

Management ford motor company analysis case study examples

[Business](#), [Company](#)



Question 1. What are the major challenges that need to be addressed to strengthen Ford Motor Company? Analyze the turnaround plan of Ford.

After Alan Mulally, took over the CEO post for Ford motor Company. He was faced with a lot of challenges, which he needs to address in order to strengthen the company. One of them is the labor relations issue, benefits and worker's union demands. Mulally was experienced in such kind of issues; however, he lacks background when it comes to finance. Therefore, it became a real challenge when the company was faced with B+ junk rating on Ford Stock, diminishing cash because of product development and restructuring cost. The problems on stock ratings, draining cash and employee relation issues are crucial issues that needs to be addressed in keeping the company afloat (Ford 5 file, Company on the Edge, p. 293 on 167).

Question 2. What kind of diversification strategy did Ford pursue and what was the problem with the strategy?

The diversification strategy that Ford Motors pursued for the company is to appoint a new leader outside the vehicle manufacturing industry. This strategy was after Bill Ford has tried several times to find a suitable successor. Alan Mulally was selected among the long list of candidates. He came from a metal bending company and the reason he was selected is that of his outstanding track record and for Ford Motors to change its dysfunctional culture dominated by Ford family kinship. The only problem the strategy is that the choice leader lacks the necessary skills when it comes to finance and other business terms related to vehicle manufacturing.

Mulally may have been an excellent leader when it comes to management techniques, but his lack of expertise in vehicle manufacturing could be a risk (Ford 1 file, p285).

Resources

Examples of tangible resources are cash, furnitures, equipments and real estates, while intangible resources refers to intellectual assets, technology and employee skills. These resources are detrimental to the success of the business. Ford Mortors Company being one of the world largest car maker is using tangible resources such as cash assets, marketable securities, inventories and equities in affiliate companies in order to keep afloat. However, the company also relies on intangible assets such as goodwill and competitive workers. Technology is also part of their intangible assets. Since competing car makers such as the Japanese brand Toyota is leveraging on hybrid and green cars. Ford on the other hand is leveraging on fuel efficient vehicles and less expensive models in order to keep hold of its market shares (see Ford 3 file, Exhibit 3, sector balance sheets).

Capabilities

When it comes to company capabilities, Ford definitely is capable in turning around its failing trend. The “ smaller-is-better” thinking implied by new CEO Mulally by paying attention to cutting cost and business transformation (see Ford 2 file, p. 287 on 161). Another capability demonstrated by the company and the new CEO is to close plants and utilize optimum capacity of the remaining plants by means of increasing production output. This strategy is in-line with “ less-is-better” strategy of Mulally (see Ford 3 file, p. 289 on

163).

Core Competencies

Leveraging on fewer plants and maximized production output, would enable Ford company to save US\$5 Billion in total operational cost. This will reflect on their target competencies in terms of increased sales on less expensive units such as Ford F-series. In addition, the company is expecting higher market shares in Asia, Europe and Central and South America because of the promise of global motorization era. J. D. Power associates also indicated an above average ranking in the 2006 vehicle dependability study (see Ford 6 file, p. 294 on 168).

Competitive Advantage

Competitive advantage refers to the general strength that companies use to compete in the industry market. Most of these advantages are more focused on the company's strong business characteristics and strategies. The strongest competitive advantage of Ford Motors is its strong foothold in the U. S. Market and their more than a hundred years of existence (see Ford 2 file p. 287 on 161).

Business Corporate Advantage

Ford's primary business is focused on vehicle manufacturing and sales. Current business strategy imposed by CEO Mulally is to reduce operational cost and focus on developing fuel efficient units, which appears to be more appealing to the global market (see Ford 2 file, p. 287 on 161).

General Environment

General environment is composed of several factors affecting the industry in general. Factors such as economic, political and social greatly affects the trend of the business and all of them are relevant to the car industry as a whole. Several environmental factors is affecting car industry particularly Ford Motors, one of that is the growing influence of the Japanese car maker in the U. S. Market, thus affecting the American market shares holding. Difficult economic situation affects the company in terms of sales because of the change in consumer behavior opting for less expensive yet durable cars. The availability of credit and fuel cost also affects consumer choice and Ford Motors need to adhere to those changes in order to establish strong competition (see Ford 5 file, p. 293 on 167).

Firm Performance

Ford Motor Company is showing a steady downward trend since 1999, posting a drop in market shares from 25% to 18% in 2006. Along with it are the serious financial problems resulting to retrenchments of thousands of employees and revenue losses (Ford 5 p. 292 on 166.)