

Analysis of Improving the Future Business Policy of Ford Motor Company

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Abstract

In attaining a competitive advantage, firms have to institute a variety of strategies, including the attainment of new technologies and the establishment of a firm's core competencies. Most industries have become increasingly competitive, forcing firms to consider new strategies of ensuring their sustainability. The paper analyzes the various strategies that have been previously utilized by the Ford Company in its bid to become market leaders in the automobile industry.

Keywords

Ford Company; Sustainability; Copyright; Strategy.

1. INTRODUCTION

An analysis of these strategies should reveal essential information regarding their effectiveness and consequently enable future strategizing. One strategic issue that has negatively impacted the company pertains to its stock price. Ford's stock price has significantly underperformed during the past half-decade (Patrina, 2014). The firm constantly competes against General Motors and the DaimlerChrysler Corporation, which have enjoyed better stock prices during the same period. As such firms as General Motors continue to realize improvements in their stock prices, Ford has been experiencing a decline. In providing recommendations that can enable the firm to grow and improve its stock price performance, this paper will analyze both the company's internal and external environment, as this may reveal essential information on the effectiveness of the strategies used by the firm. Both qualitative and quantitative types of data will be used in the analysis of the firm's performance. The report will also seek to identify the firm's core competencies, which should be strengthened to realize the firm's objectives. In the discussion of the firm's core competencies, its various resources and capabilities will be critically analyzed to reveal their role and significance in regards to the company's performance in the automobile industry.

2. BACKGROUND

The company's third and fourth-quarter results revealed a variety of issues that need to be looked into by the management. One of the issues regarded its earnings. The firm's sales volumes have been significantly declining in the past half-decade. In 2018, for instance, the company was able to move 5.9 million units in sales. Still, it could not match up the figure in the 2019 fourth quarter as the percentage of units sold decreased by approximately 8% (Langerud & Jordan, 2020). While Ford has accumulated significant revenues in sales over the years, the firm's profit-making streak has not been maintained, which consequently threatens its sustainability. The company's positioning in innovation has also been previously challenged by firms like Tesla and Toyota, which have been aggressive in coming up with new and innovative

product lines. Toyota, for instance, continues to enjoy both consumer and industry success as a result of its focus on technology. Its models, such as the Toyota Avalon Hybrid, have continued to enjoy pleasant customer ratings and recommendations from industry experts. Another aspect that has negatively impacted the firm's performance is its restructuring initiative. As Ford's competitors have been strategizing on how to further improve on their existing products, Ford has been dealing with a restructuring issue as it attempts to start producing more sport utility vehicles and trucks (Hughes-Cromwick, 2011). Besides taking a toll on the firm's finances, the restructuring process presents a challenge to the firm due to its big size. Change processes are always slow and cumbersome in large organizations. For Ford to become an agile company, an effective change management process will have to be instituted.

3. COMPETITION

It is through analyzing industry trends that firms get to establish strategies for growth. The automotive industry is especially dynamic, and organizations have always to ensure they stay updated on any developments as this may impact their profitability and sustainability. The automotive industry is impacted by a diverse range of factors that affect the profitability and sustainability of firms. For instance, the outbreak of the Covid-19 has seen the demand for vehicles decline during the current financial period as economies collapse (He & Huang, 2020). The American Automotive Policy Council identifies the automotive industry as the largest manufacturing sector in the United States. According to the organization, the US automotive industry has exported motor vehicles and parts amounting to \$692 billion over the last half-decade (Franklin, 2013). While sales reports may paint a picture of a thriving industry, industry experts have continually projected a decline in industry performance. For instance, in 2018, the experts projected that the industry would experience a decline due to the general prevailing factors at the time. However, this did not materialize as car manufacturers were able to move approximately 17.3 million units during the year. The inaccuracy of these performance projections illustrates the dynamic and unpredictable nature of the automotive industry.

Fiat Chrysler Automobiles US, General Motors, and the Ford Company have continually established themselves as industry leaders in the US market. Firms seeking entry into the industry, therefore, have to put in place strategies that can enable them to compete with the three established giants. One of the industry trends noticed in 2019 was the decline in sales of light vehicles (He & Huang, 2020). An analysis of the years' sales results revealed that the sale of the vehicles had constantly been declining. The reduction in the demand for light vehicles may be attributed to the changing tastes and preferences regarding vehicles. More Americans prefer sport utility vehicles not only because of the luxury aspect but also because of the functional value provided by these vehicles. Trucks and other big sport-utility vehicles are better equipped to handle the weather conditions in the US in comparison to the smaller vehicles.

4. COMPETITION

Companies in the automotive industry engage in intense competition in a bid to attain leadership in aspects such as sales volume, market share, and brand recognition. One feature that distinguishes the automotive industry from other industries is that firms in the sector compete extensively as opposed to exiting, as is usually the case in other industries. The entrance of new players into the industry from other regions of the world, including Asia, further intensifies the competitive aspect associated with the industry. The intensity of competition in the industry is evidenced by the constant innovations and intensified marketing practices. The competition forces the Ford Company to continually invest in research and development as a way of attaining a competitive advantage. In spite of the intense competition

that has come to characterize the automobile industry, it is worth noting that the threat of new entrants into the industry is weak. This is mainly attributed to the high initial capital investment costs. However, while the threat of new entrants into the industry may be low, the firm faces a high product substitution rate. The easily available public transportation options affect the demand for the firm's products.

5. INTERNAL COMPANY ANALYSIS

Ford's strength, resourcefulness, and capabilities are influenced by the company's employees. While a majority of firms can attribute their success to the hard work employed by their employees, workers at Ford have displayed a strong dedication to the company objectives and missions, thus enabling the firm to maintain its competitiveness and profitability. The restructuring initiative undertaken by Ford has negatively impacted the firm's financial performance and threatened the company's sustainability and competitiveness. However, through the firm's ONE Ford plan and strategy, employees have dedicated themselves to improving the company's market performance and consequently returning it to profitability. The dedication of the firm's employees towards its missions and goals has been effective in returning it to profitability in regions such as North America, where the company had been previously experiencing losses (Dyrud, 2016). The loyalty that Ford enjoys from its employees is attributed to its able Human Resources Management team that ensures the firm's employees' welfare is taken in consideration.

Usually, the success of any firm, regardless of the industry in which it operates, is dependent on factors such as being able to maintain effective relationships between workers. Workers who feel appreciated by a firm show more dedication to the firm's objectives and missions. One of the methods through which firms motivate and empower employees is through the offering training programs. Besides training their workers, the company also offers a variety of fringe benefits to its employees, which further serves to keep them dedicated to company missions and objectives. The benefits offered by the firm apply to all its employees regardless of the country in which they operate. Through such initiatives, the company has been able to maintain a workforce of satisfied and dedicated employees.

Besides, Ford's internal structures and strategies place it in an advantageous position in comparison to other players in the industry. For instance, the firm's use of such technical procedures as virtual assembly lines has eased the production process by promoting the repeated use of technologies, which consequently reduces costs associated with production (Baker, 2015). Firms are constantly looking to reduce production costs, as this has been shown to affect profit margins. Ford's effective application of technology could see it reduce the costs associated with various production processes and guarantee it improved performances both in the US and other parts of the world. Over the years, Ford has been able to acquire and maintain an effective supply chain management, which has ensured continuous operations in all the firm's branches. These internal company aspects have positively influenced the company and ensured its success in a variety of markets.

6. COMPETITIVE DYNAMICS AND INTERACTION

As firms strive towards improving their profit margins, they may take measures such as cutting down on their workforce. Such a move was undertaken by Ford towards the end of 2018 and lasted through the earlier months of 2019. Ford laid off 7,000 of its employees during its restructuring process (Baker, 2015). Besides reducing costs, the move was expected to also reduce the bureaucracy that had often affected productivity. The other aim of the restructuring was to transform the company into a more agile firm. The restructuring move saw General Motors also react in a similar way. General Motors, Ford's main competitor, was forced to react

in a similar fashion as strategies undertaken by Ford and other competitors would have affected their profitability and market share. The fact that only a small number of firms run the automotive industry implies that decisions reached by one firm possess a significant influence on industry dynamics and behavior. By targeting its five firms for closure, GM hoped to achieve annual savings of US\$ 6 billion (Dyrud, 2016). It is evident that the decisions reached by Ford and GM were influenced by the prevailing industry forces. As of 2019, the automotive industry was characterized by falling demand in sedans as customers switched up their car preferences. SUVs and trucks have proven to be more popular, and therefore, the industry giants have had to restructure in a bid to take care of the new demand. Firms that fail to keep tabs on the changing market forces may not be able to survive as the automotive industry is highly driven by technology and innovation. Firms such as Tesla have been able to significantly grow their market share due to their focus on innovation.

7. RECOMMENDATIONS

In order to stay competitive and ensure its sustainability in the automotive industry, the Ford Company will have to institute a variety of strategies. The most recommended strategy would be to allocate funds towards the manufacturing of sport utility vehicles and trucks since the two categories of vehicles have been experiencing growing demand over the last half-decade. The American market seems to prefer the two types of vehicles because of their functional value besides their aesthetic value. Instituting such a strategy would enable the company to not only enjoy better stock performances but would also improve its profitability. Another recommended course of action would be to increase the company's manufacturing and production of connected smart vehicles. An analysis of industry trends reveals an increasing demand for connected vehicle services. Instituting the connectivity feature should enable the firm to move more units in its US and foreign markets. The other recommended course of action that may be undertaken by the firm is to leverage partnerships. Such a strategy would greatly accelerate research and development processes due to the shared resources and objectives.

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