

# What are the strategic issues discussed in the case case study sample

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



## **Integrated case analysis**

### Introduction

Strategic management refers to the ability of managers to execute a collection of strategic policies in order to outsmart their rivals in the regional and global market. It is an intellectual approach by the management where they review their current performance and devise strategies to improve on effectiveness and profitability to seize competitive advantage over their rivals. Ford motor company has had a series of ups and downs in the automotive industry due to advanced technology and increased competition. The situation has prompted the management to review its strategic plan with intent to regain its market share and retain a strong competitive advantage over other automotive companies.

### **Question1**

- Acquisition of Lincoln company

The strategy was ratified by Edsel in 1922 as a preparation to improve the efficiency of Model T vehicle and facilitate production of the vehicle in different colors.

- Establishment of a collaborated accounting and financial control system.

The strategy was initiated in 1943 by Henry Ford II, who contracted a group of Army intellects and eventually steered the company to regain its second position in market share.

- Laying off jobs and discontinuation of certain models

In 2001, Bill Ford implemented cost-cutting measures such as retirement incentive program, closure of three assembly plants in North America and

discontinuation of four vehicle models-Mercury Villager, Ford Escort, Lincoln continental and Mercury cougar.

- “ Ford the way forward”

Bill Ford announced further job cuts and closure of two assembly plants to reduce the final figure to 16 assembly plants in order to enhance cost-effectiveness and efficiency.

- Appointment of Allan Mulally

In 2006, Bill ford appointed Allan as the new CEO as a strategy to delegate his combined responsibility of the CEO and Chairman. Mulally’s focus was on a lean production capacity, quality production and profitability. He converted the company’s groups and brands into one global interlinked identity.

Additionally, Mulally developed a new and well coordinated organization structure.

## **Question 2**

Identify and critically evaluate the similarities and differences between the two sets of vision and mission statements of Ford Company.

The vision and mission statements are the key indicators of how the company performs, what it intends to deliver and what it aspires to attain in prosperity. The two statements are characterized by the values of all relevant stakeholders. In both statements, customers’ satisfaction is a key priority since their appreciation to the products is a comparative advantage over Ford’s competitors. Bill Ford and Mulally believed that customers definition of “ best” is the quality and affordable products. Additionally, the statements emphasize on team work as a strategy to achieving the set

values. As part of the requirement, both statements have indicated their objective, which is to become a leading producer of automotive. The goals are precise and measurable based on quality and affordability of final products.

Both statements are drafted under different leadership eras of Bill Ford and Mulally. For instance, both executives fulfilled the role of vision and mission statements by endorsing cost-cutting approach and lean production in order to fulfill the company's commitment to provide quality, affordable products and good rate of return to its customers and shareholders respectively.

One of the differences between new and old statements is that Bill Ford developed separate vision and mission statements while Mulally incorporated the objective of both statements into a single and comprehensive strategic statement. Unlike Bill Ford, who emphasized on customer satisfaction and good returns to shareholders, Mulally noted on the indispensable usefulness of other stakeholders such as suppliers, employees, investors and corporate social responsibility. Mulally believed that the aspirations of mission and vision statements would be fruitless without a time-framed implementation plan. This is contrary to Bill Ford, who didn't mention a plan on how the statement's objectives would be achieved.

Moreover, Mulally's statement emphasizes that the company's values had to set pace for their rivals through corporate citizenship and collaborative communication and emotional resilience. Such an objective inculcates patience and persistency among all players. For instance, Allan Mulally would communicate to the stakeholders about his cost-cutting strategy for the benefit of the company. Allan Mulally vision statement emphasized on the

input of technical efficiency in attaining the set goals. True to the statement, he launched technological initiatives such as production of fuel efficient vehicles in order to equate product's cost to the customers' value and taste.

### **Question three**

Conduct a PESTEL (Political, Economical, Social, Technological, Environment, and legal) analysis of the macro-economic environment in the U. S auto industry.

#### **Political environment**

Political stability is a key ingredient to a company's economic performance. Since the events of the World war II, the US federal government has been corporative in creating an enabling environment for the automotive industry. Legislators have been active in enacting laws that enhance low-cost and fuel-efficient vehicles and bio-sensitive fuel products. In 2009, US President Barack Obama authorized the utilization of \$700billion as bailout funds for general motors and Chrysler due to the recession. In the same year, Obama assented into law the " cash for Clunkers" bill that paved way for the Car Allowance rebate System program that allowed individuals to trade their old model vehicles with high fuel efficient vehicles with bio-fuels engine system. The legislative action helped Ford company to compete ahead of Toyota company. The political instability has been imperative in the performance of the automotive industry.

## **Economic environment.**

The global recession in the year 2008 affected adversely the automotive market leading to a decline in demand of vehicles. The economic downturn led to financial loss for the Ford Company thus created a competitive advantage to Japanese auto industry players. Additionally, customers have been rational about their tastes and preferences on fuel efficient and environmental conservative vehicles. For instance, in 2010, Ford's new version explorer performed well in the market compared to the old Sport utility version vehicles whose consumption rate is cost- ineffective. The US automotive economy has been infiltrated by external competitors such as Toyota that has continued to win the hearts of most consumers in the US and across the globe. The external force has affected the performance of US automotive across the globe. The fluctuating currency performance is an economic hindrance especially the rising cost of gas and oil that has led to increased cost of production and selling cost.

## **Social environment.**

The current social environment in the US has been characterized by the rising trend in the young population. The country's population is mostly composed of youths aged below 45 years thus shifting the automotive preference trend towards small and luxury vehicles. In addition, the society has been environmentally sensitive with a changed preference on less effluent vehicles. The trend has prompted the GM, Ford and Chrysler to counter a competitive force from Toyota, who has been assembling environmentally and socially sensitive vehicles.

## **Technological**

Hydrogen fuel and gasoline for electric vehicles have been the current trends in the automotive industry. Consumers have been technologically sensitive and thus changing the automotive trend. The US auto industry is striving to manufacture techno-oriented vehicles that will counter competitive advantage from Toyota companies. Additionally, steps are underway to start implementing the bio-fuel consumption in vehicles.

## **Environmental**

The US government has been sensitive to United Nations advocacy for environment conservation and, therefore, embarked on the production of vehicles that emit fewer effluents, as well as disposal of vehicle components.

## **Legal**

The US auto industry players have been subjected to adhere to laws that safeguard the rights of customers, investors, suppliers, the federal government and the surrounding society as a strategy to promote enabling environment in the economy.

## **Question 4**

Develop an understanding of the U. S. auto industry environment by applying Porter's Five Forces model

## **Bargaining power of buyers**

Buyers' power to pressure the sellers exists when they have many alternatives. In the Automotive industry, Ford is overwhelmed by the buyers' alternative to less-fuel efficient vehicles at affordable price from other rivals

such as Toyota. Additionally, the buyers switching cost to alternatives is low because the cost of substitute products is lower than the switching cost. Therefore, Ford company has embarked on producing more fuel efficient vehicles to increase the buyers' switching cost.

### **Bargaining power of suppliers**

The US government has been sensitive to labor relations that protect consumers. Therefore, the auto industry should employ workers at reasonable wages within the stipulated labor relations guidelines. For instance, adjustments to wages have led to increased cost of production and high selling price. The US auto industry players such as Ford has embarked on cost-cutting jobs through retrenchment programs with intent to lower production cost and increase efficiency. However, collaborative and consultative approach is imperative with employees and the labor unions in order to safeguard the company's reputation and loss of market share due to customers' dissatisfaction.

### **Threat of substitutes**

Toyota and Honda companies have been the greatest threats to the US automotive industry due to their strategic approach to produce less fuel consuming vehicles. The approach has indirectly influenced the customers' preference to affordable and comfortable vehicles. The threat could be, as a result, of readily available automotive parts in Japan thus leading to the production of low cost and efficient vehicles. The US automotive industry could react by outsourcing part of the production such as assembling of interior vehicle parts.



## **Threat of new market entrants**

Toyota and Honda have established their market niche in the US auto industry. The trend posed a challenge to GM and Ford in their parent market. Additionally, KIA and Hyundai have recently been exporting their vehicles in the US market thus creating more competition. The US automotive players should safeguard their relationship with their suppliers as well as such for less costly suppliers in order to remain competitively relevant. As a result, Ford and GM companies will be prioritized by the suppliers in case of resource shortage and thus overpower their rivals in market dominance and winning consumer confidence.

## **Competitive rivalry intensity**

Competitive rivalry is accelerated based on the producers' ability to invest in providing information to their customers. For instance, innovation is the key to creating a competitive advantage of the company ahead of their rivals. For instance, Chrysler introduced a project to assemble an electric vehicle that will counter the rival's aggressiveness in automotive innovation. For instance, Ford production of Lincoln MKZ hybrid; the most fuel-efficient luxury vehicle in the US will minimize the competitive force from rivals.

## **Question 5**

Conduct an internal analysis of Ford Motor Co.: First, clearly identify its resources (tangible & in-tangible), capabilities, and core competencies. What are the Ford Motor Co.'s competitive strengths relative to its key rivals?

One of the tangible resources for Ford Company is the able Chief executive officer (CEO); Allan Mulally. The CEO has a subjective decision making style

that is sensitive to other parties' opinions. The strategic strength has enabled Ford to implement the company's goals. Market reputation is an intangible resource for the company in the US and has enabled quick penetration of innovative vehicles in the consumer market. Additionally, the company has invested in the research and development projects that have facilitated the company's understanding of the consumer's trending tastes and preferences. Ford Company's investment in consumer research and development is an advantage for the company because it has facilitated the company's innovative approach in satisfying the consumers' demands. As a result, the company currently possesses 12 vehicles that are fuel efficient and four model vehicles with at least 40mpg. The company's competitive advantage has increased the company's sustainability in the market by facilitating the introduction of electric/ gasoline consuming vehicles as well as complying with the federal government laws on global warming and fuel emissions.

## **Question 6**

Please clearly identify the elements of Ford Motor Co.'s two sets of strategies: First, its Corporate strategy; Second, its operational or functional strategies as articulated in the case or by Alan Mulally?

### **Corporate strategy**

The strategic leadership of Allan Mulally has been positively influenced by his emotional intelligence approach in steering the corporate governance of Ford Company. Mulally's corporate strategy restructured the company's corporate components into a single entity that was defined by a

comprehensive project system to enhance coordination. The CEO reduced workforce to manageable levels, shutdown of unprofitable brands, closure of plants and interlink among suppliers who supply multiple products that are mutually important to the company's operations. Another corporate strategy is the company's reduction of models from 97 to an average of 20 models. The strategy has facilitated definition of key departments, delegation of responsibilities and ease of marketing strategy. Mulally insisted that the fewer the brands, the easier it was to manage the products marketing strategy and cost effectiveness. The company's current line-up consist of SUVs, commercial trucks, cars, hybrids and electric vehicles . For example, the company signed a contract with Azure Dynamics Corp. to facilitate installation of plug-in hybrid power trains in the F-series Super Duty trucks.

### **Operational /functional strategy**

The functional strategies are part of the company's corporate governance that coordinates a company's mechanisms to facilitate the implementation of the company's visions and missions. Under the table leadership of Mulally, the company developed an Executive Business and Technology Program (EBTR) that enabled the company to meet regularly with its key suppliers in order to share the band deliberates on the appropriate strategies and how to implement the effectively. In the year 2005, the management developed an Aligned Business Framework (ABF) where the company entered into contractual agreements with reliable and well established suppliers so that they can enhance effective logistics and supply chain management. Consequently, the company succeeded in reducing the number of suppliers

and logistical costs. Another functional strategy that enhanced competitiveness is the company's investment in enhancing the safeties of the consumers in their cars through technology such as inflatable seatbelts and curve control. The strategy was imperative in diverting the customers' loyalty to the Ford's products.

## **Question 7**

A good strategic leader is a combination of two elements: vision+ execution. Do you think Alan Mulally is effective as Ford's top strategic leader, in terms of his experience, personality, management style, foresight, people skills, implementation skills, etc.?

The appointment of Allan Mulally was a bold and strategic step by Bill Ford due to his reputable performance record in the Boeing aviation industry. A strategic leader should possess the following core values: emotional intelligence, collaborative communication style and subjective maximizer decision making approach. Mulally has demonstrated emotional intelligence through his consultative approach to involve other managers when he was appointed to the executive position. Additionally, his collaborative communication approach was demonstrated when Mulally met regularly with the key suppliers through Aligned business Framework (ABF) that enabled effective supply of resources. Mulally is subjective in decision making especially in his connection with the employees and his pre-assessment strategy of a certain business model before implementation. The characters portray him as an effective leader whose performance is equated to the company's financial record from loss making to profitability. He is regarded

for his performance to steer Ford company as the only automotive corporation that the federal government did not bail out.

## **Question 8**

Analyze Ford's strategic challenges in terms of company's labor relations and its imminent contract negotiations with the UAW. Do you think that the board of directors should better manage executive compensation to reduce the negative impact it is likely to have on operating costs and competitiveness if used as a bargaining chip by union representatives?

Despite the company's profitable sequence, the management is facing a strategic challenge to comply with the United Automobile Workers (UAW) objective to safeguard employees' rights. Ford Company is not shielded from the culmination of employees' expression of wage increase through a strike. The strike poses a strategic challenge since the company is grappling with the ensuing competitive force from KIA and Hyundai automobile industries. The challenge may hamper the companies' strive to balance its financial balance sheet and stabilize operation costs for profitability. The management should negotiate with the employees, shareholders and the executives of the United Automobile Workers (UAW) in order to protect the company's susceptibility to financial instability. The compensation package could be implemented in phases as a strategy to cushion the company against bankruptcy.

## **Question 9**

Ford Motor Company SWOT Analysis

Strengths - S

- Strategic leadership of Allan Mulally and the organizational structure of the company
- Advanced technological that enhances effectiveness.
- Reputable market in the US thus essential in tapping consumers
- Global penetration
- Large scale production that lead to economies of scale.
- Highly-skilled employees
- Aggressive marketing strategies

### **Weaknesses – W**

- Inability to shield from Economic fluctuations
- Quality provision of products
- Downward vertical decision making.
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### **Opportunities – O**

- Global market penetration especially in Africa and other unexhausted continents.
- Advanced technology in vehicle assembling such as electric vehicles.
- Establishment of an e-marketing platform where customers can purchase vehicles and raise concerns.
- The company can develop customized program where customers can request assembling of a vehicle equal to his demands.

## **Threats – T**

- Competition from Toyota, KIA, Hyundai and Honda.
- Imminent strike from employees due to the implementation of UAW labors guidelines.
- Rapid change in consumer tastes that could render some automobiles obsolete.

## **SO Strategies**

- Invest more funds in research and technology development.
- Source for other markets such as Africa that has not been infiltrated by rivals.
- Develop supply chain system in order to link the supplier with the production chain and save on costs.
- Develop seminar and workshops for employees in order to enhance their skills and performance
- Conduct periodic performance assessment and appraisals to motivate the workforce.

## **WO Strategies**

- Conduct feasibility study in order for the company to cushion itself against over production and insufficiency of resources.
- Enhance productivity by producing quality and affordable products to gain competitive advantage over rivals.
- Restructure the wages for the employees through a performance assessment program in order to enhance equality.

- Introduce outsourcing program to cushion the company against currency fluctuation.

## **ST Strategies**

- Invest in marketing strategies through television, social media and direct marketing to convince current and potential customers to buy their products.
- Conduct collaborative negotiations to impellent compensation package payment in phases rather than lump sum.
- Conduct periodic study in order to assess the dominating consumer tastes especially among the youths.

## **WT Strategies**

- Delegate skilled employees to relevant departments to avoid overlap of responsibilities.
- Invest on technology to provide affordable and quality products.

## **Question 10**

What are the key lessons or take-always from this case? Please identify five lessons in the form of brief one sentence-bullet point list.

- Strategic management cannot succeed through unilateral decision making but rather subjective approach to the pertinent issues.
- Managers should conduct periodic market studies in order to indentify the current market trends and the prevailing consumer tastes and preferences.
- Investment in innovation and technology advancement is the key ingredient to a product's success in the market and counter the rivals.



- Employment of skilled employees and effective managers is essential to steer the company to profitability.
- Companies should invest in technological supply chain system and the production capacity in order to enhance quality production and timely accessibility of products in the market.