

# Key success factors of the ford motor company



## **Introduction**

This case analysis is made on Ford Motor Company, presented below are key success factors that a global automotive player should possess in order to remain competitive, more over a brief discussion is also presented on Ford's performance for the period of 1994 to 2004, at the end of this case analysis there are few marketing strategies presented that Ford can adopt for upcoming years and that are likely to help them get competitive advantage globally.

The automotive industry is big in its nature, huge numbers of people are associated with this, throughout the industrial revolution this industry has been very competitive and global big players have been striving for their share all over the world. As globalization is there and there are also rising prices for oil, now it has been difficult for major player to stay competitive and earn profits because of the high costs associated with their industry(Bordenave and Lung, 2000). Now along with traditional elements of marketing mix and competitive advantage, there is a need to have more drivers that major players should have in order to remain successful for coming years, below I have presented few of global drivers that can add value in their overall performance and keep them competitive.

## **Factors for Success**

### **A Good Brand Image**

Since cars are high end products, they are associated with good amount of spending and their inherent nature and use is highly related to once own safety that why the decision making process of buying car is complex, involves lots of considerations by buyer and that is why this decision is <https://assignbuster.com/key-success-factors-of-the-ford-motor-company/>

dependent upon opinions of others as well. This is where a good brand image is required by companies to stay in the market, to win the trust of users and be the car of choice, unless you don't win the trust of consumers, you can stay in the market; it's critical and vital to have a good and positive brand image in this industry(Bartlett, and Ghoshal1989).

### **Efficient Channel of Distribution**

Cars are sold via third party, there is not direct consumer contact of company, that is why companies rely on a good channel of distribution to help them gain confidence and help consumer to have confidence in their product, while buying a car, consumers are also dependent upon opinions of dealers, if they are not knowledgeable and unable to transfer a good image of companies product to user then they are not going to buy. Other side of distribution network is related to supply chain and assembly line, a successful automotive company requires an efficiently managed channel of their vendor who can provide them with timely and quality parts and services(Freyssenet, Shimizu & Volpato , 2002).

### **Management of Cash Flow**

A healthy cash flow management is also vital and one of the key success factors to stay in this industry, since these companies have to give discounts, financing options and also need to manage their plan and other operational cost, a good, effectively managed and timely available cash flow is very necessary to sustain their position in the market (Bordenave and Lung, 2000).

**Compliance with Local and International Standards**

This is also an equally important factor that their product should comply with local and international standards of safety and fuel consumption, this may initially seem to increase costs, but in the longer run this factor comes to pay back in shape of increased confidence by the consumer, a positive word of mouth that is hard to achieve in these days, and it also reduces the cost of maintenance and governmental handling. It is wise to spend on standards then to spend on additional cost incurred by any maintenance recall, which has been the case with Toyota recently when they had to call back a good amount of vehicle and that resulted in huge amount in terms of cost and bad image (Bordenave and Lung, 2000).

**Being Flexible to Changing Needs**

That's difficult but important to stay in modern day business, there has been the time customer needs regarding vehicles were not dynamically changing and companies could work with same models for longer period of time, but now things are more difficult, consumer are more demanding and their need regarding cars are changing more rapidly and new need are more diverse, now in order to stay competitive in business car manufacturers have to be flexible enough to manage and incorporate increasing demand and changing needs in their products. This will increase cost but this is one of the key success factors for new age automotive industry (Freyssenet, Shimizu & Volpato, 2002).

**Efficient Production**

Today's need is efficient production, this can be achieved by streamlining their production activities in way that costs are low and production standards

are not compromised, TQM or JIT can be solution for that and Toyota has been successfully implementing both of management concepts in their production line. Whatever the solution is the base is to get most efficient production in order to stay competitive, yes quality is not to be compromised and standards are to be maintained. Production efficiency alone can serve as competitive advantage in today's world (The Economist, 2005).

### **Cost Planning**

High profit margins not only comes from high sales but also from well planned cost structures, as commented above efficient production along with a good channel of distribution can lower costs. Without being able to control and minimizing cost, modern day auto producers cannot win the game, due to intense competition and increased customer demands, globalization challenges profit margins are squeezing, without having effective cost management system it will hard for any organization to gain profits in these turbulent times(The Economist, 2005).

### **Organizational Size Management**

Above mentioned cost management cannot be achieved unless there is no organizational size management. This is vital and critical to keep an eye on the size of the organization, as mentioned in the case now companies has to lay off plants and their employees in order to control their costs, any organization that is not able better manage their size will be victim of their own size, along with size there needs to have a look on the structure, high hierarchies are not applicable in today's business world, this is the time to empower people and give them decision making power, this saves cost in terms of number of people and management's time, and also provide the

competitive edge of better and timely decision making(Buckley, Casson, 1976).

### **Joint Ventures and Mergers**

To better serve the market and to get most out of it, today's need is to win the business with joint ventures and mergers, there are many benefits of such activities, for example mergers brings many brands under one umbrella and provides the positive image about the organization as big company and enhance the confidence, it also helps in better management of brand, since local management is involved in managing local brand they can better handle them as per consumer psychology and help the parent company to get the desired image(Bartlett, and Ghoshal1989). These joint ventures and merger also serve as a chance for knowledge sharing and getting more strength from each other positive aspects, modern day automotive industry would require big companies to explore new opportunities like these.

### **Un-served Markets**

New emerging economies like India and China need more attention by the global players, anyone who will be able to exploit these markets before their competitors will be able to enjoy customer loyalty and first mover's advantage, there few un-served markets that are emerging and can turn out a good opportunities for global suppliers. There is another dimension of these phenomena, global players not matter how big they are need to maintain and create their own niche, their own market that is not served by any other, such small niches can generate more profits and win more loyalty by consumers, along with their main business there should also be some small niches to serve the cause (Bartlett, and Ghoshal1989).

### **Focused Strategy**

Focused strategy is relevant in every industry and same is the case with automotive industry, whatever strategy in place, it should be focused and relevant. Top management's commitment with strategy is very crucial, unless there is no strategic focus no organization can compete in new global environment. Today's environment is more dynamic and demanding that is why it requires more concentration, focus and commitment from the top management. Toyota has been a very good example for their strategic focus on making hybrid car, since Honda and Toyota were unable to compete in luxury cars; they decided to have focus on hybrid cars that strategy worked for them (Buckley, Casson, 1976).

### **Ford, 2000 Globalization Plan**

In 1994 ford announced its 2000 globalization plan, that was in direction of their globalization strategy, that strategy focused on having global business standards and rather than having multi domestic presence. This strategy focused on unifying every aspect of the business to standardization such as marketing, sales, production, research and development and design. This strategy paid them as shown by their financial result and improved company's performance during the period of 1994-2004. There are several reasons behind adopting this strategy; we shall discuss them one by one here.

### **Saving Costs**

By the time ford announced its 2000 globalization plan, their operational costs were high and they were not making profit as their sales were not high and their cost were increasing, so the main objective in announcing that plan

was to save costs, by creating synergies in different geographical locations and plants and making shift from strategy of adaptation to standardization. This plan saved them money in term of cost saving and helped increase their profits. By unifying business operations they were able to achieve economies of scale and economies of scope. This was the main reason of launching that program (Freyssenet, Shimizu & Volpato , 2002).

### **Operational Excellence**

Different plant operating on different locations were producing without having any synergy, at that point in time Ford's different plants were acting as silos, and there was no synergy among them, another reason on launching 2000 globalization program was to achieve operational excellence by creating synergy among different production housed so that they can achieve the best and provide the competitive advantage.

Since Ford was acquiring other automotive companies like Volvo, that globalization plan was a great opportunity for them to learn from other's experiences and ring together best practices to achieve excellent operational management and Ford was successful in doing that.

### **R&D of Design**

At the time when Ford was about to announce 2000 globalization plan, there were different design and R&D teams were working in different geographical regions and on different projects. Another objective of announcing that program was to create standardization in design, at that time for one Ford brand two separate cars were used to produce for USA and Europe market, both different in design and performance, on the other hand Toyota was already in standardization strategy (Freyssenet, Shimizu & Volpato , 2002).

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By adopting the strategy of combined design they saved the cost of research and development, design and different assembly lines.

Another objective related to design was, that different stake holders like design, research, development, operations, marketing and parts suppliers should work together so that whatever is designed should be workable, marketable and efficient, this strategy alone helped save the management time of reviewing different design proposal.

### **Bargaining Power over Suppliers**

By unifying the designs, standardization of models, and globalization of production, Ford were able to have to have bargaining power over suppliers, and that bargaining power came with lower cost as they were in better positions to negotiate prices and terms. Since they were trying to produce the product that was standardized and there was no variation in the parts for different geographical areas, that is why were able to buy in bulk quantities and negotiate their terms with vendors, more over they were able to have access to innovation and new development by their suppliers before their competitors, that also suppose to give them competitive advantage, they in better position to incorporate developments in the industry and remain competitive.

### **Sharing Knowledge**

Another rationale behind launching 2000 globalization plan was to make different SBUs/Silos to share knowledge, for example previously there were different R&D departments working independently, without any coordination and sharing of knowledge, what one dept have produced and innovate the other counterpart might not be aware of. That situation was critical and <https://assignbuster.com/key-success-factors-of-the-ford-motor-company/>

causing costs, after 2000 globalization plan, every department was suppose to work together in as single entity and share knowledge, this was suppose to save time and money. Same was the case with production dept, they were also supposing to share best practiced with each other so that overall organizational performance could be enhanced (Bordenave and Lung, 2000).

## **Marketing Strategy for Ford**

Ford has been market leader in automotive industry for last many years, after launching their 2000 globalization plan their performance has been impressive as of today they are again market leader in US and Europe. After analyzing the information provided in the case I have presented some components of marketing strategies that ford can adopt to sustain their position in coming years.

### **Find New Markets**

For should start find new markets for its operations, India and other emerging economies are good opportunities as their penetration rates are high, entering into these markets will open many opportunities for Ford, these emerging economies are booming and can be served with good profit margins. Ford can also establish their plant in these areas to handle the entire region with effective supply chain management (Buckley, Casson, 1976).

Since oil prices are increasing and there is a concern about oil reserves and production capacity, general shift towards small cars is increasing, Toyota, Suzuki and Honda along with many other are already in this segment. If Ford decides to expand they can also enter into this segment more aggressive as

buying power of countries which are in emerging economies are low, they are more likely to buy a small car rather luxury cars. Ford with its good brand name if enters into these markets with small car segment which are more fuel efficient, can win the market before others (Bartlett, and Ghoshal1989).

### **Find New Technologies**

As fuel concerns are rising for world, Ford should come up with new technologies of making car that are more innovative and fuel efficient, making electrical or solar power cars would not be a bad idea, if Ford is able to revolutionize the automotive industry with their innovative and efficient fuel solution they will be able to win the market like never before, entering into emerging economies with something new and innovative can be the big idea for success.

### **Adapted Standardization**

Ford, after their success in 2000 globalization plan, should now start moving a little forward, they should keep on their standardization strategy but should include an element of adaptation in that, may be called adapted standardization. It has been observed that consumer needs are changing rapidly and their needs are becoming more diverse in nature; therefore there is a need of a bit flexibility and adaptability in automotive products depending upon the nature of the market. This way Ford will be able to stay one step ahead of competition, but to achieve that they will have to bring the flexibility in their systems and product development which necessary to shift at adapted standardization strategy.

### **Build Brand in Asia**

Asia can be very attractive market for Ford, and their small cars, if they start investing in their brand in Asia and especially sub-continent they will be able to achieve greater penetration in the region, despite the fact that their main target market is US and Europe, they should also invest in brand building in Asia.

### **Conclusion**

This case has been focusing Ford over all business strategy and their 2000 globalization plan, since the plan has been a successful move there are other factors that need to be kept in mind by Ford and other automotive players. Market dynamics are changing rapidly and there are certain key success factors that will play a vital role in deciding success or failure of any player in this industry, starting from a good brand image and cost management, going till strategic focus, there are several elements that are critical and vital for any company to be successful in this new market.

There certain areas where Ford needs to concentrate in order to sustain its position as market leader in automotive industry, they should find new markets, make their strategy a bit more adaptive and enter into emerging economies, this way they shall be able to handle the rapidly changing business world.