

Ford Motor Company Reorganization and Case Study Analysis

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Abstract: The automobile industry has a long and fascinating history. In the past ten years, the automobile industry has been developing continuously to adapt to changing market conditions and technological progress. With the growth of networked devices and Internet of Things (IoT), the automotive industry pays more attention to data analysis. Companies are using data to optimize operations, improve maintenance and improve security. In recent ten years, there has been a trend of integration in the automobile industry, and a few large companies have monopolized the market. This leads to the intensification of competition and the pressure of innovation. Ford Motor Company is a global automobile company, which has undergone major changes in recent years as part of the restructuring aimed at improving its financial performance and preparing for the company's future growth. This paper will outline the reorganization of Ford Motor Company, including the reasons, main measures involved and financial results of the reorganization. Enterprise reorganization is an effective strategic choice for Ford Motor Company, which can help enterprises adapt to changes in the external environment and improve their competitiveness and profitability. The case analysis of two reorganizations of Ford Motor Company in this paper can not only provide reference and enlightenment for other enterprises to reorganize, but also provide reference and basis for the in-depth study of enterprise reorganization in academic circles.

Keywords: Enterprise reorganization, Ford; automobile industry, reorganization motivation

1. Introduction

Ford Motor Company is one of the most iconic names in the automobile industry. Ford Motor Company has faced many challenges in recent years, including the decline in sales of its traditional cars, the intensified competition from foreign automakers and the rapid transition to electric and self-driving cars [1-3].

In order to meet these challenges, the company announced a restructuring plan in 2018, aiming at reducing costs and improving profitability, and refocusing the company on high-growth areas such as electric vehicles and self-driving cars. The restructuring of Ford Motor Company produced mixed financial results. On the one hand, the company reports that it has improved profitability and reduced costs due to restructuring. In 2019, the company reported a net income of \$47 million, up from a net loss of \$3.7 billion in 2018 [4, 5]. On the other hand, the company faces challenges in some international markets, especially in Europe and China, where it has been striving to maintain its market share and profitability. In addition, the COVID-19 pandemic has had a significant impact on

the company's financial performance, and the decline in sales and production disruption will lead to significant losses in 2020.

The automobile industry has the characteristics of long industrial chain, strong correlation and wide employment, and is one of the pillar industries of the national economy, and its development status has a significant impact on the entire national economy [6-8].

For China's economy to develop, the automobile industry must not only not lag behind, but also develop first and drive the development of other related industries. In order to overcome these problems and seek development, automobile companies have explored in practice and found that restructuring is a fast development path, which is also consistent with the development path of the world automobile industry [9].

According to the relevant theories of enterprise restructuring, this paper focuses on the motives, current situation and countermeasures of Ford Motor Company restructuring, and studies the relevant cases and problems of Ford Motor Company restructuring.

Table 1: Ford statistics results for assets.

Assets	2007/12/31	2006/12/31	2005/12/31
Current assets			
Cash, cash equivalents and short term investments	84.05B 4.86%	80.16B 88.43%	42.54B --
Receivables	117.92B -1.88%	120.18B 3.66%	115.93B --
Inventory	10.12B 1.04%	10.02B -2.47%	10.27B --
Total current assets	212.09B 0.83%	210.35B 24.66%	168.74B --
Net PPE	36.24B 0.51%	36.06B -11.36%	40.68B --
Goodwill and other intangible assets	2.07B -42.70%	3.61B -39.26%	5.95B --
Investments and advances	2.85B 2.26%	2.79B --	-- --
Non current deferred assets	3.5B -28.89%	4.92B -16.29%	5.88B --
Other non current assets	22.51B 4.86%	21.47B -55.47%	48.22B --
Total non current assets	67.17B -2.43%	68.85B -31.64%	100.7B --
Total assets	279.26B 0.02%	279.2B 3.61%	269.46B --

2. "One Ford" Strategy

Ford's "One Ford" strategy aims to reorganize the company's global business, simplify the brand structure, minimize labor costs, strengthen the balance sheet, and ensure that its production capacity matches the automobile demand. Some results are listed in Table. 1 and Table. 2. In 2006, the loss of Ford Motor Co., Ltd., which installed wheels for the United States, reached 12.6 billion dollars. This big company, which invented the assembly line production mode and made cars into cheap daily

necessities, unconsciously came to the brink of life and death. The Ford family invited alan mulally, the former Boeing company's family, to make a "One Ford" strategy for Ford after some investigation and thinking. In addition to selling unprofitable brands such as Aston Martin, Jaguar Land Rover and Volvo, the core measure is to concentrate global resources and design and manufacture a few models that are suitable for global sales, so as to cut costs. This is because Ford used to have a very serious problem of "going it alone" in different regions. Repeated models at the same level will not only bring waste in development and production, but also fail to form scale efficiency, which is also unfavorable to the halo effect of products [10].

Key elements of the strategy, including product development, global integration, and cost reduction. The strategy itself boils down to four different goals:

- Bring all Ford employees together to form a global team.
- Use Ford's unique automobile knowledge and assets.
- Make cars and trucks that people want and value.
- Arrange the necessary large amount of financing to pay for all this.

In order to achieve these goals, Mulally actively streamlined the company. First, he got rid of many brands in Ford's product portfolio, such as Jaguar, Volvo, Land Rover, Aston Martin and even Mercury-each brand needs a lot of capital injection to remain competitive. Then, in the 23 years before the Great Recession, he obtained a large amount of funds needed to reorganize Ford by mortgaging all Ford assets (even the iconic blue oval), amounting to \$600 million (seen from Table. 2).

Table 2: Ford statistics results for liabilities.

Liabilities	2007/12/31	2006/12/31	2005/12/31
Current liabilities			
Payables	20.83B -1.80%	21.21B -7.40%	22.91B --
Current accrued expenses	971M -32.24%	1.43B -98.04%	73.05B --
Current debt and capital lease obligation	27.53B 0.30%	22.46B --	--
Current deferred liabilities	4.09B -10.20%	4.56B --	168.74B --
Other current liabilities	19.28B 20.65%	15.98B --	--
Current liabilities	76.06B 0.49%	75.68B -21.14%	95.96B --
Non current liabilities			
Long term debt and capital lease obligation	141.24B -2.17%	144.37B -5.81%	153.28B --
Non current deferred liabilities	5.02B 4.89%	4.79B -15.39%	5.66B --
Employee benefits	7.61B -27.77%	10.54B --	--
Other non current liabilities	37.47B 4.92%	35.71B --	--
Total non current liabilities	196.17B -4.69%	205.83B 29.50%	158.94B --
Total liabilities	272.22B -3.30%	281.5B 10.44%	254.9B --

At that time, many people interpreted this as Ford's desperate attempt, but in hindsight, it was one of the most important factors for Ford Motor Company to try to avoid receiving bailout funds from the US government like competitors General Motors and Chrysler. Mulally himself has said that he intends to use the money to fund the overhaul and provide a buffer to prevent economic recession or other accidents. It also provides Ford with a competitive advantage by reinvesting in research and development, while their main competitors are trying to get out of bankruptcy. With the guarantee of funds, Ford is now able to reorganize into a leaner and more profitable company.

The influence of a Ford strategy on Ford is still far-reaching and significant. It has streamlined and rationalized the product matrix of Ford at all levels, made the names of Fox, Mondeo, Mustang and Maverick resound in every market in the world, brought rolling profits to Ford brand, and enabled Ford Group to smoothly survive the economic winter that GM and Chrysler did not survive. Just a Ford strategy is not omnipotent after all. Carnival has been discontinued in China, and the pillar is Furuisi, which is specially supplied in China. News broke out in the United States that Ford will stop its car products outside Fox in the next few years, apparently targeting Carnival, Mondeo and Taurus. This also shows that any strategy is not always correct, any strategy is to solve specific problems in a certain historical stage, and only constant change is the unchangeable truth.

3. Focus on Electric Vehicles

The era of electricity has arrived, and Ford is implementing an ambitious and comprehensive plan to realize the transition to an electric lifestyle (or commercial fleet). Ford will invest \$22 billion in electrification by 2025, which is part of its plan to lead electrification in the field of strength. Stuart Rowley, CEO of Ford Europe, recently announced Ford's brand-new strategic plan for the future, and described its position in Ford's nearly 120-year history as extremely "key". After achieving zero emissions in 2035, it will finally achieve the ultimate goal of carbon neutrality in 2050. In addition to providing zero-emission versions of the most popular cars, Ford also uses electrification to provide products that customers prefer: performance, capability and productivity. This electrification strategy is the core component of Ford's goal of achieving global carbon neutrality by 2050. Ford is the only full-range American automobile manufacturer committed to reducing carbon dioxide emissions in accordance with the Paris Climate Agreement and cooperating with California to formulate stricter greenhouse gas standards for automobiles.

Although the main reason for the transition from gasoline vehicles to electric vehicles is to provide products that are better for the environment, many buyers don't care much about efficiency at all. They may be concerned about the high price of gasoline, but for some buyers, buying an electric car is not to reduce global warming, but to get the latest and exciting model that everyone is talking about. Ford will significantly reduce the inventory of electric vehicles and deploy a new marketing model that focuses on developing relationships instead of spending billions of dollars on TV advertisements. Ford hopes to satisfy dealers and new electric car buyers through flexible purchase options and non-negotiable prices. This is not the first time that Farley put forward the direct selling method, but with the date set, it will become a reality next year. No one likes to enter the dealer and has to negotiate the price with the sales staff many times. Tesla and other electric vehicle manufacturers have proved that the direct selling method is effective. It is not only friendly to consumers, but also reduces unnecessary inventory costs. Ford will meet customers' needs through online and customizable purchase options, and dealers will provide "pick it up later" and the traditional purchase experience that is still provided.

The automaker's electric vehicle division, Model e, will focus on three key initiatives, including:

- Develop EV and software platform
- Launch a new customer experience with dealers.
- Build its industrial system to efficiently deliver millions of electric vehicles.

Ford's reorganization is one of the most thorough reorganizations taken by traditional automobile manufacturers to transform into electric vehicles. Farley said that he and other Ford executives made the plan after noticing the huge differences between the two business areas. In manufacturing natural gas-powered vehicles, Ford must focus on reducing costs and creating profits to fund its E.V. plan. Farley said that in the next four years, Ford plans to cut the cost of internal combustion vehicles by \$3 billion, and some of the cuts will be achieved through layoffs.

Ford believes that the best way to transform into an electric vehicle is to transform itself first. The automaker said that it has reorganized its automobile business into two different businesses—one is to produce gasoline-powered vehicles, focusing on maximizing profits, and the other is to develop and increase the output of electric vehicles, aiming at rapid growth. Jim Farley, CEO of Ford, said in an interview that the two businesses need different skills and ways of thinking. If they still belong to the same organization, they will conflict with each other and hinder their respective development. "You can't succeed and beat Tesla in this way," he said. Sales of electric vehicles are rising rapidly, which Farley and other auto executives believe is the biggest subversion to the auto industry since Henry Ford introduced mass production and Model T in 1908. Ford, GM, Toyota, Volkswagen and other traditional manufacturers are all investing tens of billions of dollars in new models, building battery factories and developing new technologies pioneered by Tesla, such as advanced driver assistance systems and wireless software updates. Farley said that Ford will spend \$50 billion on electric vehicles between 2022 and 2026. It had planned to spend \$30 billion in the five years ending in 2025. It plans to spend \$5 billion on electric vehicles this year, twice as much as in 2021.

The rise of electric vehicles: 1. Public Tesla: An electric car sharing program has brought low-cost clean transportation to California's Central Valley. Other companies have followed suit. 2. Charging network: General Motors plans to use Tesla technology to charge its electric vehicles, including selling models with plugs pioneered by Tesla. 3. Key minerals: The United States is signing a series of agreements with other countries to ensure the key minerals needed for electric vehicles—but it is not clear which arrangement will succeed. 4. Battery manufacturing competition: China dominates the supply chain of electric vehicle batteries. It may take decades for the world to catch up.

The company's move has been welcomed by Wall Street investors, who have paid a huge premium to the shares of Tesla and other electric vehicle manufacturers in the past two years. Ford shares closed up about 8% on Wednesday.

In March 2021, Volkswagen launched a brand-new ACCELERATE strategy. Volkswagen has set the time to surpass Tesla in 2025. Here, what Volkswagen is talking about is the all-dimensional transcendence in sales volume, technology, brand and user experience. Not just sales, after all, according to Volkswagen's existing plan, the global sales of electric vehicles will reach 1 million units in 2021, and Volkswagen will be able to surpass Tesla in sales in 2021.

When Volkswagen confidently pushed the ACCELERATE strategy beyond Tesla, on March 16th, BMW's headquarters in Munich, Germany released its 2020 performance and future corporate strategy online. BMW said: "In 2021, the sales of electric vehicles (xEV) will increase by more than 75% year-on-year. By 2023, 13 new pure electric vehicles will be launched, and BMW will deliver more than 2 million pure electric vehicles to customers by 2025. And BMW has another plan that is even more dazzling, that is, it will sell 10 million electric vehicles in the next 10 years.

4. Comparative Analysis

The two reorganizations are to cope with the transformation of the automobile industry, especially the development trend of electric vehicles. The first reorganization took place in 2018, when Ford announced that it would reduce the number of employees worldwide, close some factories, reduce traditional fuel vehicles, and focus on pickup trucks, SUVs and electric vehicles. The second reorganization took place in 2022, when Ford divided its automobile business into two independent

departments: Ford Blue was responsible for fuel vehicles and E(Ford Model e was responsible for electric vehicles 89. The similarity of the two restructurings is that they both aim to improve Ford's competitiveness and profitability, while reducing costs and complexity. The difference between the two reorganizations is that the first reorganization is more about the adjustment of product line and market strategy, while the second reorganization is more about the change of organizational structure and operation mode.

5. Implications

Both reorganizations have achieved some success, but they also face some difficulties and risks. The first restructuring enabled Ford to achieve a global profit of 7 in 2019, and in 2020, it launched the much-watched electric Masta Mach-E.. However, the first reorganization was also opposed and questioned by some employees, investors and consumers, and was influenced by external factors such as COVID-19 epidemic and chip shortage. The second reorganization enabled Ford to significantly increase the sales and market share of its electric vehicles by 89 in 2022, and plans to launch the electric F-150 lightning pickup truck in 2023. However, there are also some challenges and uncertainties in the second reorganization, such as how to balance the resource allocation and cooperation between the two departments, how to deal with the pressure from competitors such as Tesla, and how to ensure the construction of battery supply and charging facilities.

6. Conclusion

Through the case analysis of two reorganizations of Ford Motor Company, this paper discusses the motivation, process and effect of enterprise reorganization. This paper holds that enterprise reorganization is an effective strategic choice, which can help enterprises adapt to the changes of external environment and improve their competitiveness and profitability. This paper draws the following conclusions. There are three main motivations for enterprise reorganization: market competition, technological innovation and policies and regulations. The motivation of Ford Motor Company's two reorganizations is related to these three aspects, which reflects the necessity and urgency of enterprise reorganization. The process of enterprise reorganization needs to follow certain principles and steps, including determining the reorganization goal, formulating the reorganization plan, implementing the reorganization plan and evaluating the reorganization effect. The two restructuring processes of Ford Motor Company are relatively smooth, which shows the feasibility and effectiveness of enterprise restructuring. The effect of enterprise reorganization can be evaluated from the aspects of finance, market, technology and organization. The effect of two reorganizations of Ford Motor Company is remarkable, which reflects the value and significance of enterprise reorganization. The case analysis of two reorganizations of Ford Motor Company in this paper can not only provide reference and enlightenment for other enterprises to reorganize, but also provide reference and basis for the in-depth study of enterprise reorganization in academic circles. Future research can be expanded from the following aspects. One needs to compare different industries, different countries and different types of enterprise restructuring cases, and analyze their similarities and differences and laws. This paper discusses the influence of enterprise reorganization on relevant stakeholders (such as employees, customers, suppliers) and the countermeasures. It is also necessary to tudy the relationship and interaction between enterprise reorganization and other strategic choices (such as merger, cooperation, innovation).

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