

# Reduction of carbon emission from ford vehicles marketing essay

[Business](#), [Marketing](#)



## **Introduction**

Ford Motor Company is one of the most iconic and prestigious automobile manufacturers of all time. As pioneers of the modern assembly line manufacturing techniques, Ford is a company that is headquartered in Dearborn, Michigan in the United States of America. The company started under the helm of Henry Ford in Detroit, Michigan. Ford displayed the skill and craftsmanship in car manufacturing when he first built an experimental car in 1896. In 2006, Alan Mulally became the current president and the chief executive officer of Ford Motor Company. He also became the member of the company's Board of Directors. Through his leadership, Ford did not require a bailout by the American government during the 2008 economic crisis which forced their contemporaries such as General Motors (GM) and Chrysler to be at the brink of bankruptcy. Ford Motors are challenged by some of the companies in their car industry which are Chrysler Group LLC, General Motors and also Toyota Motors. Toyota Motors have been the top competitor for Ford by comparing their car sales volume every year which is head to head with one another. ([http://www. autoblog. com/2012/09/04/is-fords-focus-really-the-worlds-best-selling-car-this-year/](http://www.autoblog.com/2012/09/04/is-fords-focus-really-the-worlds-best-selling-car-this-year/))As a matter of fact, the Ford Motor Company is the world's second largest manufacturer of cars and trucks with products sold in more than 200 markets. The company employs nearly 400, 000 people worldwide, and has grown to offer consumers eight of the world's most recognizable automotive brands. Ford Motors currently places 107th ranking in the global economy and 6th in the industrial economy. On 7th February 2013, the share price for Ford Motors was closed at \$13. 20. The product which enables Ford to enter the top 10

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bestselling cars is the Ford F-Series which include the Ford Focus and also Ford Fiesta. (<http://blogs.cars.com/kickingtires/2012/06/top-10-best-selling-cars-may-2012.html>) At the beginning of this decade, Ford received a loan from the American government to develop electrical vehicles (EV) and hybrid vehicles in line with America's dream of having one million electrical cars on the road by the year 2015. As such, Ford has been making steady progress through the practice of perfecting electric vehicle technology. In fact, Ford was the first company to introduce a hybrid sports utility vehicle (SUV) to the world. Now, Ford is in the lead to create the future of electrical vehicles with their development of all-electric vehicles and plug-in hybrids. (<http://www.ford.com/technology/electric/>) As a matter of fact, Ford does not only concentrate on the growth of the company itself but does its part to contribute to the society in any way possible. Therefore, Ford has been contributing in social welfare, awareness campaigns, education and the environment as the effort to fulfill their corporate social responsibility. ([http://corporate.ford.com/images/content/one\\_ford\\_sm\\_ext.gif](http://corporate.ford.com/images/content/one_ford_sm_ext.gif)) ([http://www.taxmann.com/TaxmannFlashes/flashart9-2-10\\_10\\_image3.jpg](http://www.taxmann.com/TaxmannFlashes/flashart9-2-10_10_image3.jpg)) Carroll and Buchholtz's four-part definition of CSR makes explicit the multi-faceted nature of social responsibility. (<http://www.referenceforbusiness.com/management/Comp-De/Corporate-Social-Responsibility.html>). The first criterion of social responsibility is economic responsibility. The business institution is, above all, the basic economic unit of society. Its responsibility is to produce goods and services that a society wants and to maximize profit for its owners and shareholders. Economic responsibilities, carried to the extreme, are called profit-maximizing view; it was advocated by Nobel

economist Milton Friedman. This view argued that a company should be operated on a profit-oriented basis, with its sole mission to increase its profits so long as it stays within the rule of the game. Legal responsibility defines what society deems as important with respect to appropriate corporate behavior. Businesses are expected to fulfill their economic goals within the legal framework. Legal requirements are imposed by local councils, state and federal governments and their regulating agencies. Ethical responsibilities include behavior that is not necessarily codified into law and may not serve the organization's direct economic interests. To be ethical, organization's decision makers should act with equity, fairness and impartiality, respect the rights of individuals, and provide different treatments of individual only when differences between them are relevant to the organization's goals and tasks. Discretionary responsibility is purely voluntary and guided by an organization's desire to make social contributions not mandated by economics, laws or ethics. Discretionary activities include generous philanthropic contributions that offer no payback to the organization and are not expected. Discretionary responsibility is the highest criterion of social responsibility, because it goes beyond societal expectations to contribute to the community's welfare.

## **Contents**

### **Case 1: Environment**

#### **1.1 Green Manufacturing Plant Concept**

Ford has taken a leap in contributing to CSR whereby they have introduced the concept of a green manufacturing plant which help to reduce the carbon

footprint that is being produced by their company and also their products. The Ford's Michigan Assembly Plant (MAP) located in Wayne, Michigan is 140-acre site which has been manufacturing Ford cars since the late 1950's. However, after investing \$890m to transform to an environmentally-friendly green plant that features a flexible manufacturing capability which manufactures the new all-electric Ford Focus. The new MAP can build up to six different vehicles on two different platforms with less time for tooling changeover. According to Ford's official figures, differences in techniques including robotic processing, elimination of equipment and associated pollutants and increased line speed means the three-wet paint process fewer 600-800 metric tonnes of CO<sub>2</sub> emissions per year compared to the waterborne systems and conventional high-solvent-borne systems. There are also a Volatile Organic Compounds (VOC) emissions savings of 5 per cent related to the newly design process. Green Plant (Eco-plant) <http://eandt.theiet.org/magazine/2011/07/ford-eco-plant.cfm>

## **1. 2 Reduction of Carbon Emission from Ford Vehicles**

In terms of emission control, Ford is making strides in reducing its carbon emissions. As a matter of fact, Ford has reduced their carbon emissions from its new 2010 models in the U. S. and Europe by 10. 5 percent and 8. 1 percent respectively compared to the models in 2006. Ford claims to be making progress on greening its fleet through the product sustainability index (PSI) which aims to use more sustainable products such as recycled materials and soy-based seating foam. The company announced last year that three more engines would contain its EcoBoost fuel-saving technology.

Focus Electric, the company's first all-electric vehicle is being sold in 19 U. S. markets during its introduction. Moreover, Ford has been experimenting on many different types of materials to be used in their vehicles which emphasizes on a mix of recycled-content, renewable-material-based and lightweight components. Carbon emission <http://www.triplepundit.com/2011/06/ford-csr-carbon-emissions/> <http://www.guardian.co.uk/sustainable-business/blog/ford-climate-change-low-carbon>

## **Case 2: Awareness Campaign**

### **Driving**

Essentially, Ford does not only concentrate their Corporate Social Responsibility on their home country but they do also contribute to different societies of different countries. One of the many countries in which Ford contributes to is India. India usually sees a spurt in road accidents at festive seasons with hundreds dead or left injured due to road rage, drunken or irresponsible driving. Basically, Ford's initiative with the introduction of the Driving Skills for Life (DSFL) program is to make roads safer. This program saw an enrolment of 3071 drivers in India and over 10,000 in the Asia Pacific region in early 2013. Therefore, Ford India has stepped up its efforts towards creating safer roads in India as a leading carmaker's responsibility. As part of its commitment to promote a better driving community, it offers free training under its Driving Skills for Life (DSFL) program. Ford DSFL now is in its fifth year training newly licensed drivers in Asia, with programs in China, India, Taiwan, South Africa, Thailand, Vietnam, the Philippines and Indonesia. DSFL programs are tailored in each of these markets to reflect the local driving

environment and road conditions. <http://www.automotiveworld.com/news-releases/india-fords-driving-skills-for-life-trains-over-3000-this-year-sets-eyes-on-more/> Topic 3: Social Welfare [http://media.ford.com/article\\_display.cfm?article\\_id=376863](http://media.ford.com/article_display.cfm?article_id=376863). 1 Community service The Ford Volunteer Corps was dedicated to feed the hungry. More than 600 Ford employees teamed up with nonprofit partners to feed men, women and children in need. They also stocked shelves at food banks, packed and delivered food boxes, and prepared and served meals at shelters, residential facilities and soup kitchens including a 12 year partnership with Newman's Own® that has contributed 107 refrigerated Ford trucks to help Feeding America deliver more than 209 million meals to families across the country. Ford Motor Company Fund also has provided Transit Connect Mobile Food Pantries to 25 community organizations that deliver food and help with disaster relief in states from coast to coast. "It's an awesome experience," said Joyce Jarzombek, Ford designer. "You leave with the great feeling that you've helped people and you want to do more." <http://corporate.ford.com/our-company/community/commmunity-news-detail/ford-volunteers-pack-prepare> 3. 3 Investment Ford Motor Company has long been known for its innovative ideas in automobiles, but that kind of creative thinking can also be seen in the cutting edge programs the company supports to benefit communities. Ford Motor Company Fund has invested \$10 million in the Operation Brighter Future project to strengthen neighborhoods, support education and summer jobs programs, and other community needs which includes support for Greening of Detroit and its projects to turn abandoned sites into parks, funding for the Detroit Summer Youth Employment program,

new programming for young people at the Patton Recreation Center and donation of two F-Series chassis to the Public Safety Foundation, which will be turned into new ambulances for the city of Detroit. The program augments Ford Fund's ongoing community partnerships, as well as support for southeast Michigan nonprofits for community development, cultural and many other programs. <http://corporate.ford.com/our-company/community/commmunity-news-detail/ford-fund-invests-10-million3>.

4 Importance of Stakeholders After four straight profitable quarters, Alan Mulally's forecast today of a "solidly profitable" 2010 shouldn't come as a huge surprise. But, as Executive Chairman Bill Ford put it to Ford shareholders at the company's annual meeting. As of the end of Q1 2010, Ford was carrying \$34b in debt, Bill Ford was clear that he cleaned out their balance books. Alan Mullaly told stockholders that Ford will not institute a dividend for stockholders, despite the projections of profit. That decision underlines the importance of reducing Ford's debt load. After more than five years after it halted payments because of financial problems, the company's board approved a quarterly dividend of 5 cents per share. [http://www.thetruthaboutcars.com/2010/05/ford-shareholders-meeting-profit-this-year-but-no-dividend/http://www.huffingtonpost.com/2011/12/08/ford-dividend-to-resume-march-2012\\_n\\_1137010.html](http://www.thetruthaboutcars.com/2010/05/ford-shareholders-meeting-profit-this-year-but-no-dividend/http://www.huffingtonpost.com/2011/12/08/ford-dividend-to-resume-march-2012_n_1137010.html)



### **3. Findings**

#### **Critical review**

##### **Economy philosopher's view**

Creator of the economic philosophy "The Friedman Doctrine", Milton Friedman, felt that business should not be regulated by the government nor relate to the social responsibility. This is because the nature of business is to gain profits, profits and profits. Action other than profit maximization impairs economic efficiency should be avoided including activities that related to social responsibility. Also, Mr. Friedman wrote the article "A Friedman Doctrine - The Social Responsibility of Business Is to Increase its Profits" to support his philosophy, that is, business should be guided and judged by economic criteria alone. This would mean that a company should only solely focus on earning revenue without bothering about social issues such as environmental concerns, human rights, or even global poverty. Using corporate's money; resources and employees' time to get involved in social concerns would be equal to lesser time, money and resources to build up the company. [http://web.sau.edu/RichardsRandyL/business\\_ethics\\_filing\\_cabinet\\_smith\\_friedman\\_selfinterest.htm](http://web.sau.edu/RichardsRandyL/business_ethics_filing_cabinet_smith_friedman_selfinterest.htm)

However, we strongly disagree with "The Friedman Doctrine" principle. Corporate of the 21st century can no longer limit themselves to produce or marketing products and services without any concerns of the impacts they might have bring to the society. If they want the public to trust and have faith on their products and services, they have to behave more socially responsible as many believe that pursuing social responsibilities can actually help grow a business and a brand. Nowadays, public relation is very

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important to a company's image. For those company who just simply ignoring social issues is no longer an option or smart. Due to the widespread of information technology, customer, investors and suppliers can stay up to date with the current state of affairs within a company. If a company chooses to neglect the social issues, public could possibly turn against the company. In the opposite way, if Ford Company chooses to concerns with social issues, customers will likely view them favourably. We also can see from the GreenBiz. com, a website which focused on sustainability and business success. It stated there, during a survey, 35 percent of the students said they would willing to take a 15 percent pay cut to work for a company committed to CSR and 45 percent would take that pay cut for a job that makes a social and environmental impact. Even the Fundamental of Management text book by Stephen P. Robbins 7th edition, page 77 written there society expects an organization to be responsible and ethical.

[http://www. greenbiz. com/blog/2012/06/06/proof-strong-csr-program-can-attract-retain-talent-for-less](http://www.greenbiz.com/blog/2012/06/06/proof-strong-csr-program-can-attract-retain-talent-for-less)The efforts made by Ford clearly show their commitment in contributing to their CSR in terms of discretionary and ethical responsibility. The pilot project carried out at the MAP was risky as it was carried out at a time when Ford was facing severe financial constraint. However, they have observed that this action could be beneficial to the environment and their budget in the long run causing them to take the decision to introduce the green manufacturing plant concept. The green concept was taken further by Ford as they invest in Eco-Boost fuel-saving technology, hybrid cars and also use recycled materials as part of the car components. As such, the environment and the society have become Ford's

stakeholder as they are able to benefit from Ford's ethical decisions. Ford is also committed to reducing the environmental impact of its products and facilities while supporting positive social change and ensuring economic viability for long-term growth. Furthermore, Ford conducted awareness campaign to create awareness among drivers around the world. This further demonstrates Ford's corporate social responsibility in terms of discretionary and ethical components as they have focused to improve the safety of drivers in countries other than their home country. Ford's effort in offering community service and also invest in the Detroit community are not required by their legal responsibility and also it denies their economic responsibility as there is not return of profit to the company. They do not utilize their profit wholly onto their business because they would want to do the right thing such as donating to the poor as Joyce Jarzombek stated that she felt delighted to help the community. Putting effort into another form other than on the business side may bring another level of satisfaction to the individual and to the company which is fulfilling another goal of Ford to deliver profitable growth to all. The word growth in the goal of the company does not only refer to the staffs and supplier, it also refers to the customers and the community. This has improved the quality of life of the community that was blessed with Ford's efforts. Also, Ford does take consideration to the overall parties that are affected by their decision. In the decision between returning dividend to the shareholders and debtors, Alan Mullaly had to decide how to distribute the profit. One of the plans that Ford had set was to finance their plans and to balance their income sheet which means to clear all of the debts. He decided to clear of the debts first. This is an ethical move

by Alan because he does not want to owe the suppliers and lose their trust in the process. They also have the legal responsibility to pay all the debts. However, this does not mean that he neglected the shareholders. He discussed with the shareholders to hold off their dividend until the debts were cleared and then return it to them in an accumulated sum after the income sheet was balanced. Therefore, these actions, Ford Motors have applied the principles of CSR and they have reached the top of the pyramid of CSR which is discretionary responsibility.

### **Problem 1 : Stakeholders or Shareholders?**

Due to the economic recession, in September 2006, Ford Motor Co. had announced its decision to stop paying quarterly dividends to shareholders to clear off their debts. The dividend elimination helped to save about \$350 million a year. The elimination of the dividend is part of a massive restructuring plan in which the company plans to cut about 14, 000 jobs and offer buyouts to its 75, 000 hourly workers. The advantages for Ford Motor Co. to pay their debt can avoid them to from bankruptcy and to strengthen the trust between the company and the suppliers. In 2010, Ford Motor Co. was moving to pay \$4 billion to reduce the mountain of debt and expected to continue to improve their balance sheet as they deliver on their plan. In 2012, their debt was reduced to around \$13 billion. In 2011, the Ford Motor Company restarted paying quarterly dividends to their shareholders for the first time since 2006 after it halted payments due to financial problems. Ford focused on strengthening its balance sheet by paying down debt and improving its liquidity. Surprisingly in the year 2013, Ford announced to

doubling its quarterly dividend. Their ability to double the dividend in one year is a testament to the One Ford plan, which has enabled them to maintain a solid balance sheet, while at the same time growing their business to provide its shareholders with more return on their investments. However, is this the best method to solve their current problem or should they look further into the future?

## **Problem 2: Economic Responsibility and Social Responsibility?**

The issue of whether Ford Company should go economic responsibility or ethical responsibility has always remained a controversy. The centerpiece of the argument of those who support ethical responsibility is that the Executive chairman William 'Bill' Clay Ford Jr claims to have cultivated genuine sustainable values that have taken root throughout the company, which was founded by his great grandfather and he also described himself as a "lifelong environmentalist". However, Thomas Niemann, who is in charge of reporting each year on Ford's American green dream said, he would never use the term "environmentalist" as he believe that we, as a human, should get balance among human need, environmental concerns and economic balance. Business is being socially responsible only when it pursues its economic interests. Mr William Ford, not only a businessman but also a society concerns person had decided to let Ford Company participate in ethical responsibility which not only concern about the profit but also the social welfare. When Ford Company involve in going green, they can get immediate financial returns and long term financial returns. Reusing and minimizing the use of raw materials which can reduce materials costs is a

good example of immediate financial returns. Solar electricity generation facility was built by Ford Company at Michigan Assembly Plant, near Wayne, Michigan which can generate 500kW solar array can help to provide power for assembling the Focus, Focus Electric, and C-MAX Hybrid models. C: UsersMichDesktopfocus. jpg FocusC: UsersMichDesktopdownload. jpg Focus ElectricC: UsersMichDesktopc-max]. jpg C-MAX Hybridhttp://ophelia. sdsu.

edu:

8080/ford/09-05-2011/microsites/sustainability-report-2010-11/environment-case-michigan. htmlBesides, Ford used renewable energy which not only fulfil their going green objective but also bring profit to the corporate. For instance, they used recycled materials were integrated into its car designs. In order to reduce the company's carbon footprint, Ford Company used recycled cotton from old jeans as sound absorption materials. With those old jeans they can reduce the need of growing new cotton, a crop that is known for high fossil fuel-based inputs. http://www. wellhome.

com/blog/2011/06/how-automakers-are-going-green/http://www. wellhome. com/blog/wp-content/uploads/2011/06/ford-300x213. pngIn 22 October 2012, Ford Company opened a major solar panel installation in Merkenich-Cologne, Germany. The solar panel which installed on the roof of Ford's European Parts and Distribution Centre can generate electricity to 370 homes which can reduce annual carbon dioxide emissions by 550 tonnes. This is another step of using renewable resources which proved that when Ford chose to go green, they can also earn sustainable profit. C: UsersMichDesktopsolar\_panels\_merkenich\_05\_m. jpghttp://media. ford. com/news/fordopensmajorsolarpanelinstallationinGermany. htm

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## Recommendation

Problem 1 We can see that Ford made tremendous progress in reducing debt and generating consistent positive earnings and cash flow, and, Bill Ford explains that the most important thing we can do as a company is get the balance sheet. Ford had decided to clear the debt first rather than paying dividend to stockholders. It is an ethical move by Alan because he does not want to owe the suppliers and lose their trust in the process. However, we believe that Ford can have another alternative which is expand market share in China and India. Although Ford is already doing it but we recommend that Ford further focus on this portion of business. China is a major market in which sales growth and yet Ford currently holds only around two percentage points of market share in China. We believe that Ford can put investment to a few successful model or product and improve their quality at fuel efficient technologies. The demand will increase by improving quality on the car. The fuel efficient technologies become the selection of people because it can reduce the usage of fuel and people can directly save up a lot of money monthly or annually. It helps people in saving money in the economic downturn. Besides, it can target upper middle class consumers those looking for a safe comfortable vehicle at a price point below luxury car such as Mercedes and BMW. These should have been more fully incorporated into Ford's organizational structure and strategically differentiated towards disparate global preferences. With the profit they can obtain from the investment, they can pay the debt and shareholders in a lump sum.

Problem 2 One of the problem is the technology developed of hybrid vehicle is still not advanced as compared to those fuel-powered vehicles. The cost of the input

resources to produce hybrid car is higher than fuel-powered vehicle. The sales of Ford hybrid car is not as good as the Ford fuel-powered car. For example, in 2011, sales report notes that [2] Ford's hybrid sales were down 24% in March 2011 compared to February 2011. In order to deal with this challenging situation we suggested Ford to develop out several strategies that can be used to boost up the sale of hybrid car. Several functional strategies can be developed in this case, perhaps we start from the marketing segment, Ford should instill the idea that electric cars are better for the environment and perhaps even cheaper to own and operate in the long run. Changing the perception of consumer by persuading them that the investment made on the hybrid car will definitely benefit them in future. We believe people would buy electric-powered car if they know that the cost of owning the car over time is lower than cars that run on fuel. For research and development, it will be more favorable if Ford can enhance their technology in the way of shortening the duration of charging a hybrid car. By doing that, we suggested Ford to build electric-charging station abroad. To reduce the risk and to share resources and knowledge, Ford is suggested to undergo a joint venture with others independent organization. In this case, Ford not only creates an opportunity for entrepreneurs to build charging station it also will obtain more hybrid car sale as it increase the convenience for consumer. Overall, consumer behavior is hard to predict, and given electric cars are only starting to show up in the market, certain preferences above might not hold true, hence again Ford must always reshaping and redefining their strategy in order to cope with changing technology and other environmental factors.



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[1]<http://corporate.ford.com/doc/sr09-blueprint-summary.pdf>

[2][http://business.time.com/2012/03/14/even-with-4-gas-few-drivers-](http://business.time.com/2012/03/14/even-with-4-gas-few-drivers-choose-electric-cars-or-even-hybrids/)

[choose-electric-cars-or-even-hybrids/](http://business.time.com/2012/03/14/even-with-4-gas-few-drivers-choose-electric-cars-or-even-hybrids/)[3][http://auto.howstuffworks.com/car-](http://auto.howstuffworks.com/car-models/plug-in-hybrids/how-to-charge-plug-in-hybrid-vehicle3.htm)

[models/plug-in-hybrids/how-to-charge-plug-in-hybrid-vehicle3.htm](http://auto.howstuffworks.com/car-models/plug-in-hybrids/how-to-charge-plug-in-hybrid-vehicle3.htm)

## **Conclusion**