Ford motors: a case analysis

In this fiercely aggressive business world, the goal of most firms is to establish distinctive or unique capabilities to firmly establish an international presence through utilising the most of their core competencies. Nowadays, commercial organisations in urbanized nations function in a more complex and more standardizedenvironment. Competition in many domestic and international markets appears to be entering a new phase, in which product quality and performance are becoming more important to customers than price.

Due to such changes, a review of the organisations' strategic capabilities is a must if they are to keep up with the demands of the changing times. This paper examines how the Ford Motor Company has established its current international presence in face of the ever-stiffening competition in the automotive industry and why it did so as a potential tool to further strengthen Ford's position in the global automobile market. The following SWOT Analysis is called for so that the question of how the Ford Motors Company has managed to get where it is today may be answered.

Brief Background

SWOT ANALYSIS

Strengths.

One of Ford's most potent strength is that they are one of the world's best known brands. As they have been in the business for 100 years now, the experience that they have in manufacturing cannot be overemphasised. They already have built a solid reputation for being a dependable automaker. Additionally, they have the strength of being diverse withrespectto their product lines, having affiliated automotive brands which allow clients to choose from a variety of car models to fit their lifestyle.

They are also known to be supportive of societal causes, in particular the fight for breast cancer and support after the September 11 attacks in the U. S. They pioneered the moving assembly line, which became their mechanism for making vehicles more efficiently and faster, therefore more affordable. Traditionally Ford's international operations were a source of that allowed the company to maintain its position as the second largest auto maker in the world and to respond to GM's competitive moves.

During the worst years of the industrial recession in 1970s, those operations provided the cash that saved the company from bankruptcy, and gave it key products that were essential to stem its competitors' moves while it invested in new product development (Studer-Noguez 152). Today, and even if its US operations still represent the bulk of Ford's total operations and world assets, its foreign operations still make substantial contributions to the company's strong performance andleadershipin the industry.

As a global company, it is able to enjoy all of the benefits that come with size, such as economies of scale, with the risk offailurebeing spread over several product and geographical markets. Ford possesses strong links to the global market. In order to foster global partnerships and consumer relationships, Ford continuously searches for strategic acquisitions and alliances globally. Further, Ford Motors has vehicle manufacturing alliances with leading auto manufacturing companies in China, Russia and France.

With global operations in major continents, the company continues to work with global alliances and ventures to create value additions, mainly in the aspects of product, know-how and access to market.

Weaknesses.

The company's organizational structure has become inefficient as the company became more complex. This hindered Ford's ability to manage its international network of subsidiaries, branches, and companies.

The weakness of its organizational strategy has, in fact, contributed to Ford's loss of relative competitive advantage during the 1930s and 1940s (Appel 234). Additionally, there are a lot of speculations over the likely performance of Ford in the future, as the company's financing section is swamped down by hefty outstanding debts. The firm is not in risk of bankruptcy, but the Ford management is in a tight spot, and has to be extremely vigilant to not make it any tighter.

There is also a notable management issues within the company, with the ousting of former Chief Executive Officer Jacques Nasser, substituted by William Ford, Jr. in the Ford helm. Finally, because of the increasing competition, the company has witnessed a decline in overall sales, a weakness on their part as they have somehow failed to overcome the challenges that additional competition brings. Likewise, Ford has many times in the past failed to recognize that dropping unsuccessful products and trimming its product lines would significantly reduce organizational costs.

When they have finally recognized that they were not obtaining the synergies that they had expected, they began the process of selling off companies, which directly affected Ford Motors workers. Also, failed alliances has cost the company millions of dollars in wasted resources, which they could otherwise have invested in more worthwhile undertakings like research and development of viable product lines.

Opportunities.

Ford Motors Company has the distinct opportunity to have cleaner engine emissions, in alignment with their corporateresponsibilityto become environment-friendly. Read about

threshold capabilities

By cooperating with ecologically-centred groups to lend a hand in cleaning the environment, they also have the opportunity to further enhance their image to the general public. Since they have already started investing in Solar Power, the end is a more viable prospect. Ford could further widen the scope of their opportunities through specialising and rationalising its worldwide operations on a regional basis and to develop a network organization in which its subsidiaries would increase their transnational linkages.

Besides Ford learning about the possibilities of producing quality automotive products in their areas of operation at a comparative cost advantage, other relevant factors could bring about new opportunities for exporting vehicles: the parent company's efficiency-seeking strategy; its competitive disadvantage in the small-car segment of the market and the competitors' moves in this market-segment; and the new more flexible regulations in the respective countries in which they have manufacturing plants.

Further, with Ford's existing capability to innovate on automobiles, they have the opportunity to penetrate a still larger scope of market.

Threats.

As with any firm in the automotive industry, Ford faces very tight competitive rivalry in the auto market. Competition is escalating, with the threat of new entrants continuously flowing into the market from South Korea, China and new plants in Eastern Europe (Doyle 67). For Motors is also exposed to the risk of movement in the price of raw materials such as steel, glass, rubber and fuel.

The key economies in the US, Europe and the Pacific are also experiencing slow downs lately. These economic factors are latent threats for the company under analysis. While Ford strategies responded to the local opportunities and competitive advantages that were built over time in different national markets, the competitiveness of foreign operations was also dependent upon the company's management capabilities and its overall position in the industry worldwide. If such factors were to perform under expectation, their competitiveness in the international scene would suffer seriously.

RESOURCE AUDIT

A resource is an indispensable ingredient that a business manages so that it can best systematise its operational processes. Such resource, or a group of resources, can be utilised to produce competitive advantage (Lowson 83), that is why an audit of the resources of a firm is a must if it is to utilise them to create the latter. The sustainability of a company's competitive advantage is dependent on the simplicity with which such resources are capable of being emulated or replaced. According to Prahalad and Hamel, the development of competencies and capabilities can result when resources are pooled (79).

Human Resources. The estimated number of persons in employment at Ford Motors and its merged entities (counting the firms that they are not in charge of) as of 2006 is at 300, 000. There is a marked decrease (approximately at 8%) at one year counting from 2004 to 2005, which primarily is a sign of the sale of Hertz, to some extent counterbalanced by the creation of ACH which provides work for more or less 17, 000 Ford workers paid by the hour who were formerly allocated to Visteon and roughly two thousand five hundred ex-employees of Visteon.

Physical Resources. To date, they have 108 plants worldwide which houses the 300, 000 employees that they have in their payroll. They also have a worldwide engineering release system (WERS), a computerized global communications network, established in 1989 – before 2000 was launched - to facilitate the co-ordination between subsidiaries and affiliates (Maxton and Wormald 23).

Today, this system allows about 20, 000 Ford workers around the world to share design and manufacturing information as they develop new products. Ford did not choose to expand its manufacturing operations in low-cost production sites or rationalize its operations (closing more plants, downsizing the labour force further, or increasing the movement of parts and components between various locations) on a worldwide basis.

Intangible Resources. Finally, a discussion of Ford's global strategy would be incomplete if no reference were made to the strategic alliances and international joint ventures with other auto companies (most notably with Mazda, but also with other Asia, European, and even some US auto makers) that have been established in order jointly to develop, engineer, design, market, and even produce vehicles in the United States and abroad.

These associations, which preceded Ford 2000, have proliferated and have become vital in maintaining a competitive position for a company not only in specific local markets but also at the global level (Abbott 95). They also represent a marked change both from Ford's previous practices that maintained full ownership of their operations and protected know-how and other ownership advantages, and from the US anti-trust laws that prohibited large firms from entering into such associations.

Through them, Ford was able to serve local and global markets, to reduce production, development, and marketing costs, and to cope with excess capacity in the industry. These partnerships also contributed to the geographic dispersion and inter-regional integration of different functions of the value-chain of production. While this integration took place outside the borders of the corporation, it complemented Ford's efforts to design a global configuration for its organization and network of subsidiaries. VALUE CHAIN ANALYSIS

Porter in his seminal work of value chain proposed it as a tool to identify and to analyse the origins of competitive advantages and suggested that the activities of the business could be grouped into two: primary and support activities (37). What activities a business undertakes is linked to achieving its competitive advantage, and Ford seemed to be best prepared to implement a global strategy, because of the superior competitive advantages of its foreign operations compared with GM and Chrysler. Paradoxically, Ford's rivals showed a greater disposition to use resources from outside of the United States.

It was not until 1994 that Ford focused on developing a global strategy as a means to enhance its competitive position in the industry. Before then, Ford largely focused on building a strategy that would allow the company to recover its competitive position in its own home market, which was essential for survival. An analysis of the structural and institutional factors that shaped Ford's strategic response both to the new industry rules and the short-term challenges posed by other industry competitors explains this paradox. A number of broad sustainability challenges set the context for all of the value chain activities.

These issues apply across the value chain: (1) Population growth; (2) Urbanization; (3) Child mortality; (4) Maternalhealth; (5) Infectious diseases; (6) Biodiversity; (7) Loss of ecosystem services; (8)Poverty; (9)Education; and (10)Gender Equality. All these issues are attended to by the Ford Motor Company in alignment with their efforts to maintain sustainable competitive advantage through preserving the good public image that their clients expect from them.

CORE COMPETENCIES

Ford core competencies which they could utilise to further gain advantage over their competitors, and if possible, overtake General Motors in its market leadership in the automotive industry. One core competency of the company is their brand management. The strength of their automotive marketing has been such that their brand is known even in the parts of the world where cars are not the common medium of transportation (Humphrey and Lecler 36).

Another core competency is their supply chain management, which links to their ability to maintain a steady stream of raw materials coming in for production because of their long-term good standing with their steel, glass, plastic and other raw materials supplier. Their highly coordinated logistics system handled by outsourced firms also form part of their core competencies, leading to excellent inventory management and always on schedule production activities. Another marked core competency is their ability at the moving assembly line (Peteraf 38).

Being the pioneer of such mass production system, they were able to get ahead of the competitors manufacturing processes-wise and were also able to save on costs and time. Yet another core competency is Ford’s focusing on its product developmenttechnologyunder a single product-information-management program through standardising and incorporating them. Their continuously renewed efforts to focus on crafting and structuring the most forceful and cars and trucks portfolio with the highest value is shelling out dividends in the reviews which are stronger than ever that their new line of motor vehicles are at all times getting.

The increased net income throughout the years is largely due to improved operating performance across the majority of product lines, combined with improved investment portfolio performance. Recommendations Innovations should continuously take place within the framework of the company, and the continuous decentralization of management structures and the strategy of diversification of output would help the organization in fostering a strong front in the face of economic crises.

Ford, in the realization that growth takes place through integration (whether vertical or horizontal) and diversification (whether forward or backward), adopted such strategies in all the aspects of their business. As such, the company's tendency to diversify and integrate stretches to the widest extent. This is in part helpful, but as history has shown Ford, careful and wise consideration of incessant integration should be in place if strategies accompanying it were to be successful.

Ford Motors has been depended upon by other industrial sectors to provide them with means with which to optimize their investment capital because of the transfer of its technology, which basically means that the manufacturing and materials handling processes that revolve around mass auto production will be, in the future, far removed from their original use through consulting engineering firms that undertake to design and equip factories.

The perfect strategy for the firm, then, will be to focus on competition that would become more rigorous, giving special attention to profit-gaining activities and concentrating also on arranging for financial, marketing and industrial cooperation among car makers, at the same time maintaining socially responsible operations through proper human resources and supplier relations management. Other than the motor vehicles in its entirety, and the infrastructure and fuel required to run these vehicles; the commerce is complexly tied to the assembly of a broad assortment of components and the drawing out of valuable raw materials.

Indirectly, it brings people overcrowding of the roads, a lot of victims and an upsurge of other ecological predicaments. The effect to the Ford Motors organization is that they need to establish research and development centers to take advantage of research infrastructure and human capital, so that they can develop vehicle products locally to satisfy the requirements of the environmental and safety regulations more effectively.

The greatest area for growth, if they are to expand their customer base, is to be found in the emerging auto markets of Asia and Eastern Europe. At the same time, the targets market volume is still to be found in Western Europe, Japan and North America. Ford Motors Company has the distinct opportunity to have cleaner engine emissions, in alignment with their corporate responsibility to become environment-friendly.

Through cooperating with eco-friendly institutions to facilitate the cleaning of the environment, they also have the opportunity to further enhance their image to the general public. Since the Ford Motors Company have already started investing in Solar Power, the end is a more feasible and practical prospect. Ford could further widen the scope of their opportunities through specialising and rationalising its worldwide operations on a regional basis and to develop a network organization in which its subsidiaries would increase their trans-national linkages.

Besides Ford learning about the possibilities of producing quality automotive products in their areas of operation at a comparative cost advantage, other relevant factors could bring about new opportunities for exporting vehicles: the parent company's efficiency-seeking strategy; its competitive disadvantage in the small-car segment of the market and the competitors' moves in this market-segment; and the new more flexible regulations in the respective countries in which they have manufacturing plants. Further, with Ford's existing capability to innovate on automobiles, they have the opportunity to penetrate a still larger scope of market.

WORKS CITED

Abbott, Jason. Developmentalism and Dependency in Southeast Asia: The Case of the Automotive Industry. London: Routledge, 2003.

Appel, Maureen, ed. Driving Continentally. National Policies and the North American Auto Industry. Ottawa: Carleton University Press, 1993.

Berger, Michael. The Automobile in American History andCulture: A Reference Guide. Westport, Connecticut: Greenwood Press, 2001.

Busser, Rogier and Yuri Sadoi. Production Networks in Asia and Europe: Skill Formation and Technology Transfer in the Automobile Industry. London: Routledge Curzon, 2003.

Doyle, Jack. Taken for a Ride: Detroit's Big Three and the Politics ofPollution. New York: Four Walls Eight Windows, 2000.

Humphrey, John and Yveline Lecler. Global Strategies and Local Realities: The Auto Industry in Emerging Markets. Ed. Mario Salerno. England: Macmillan, 2000.

Lowson, Robert. Strategic Operations Management: The New Competitive Advantage. New York: Routledge, 2002.

Maxton, Graeme and John Wormald. Time for a Model Change. Cambridge: Cambridge University Press, 2004.

Ford Motor Company Reports 2006 Fourth-Quarter And Full-Year Results. media. ford. com. 2008.

Ford Motor Company. 15 August, 2008.

Peteraf, Margaret. “ The Cornerstones of Competitive Advantage: The Resource-based View”. Strategic Management Journal. 14. 2 (1993): 37-46.

Porter, Michael. Competitive Advantage: Creating and Sustaining Superior Performance. New York: The Free Press, 1985.

Prahalad, CK and Gary Hamel. “ The Core Competency of the Corporation”. HarvardBusiness Review. 68 (1990): 79-91.

Studer-Noguez, Isabel. Ford and the Global Strategies of Multinationals: The North American Auto Industry. London: Routledge, 2002.