

Auto industry i o model

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Third, the firms competing within the industry control similar resources that are relevant. Lastly, the organizational decisions made are in the firm's best interest by maximizing profits. Overall, Ford takes part in the industrial organization model for above average returns. Ford's strategies are focused on their external environments. For example when the popularity of hybrids and more environmentfriendly vehicles rose, Ford responded with such cars are the Ford Fusion Hybrid. The external environment has clear stronger force than the internal capabilities of the firm.

Ford's newer mission is to be " One Ford", this emphasizes that the strategies are mobile across the firm and any temporary differences will be short lived. Ford and its competitors, have control over the same resources strategically. Dealerships don't just build anywhere, they find an area where they can be seen, the return on investment is beneficial, and a delivery of product is done with ease. The same is true with their competitors. This would explain why auto dealers from different brands are concentrated in the same area like an auto mall.

The goal of any management is to maximize shareholder value, and the leadership makes decisions based on this. The Resource Model of Above-Average returns is opposite of the I/O Model in the primary assumption that it is not the firm's external environment that aids in forming the strategies, but it is actually the firm's unique resources, capabilities and core competencies. It is in fact the uniqueness of the firm's capabilities and internal resources that are the foundation for its strategies to earn above-average returns.

The firm would want to be located in an attractive industry that would provide the best fit of the chosen industry and the firm's resources and capabilities. Strategies should be formulated to enable the firm to better exploit their resources to take advantage of opportunities in the external environment that their competitors cannot. The firm will reach a sustainable competitive advantage when its resources and capabilities are: valuable, rare, costly to imitate, and non-substitutable. Tesla Motors is an example of the Resource Model of Above-Average returns.

The firm was recently founded in 2003 by a group of Silicon Valley engineers, who use their knowledge and unique skills to build an automobile. This is not your average automobile firm. These talents are rare and valuable to a growing industry of consumers who are looking for a more environment friendly vehicle that also has style. This technology is not easy to make and thus the vehicle prices start at \$62,400; which unlike Ford does not appeal to all buyers. The dealerships are few in comparison to Ford. While Ford is in almost all towns; Tesla Motors dealerships are located in only larger, higher income cities and

Auto Industry I/O Model By attempting An organization's decision to follow the I/O Model or the Resource Based Model can have a significant impact on the future of the company. For example, if Tesla Motors was unable to outperform its rivals for an environmentally friendly vehicle, the vehicle pricing of \$62,400 may be too high. However, because Tesla Motors is able to outperform its competitors by developing a unique, energy saving, and

environmentally friendly vehicle, they are able to charge premium starting prices than other manufactures.

Tests vehicles have rare capabilities which many firms hose not to compete with. The capabilities allow Tests Motors to be successful in a resource based model of above average returns. Unlike Tests Motors, Ford is unable to charge premium starting prices for their conventional vehicles. The Ford Motor Company has a much different sales perspective. Ford's decision to use the industrial organization model and has grown the company to become very profitable. Ford chooses a strategy to produce a lower cost product that appeals to a much wider market.

Ford's " generic" vehicles may increase their amount of competition, but it also allows for a wider range of customers. The decision of which model to use was made by both motor companies based on their environment, resources, and capabilities. In making comparisons of the two models the table below simply shows the basic and most important differences. It is easy to see how Ford is more of the 1/0 model and Tests is more of a Resource-Based Model. Comparison of 1/0 and Resource Models

1/0	Resource Model
Competitive Advantage	Positioning in industry
Possessing Unique organizational assets	Focus Analysis
External	Internal

Determinants of Profitability Firm's position within industry; Characteristics of industry Amount, type and nature of firm's resources Major Complementation Competencies-Resources Strategic Choices Choosing attractive industry; appropriate position Developing unique resources and capabilities Knowing a firms environment, resources, and capabilities helps

that firm strategically plan for which above-average return model will work best for them. Although having an option to choose one model over the other is ideal, often times a firm is inadvertently forced into a model.

This usually occurs with new or startup companies. New companies usually do not have enough funding, resources, credibility, etc. To choose which model they will start with; this is where strategic planning and vision plays a key role. Firms need to use what they have in order to get "off the ground" while still keeping a vision for the future. Making sacrifices in the beginning can allow for goal achievement in the end. Creating a meaningful vision statement at the start of each firm can help keep that firm on track to reach the goals of its founders.