Ford has been able to incorporate the use of technology like RFID tags, robots, Flexible Manufacturing Systems (FMS) and Automated Guided Vehicles (AGV) to all of their process in order to guarantee not only a faster and less expensive (in the long run) process, but also a meticulously controlled product. RFID tags are used to provide real time location and status information of parts during the distribution process; robots are mainly used all around the assembly process but one of the most emblematic examples is currently the application of this devices over the painting process; FMS allows Ford to quickly incorporate different models into an existing facility, to reconfigure it to produce a new model, or to evaluate tooling and product interfaces before incurring in expensive investments regarding new installations (with the use of virtual manufacturing technology).

Besides integrating these advances to their assembly process, Ford Motor Company has a strong belief of incorporating technology into their products far beyond the standards of the industry. According to Ford Motor Company's Corporate Site (2013) (<http://corporate.ford.com/innovation/innovation-detail/fgtl>) the company:

“ has a vast array of technologies (patented, non-patented, know-how, trade secrets, engineering standards/specifications, etc.) and other forms of intellectual property (copyrights, software, source code, manufacturing/quality processes and procedures, business methods, training materials, etc.) available for licensing and/or sale.

Ford Global Technologies, LLC (FGTL-TC), a wholly-owned subsidiary of Ford Motor Company, manages all aspects of intellectual property for Ford Motor Company. The Technology Commercialization Team of FGTL markets and licenses/sells select patented and non-patented technologies and other forms of intellectual property to others for use inside and outside of the automotive industry”.

Inventory management.

At Ford, inventory management is definitely not a new idea, as inventory management has some of its developing origins at Ford itself. Ongoing analyses of both inventory management and manufacturing processes have led to innovative management systems, such as just-in-time inventory, or the economic-order quantity decision model. Just-in-time inventory is a process developed by the Japanese based on a process invented by Henry Ford.

Henry Ford managed to cut the company’s inventory by forty million dollars by changing how the company obtained materials to produce automobiles.

Through a process called vertical integration, Ford purchased mines and smelting operations to better control the source and supply of material to

produce cars. This way, Ford was able to reduce his standing inventory and <https://assignbuster.com/foster-functional-and-technical-excellence-marketing-essay/>

increase turnover. In the 1950's, Taiichi Ohno, a mechanical engineer working for Toyota Motor Co., refined this process into what we know today as just-in-time inventory.

Just-in-time inventory usually requires a dominant face (or a major partner that has the resources to start the process and keep it organized and controlled) that organizes the flow and communication so that all the parties in the supply process know exactly how many parts are needed to complete a production cycle and how much time is needed in between production cycles. By having and sharing this information, Ford Motor Company and its suppliers are able to deliver just the right amount of product or inventory at a given time. This requires a close working relationship between all the parties involved and greatly minimizes the amount of standing or idle inventory.

In the economic-order quantity decision model, an analysis is made to determine the optimum quantity of product needed to minimize total manufacturing or production costs. In other words, through a complex analysis, management attempts to determine the minimum amount of product needed to do the job and still keep the cost of inventory as low as they possibly can. This analysis considers the amount of time needed to generate an order, to process, manufacture, organize, and ship each product, then to receive, put into inventory, and then sell each product. Lastly is to process the paperwork upon receipt through the final payment process.

Ford, like many companies today employ a mixture of both processes in order to maintain their independence but still have a close relationship with suppliers. Ford Dealerships, for example, work closely with the company to maintain the lowest possible inventories but still have enough cars to satisfy their customers demand. Ford has access to information about each of its Ford Dealerships inventory levels, this allows management to further analyze inventories to ensure that each Ford store is carrying the correct amount of inventory in stock to satisfy that markets needs and maintain minimum levels.

Corporate social responsibility.

Ford has been rated among the top 25 companies in the world in corporate social responsibility reporting by “ Tomorrow’s Value: The Global Reporters.” Ford is the only automaker among the top 25 of the 50 companies demonstrating best practices in corporate social responsibility.

“ Tomorrow’s Value,” released biannually since 1994, is an international benchmark of corporate sustainability reporting developed in partnership with United Nations Environment Programme, Standard & Poor’s and SustainAbility Ltd. This was Ford’s second time on the list.

Corporate social responsibility surveys measure the performance of companies that meet globally recognized corporate social responsibility standards. To be included, companies must demonstrate a transparent commitment to sustainability.

Ford is also listed on the Dow Jones Sustainability Indexes' (DJSI) annual review of global sustainability leaders, and it is among companies from a range of industrial sectors that have been included in the DJSI's best-in-class lists. DJSI tracks the economic, environmental and social performance of the leading sustainability-driven companies worldwide. Ford has been included in the DJSI for five consecutive years.

In addition, Ford has earned best-in-class status for its environmental and social performance in Storebrand Investments' 2006 Socially Responsible Investment survey. Storebrand, a major Scandinavian financial service company with a strong commitment to corporate responsibility, monitors the environmental and social performance of more than 2, 000 companies.

At the end of 2005, Ford issued an industry-first report on the business implications of climate change. Ford also was the first in the automotive industry to develop, implement and report a Code of Basic Working Conditions. The report sets out Ford's Code of Basic Working Conditions for its operations and those of its suppliers, as well as the company's long-term climate strategy.