

Business & Management (SL) IA:

Commentary on:

“How effectively has Ford recently attempted to globalize?”

Candidate Name: [REDACTED]

Candidate Number: [REDACTED]

Word Count: 1,481

Contents Page

Contents	Page
Introduction	3
Commentary 1: Business Strategy	4-5
Commentary 2: Product	6
Commentary 3: Marketing	7
Conclusion	8
Bibliography	9
Appendix -	
SWOT Analysis Table	10
Ansoff Matrix, Boston Matrix	11
2009 Annual Report	12-16
Ford's Bet: It's a Small World After All	17-20
One Ford for the Whole World	21-22
The Ford Story: Ford Focus Global Test Drive Leaves the Starting Line	23
Ford plans to team with Sollers in Russia	24

Introduction

- **Background information:**

I have decided to write my commentary on the globalization of Ford Motor Company. I find it quite remarkable that Ford brings the American culture with it as it assimilates to meet worldwide demands. Ford seemingly covers a wide geographic in its well-establishment, including most of Europe, Africa, Asia, Australia, and South America. The intriguing concept is that the differences in cultures have led to a difference in demand; the company has virtually separated itself into various segments based upon region, creating different styles and kinds of vehicles for the consumers. Now, however, Ford is attempting to adapt a global approach to the regional demands, seen most blatantly through their, “One Ford” campaign, emphasizing the slogan, “One team, one plan, one goal” (Ford Motor Company, page 2). Since 2009, Ford has been trying to create a sense of global unity through their company with their products, business plan, and international nature – yet is it working? Thus, the question arises, “How effectively has Ford recently attempted to globalize?” In order to sum-up Ford’s recent decision-making abilities in global retrospect, a SWOT analysis necessary to identify Ford’s strengths and weaknesses as well as opportunities and threats. The analysis is provided (see Appendix) as result of complete analysis of all five documents. It becomes apparent that the success of Ford’s globalization is dependant upon a healthy business strategy, strong product, and smart marketing tactics.

Global Business Strategy

Hoang defines globalization as “the growing integration and interdependence of the world’s economies” (Hoang, page 152). I feel that the very approach of “One Ford” intimates a global standard in the reorganization of the business into a whole. The slogan yields a company vision statement, seeing a single, heavily economically-integrated business and providing long-term aims that thus outline a basic strategy to overcome the business’s regional variations in order to maximize profit and yield maximum growth.

Recent business strategy relies upon internal synergy: merging the demographics it covers, the kinds of cars it produces and the very plan of the business to create a single impact: profitable growth for all (Ford Motor Company, page 1). Ford’s annual report goes on to show a global incentive in its business plan, claiming plan to “leverage global assets” (Ford Motor Company 16). Ford is trying to reap the benefits of economies of scale, a key factor in achieving effective growth. Through using its vast customer base and pre-established locations to its full potential, as well as benefiting from lower unit costs and higher borrowing powers, Ford thus capitalizes upon globalization through growing as much as it can multinationally.

Ford’s strategic effectiveness in global growth can be seen through its ability to trump diseconomies of scale. A large business usually faces a lack of control and coordination, creating issues for management. Yet, this issue is being answered through the counter-effects of synergy and intense synchronization of the business, a focus of Mr. Mulally even notes “that he — and Ford’s 200,000 employees — will not waver from. . . about the future of the auto industry” (Vlasic, “Ford’s Bet: It’s a Small World After All, nytimes.com).

Yet, an effective strategy of globalization theoretically requires a positive impact upon the host countries, for it will eventually backfire if they perform unethically – raising media attention and thus losing customer base. Ford must prove it is improving the situations of the host country rather in order to be successful in long-term globalization.

Ford and Sollers, an automotive company of Russia, have recently been reported to take part in a joint venture (Chapman, “Ford plans to team with Sollers in Russia”, msnbc.com). Ford has agreed to help the struggling automotive industry of Russia through allowing Sollers to produce its cars, hoping to improve the Russian car industry, and the Russian economy in general. Ford is a worthy aid in the expansion of other companies outside of itself in the betterment of the host country, thus showing a viable improvement worth noting as a thoughtful move in the globalization of the business.

The external growth through the joint ventures with businesses like Sollers as well as many others intimate effective strategy in globalization, as they split costs, risks, control, and rewards, thus yielding a healthy amount of growth and only fifty percent of any losses, allowing Ford to virtually have half the risk when diving into the developing market of Russia. Ford will be allowed to benefit from synergy, entry into foreign markets, competitive advantages, Sollers’ local knowledge, and the high success rate of

joint ventures in general as in contrast to mergers and acquisitions with managerial conflicts (Hoang 123).

However, most of the international growth will stem from internal (organic) growth, much like that of Toyota (Vlasic, "Ford's Bet: It's a Small World After All, nytimes.com). The organic growth is likely to yield better control and coordination, but it may be limited within the restructuring of the firm – changing the way the firm is run can become costly at a global scale as well as difficult when it has so long operated separately and under a different culture. It will become harder to change a pre-established culture and work under synergy if there are cultural barriers without the global restructuring of products and marketing.

Global Product

The Ford Focus shows the global turn Ford is trying to make through its global appeal through a constant platform: the C-body (Vlasic, “Ford’s Bet: It’s a Small World After All, nytimes.com). Ford’s small adaptations to the body are trumping the very threat of trade blocs within global trade, preparing for the threats of globalizing while maintaining a style of car that is equipped with the right options to continue selling.

The Focus is a premiere choice in the global car line Mulally boasts to eventually produce. Outputting the same product to many different branches will not only help Ford in costs of production, but will also allow more coordination within the company branches worldwide. Ford has effectively promoted market penetration and development techniques globally, a key aspect addressing the Ansoff Matrix (see Appendix), as seen in the developing industry in Russia (Chapman, “Ford plans to team with Sollers in Russia”, msnbc.com). Ford’s direct path to conquer all markets is strongly rooted in effective decision-making, implementing a wide variety of business tools.

The Focus is also a profitable product, growing in market share, showing high market growth – making it a “problem child” on its way to a “star”, as categorized by the Boston Consulting Group Matrix (see Appendix). The product sailed through research and development with global standards being met, thus pushing it to the top of market share after a lot of investment in growth. Thus, as Ford plans to harvest the cash flow of the internationally popular product, with hopes of eventually turning it into a “Cash Cow” as it reaches the point of saturation in the product life cycle, using all of its profitable appeal to draw in the demand of various nations with its low prices and stylistic appeal as well as its highly marketed fuel-efficiency set to contend strongly with rivals (White, “One Ford for the Whole World”, wsj.com).

Global Marketing

With its move towards marketing the internationally-successful, low-fuel economist car (White, “One Ford for the Whole World”, [wsj.com](#)), Ford successfully covers its global marketing techniques with price, place, and product. Ford continues to produce a successful global marketing approach with the last aspect of a healthy marketing mix: promotion.

Ford implements below-the-line marketing with its recognizable brand logo: the blue emblem appearing on each of their cars. Differentiating Ford from rivals, the branding forms the perception of customers, matching tastes and drawing-in loyalty. The cheap form of promotion can also be used as a legal instrument as well as well as overcoming all language barriers set forth by globalization with the timeless, intangible, and priceless form of self-promotion.

Ford also has set forth above-the-line marketing strategies through its most recent “Global Test Drive” advertisements (Ezarik, “The Ford Story: Ford Focus Global Test Drive Leaves the Starting Line”, [thefordstory.com](#)). The campaign has taken the internet, a growing international market, by storm through using cheaper promoters: bloggers. These internet superstars have been taken from around the world, drawing in audiences abroad to listen to or read their thorough testaments online. The “test drives” not only promote the product, but also give the cars an all-important testing phase in the research and development, allowing the marketing to simultaneously be used for the most expensive step in the product life cycle. It is innovative, global thinking like this that really brings forth Ford’s true abilities to rise to its goals for globalization.

Conclusion

It appears that Ford has taken great care to fully identify and capitalize upon its strengths, answering all opportunities and preparing for threats. The company capitalizes upon its economies of scale, flawless business plan (Ford Motor Company, “Ford 2009 Annual Report”), and global product templates to overcome internal issues, while taking full advantage of global marketing (both above and below-the-line)(Ezarik, “The Ford Story: Ford Focus Global Test Drive Leaves the Starting Line”, thefordstory.com), capturing global audiences and overcoming trade blocs (White, “One Ford for the Whole World”, wsj.com) as they assimilate cultural needs in the most cost-effective ways, as seen with the Focus (Vlasic, “Ford’s Bet: It’s a Small World After All, nytimes.com). The company uses its strengths to overcome its weaknesses, thus profitably outweighing all weaknesses to create a recipe for success. Ford thoroughly succeeds in its attempts to globalize through multinational growth.

I believe that Ford will become a largely global power as cars begin to assimilate to a world culture rather than the separate cultures of the world. Ford has gone to great measures to operate under a single platform, thus it is no surprise that it has effectively succeeded in its recent attempts to globalize.

Bibliography

- Chapman, Michelle. "Ford Plans to Team with Sollers in Russia." *Msnbc.com*. 18 Feb. 2011. Web. 14 Mar. 2011. <<http://www.msnbc.msn.com/id/41664126/ns/business-autos/>>.
- Ezarik, Jenna. "The Ford Story: Ford Focus Global Test Drive Leaves the Starting Line." *The Ford Story: See Where We Are. Be a Part of Where We're Going*. Ford Motor Company, 19 Feb. 2011. Web. 14 Mar. 2011. <<http://www.thefordstory.com/our-articles/cars/focussedan/ford-focus-global-test-drive-leaves-the-starting-line/>>.
- Focus Global Test Drive in Review. YouTube - Broadcast Yourself*. Ford, 28 Feb. 2011. Web. 14 Mar. 2011. <<http://www.youtube.com/watch?v=lpHzLIILHw4>>.
- Ford Motor Company. *Ford 2009 Annual Report*. Dearborn, MI: Ford Motor Company, 21 Jan. 2010. PDF. <<http://www.virtualonlinepubs.com/publication/?i=34121>>.
- Hoang, Paul. *Business and Management*. Victoria: IBID Press, 2009. Print.
- Vlasic, Bill. "Ford's Bet: It's a Small World After All." *The New York Times*. 9 Jan. 2010. Web. 14 Mar. 2011. <http://www.nytimes.com/2010/01/10/business/10ford.html?pagewanted=1&_r=2>.
- White, Joseph B. "One Ford for the Whole World." *The Wall Street Journal - Wsj.com*. 17 Mar. 2008. Web. 14 Mar. 2011. <<http://online.wsj.com/article/SB123724332577548061.html>>.

Appendix:

SWOT ANALYSIS TABLE (See Commentary 1: Business Strategy)

<p>Strengths</p> <ul style="list-style-type: none"> • Economies of Scale • Available funds • Unifying, more coordination • New marketing – “Global Test Drive” • Pre-existing market share • Pre-existing customer base (loyalty) • “Below the Line” Marketing <ul style="list-style-type: none"> -Branding -Slogan • Great Product (Focus) <ul style="list-style-type: none"> -Good Research and Development -Ease with similar bodies, yet versatile -“Star” in Boston Matrix 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Diseconomies of scale • Pre-established separations of company • Internal differences in management • Global Product Differentiation • Communication issues
<p>Opportunities</p> <ul style="list-style-type: none"> • Popularity with expansion in new markets • First of America’s “Big Three” • Joint- Ventures, Mergers with companies in other markets • Recent global interest in fuel-efficiency • Increased communications, similarities among cultures • Cheaper Marketing Costs • “Above the Line” Marketing <ul style="list-style-type: none"> -Advertising -Public Relations 	<p>Threats</p> <ul style="list-style-type: none"> • Trade Blocs • Competition: Other companies that have already globalized their products (i.e. Toyota) • C body’s trend • Recent oil prices: yielding less to desire to drive

Ansoff Matrix (See Commentary 2: Product)

From page 131 of the Business and Management text

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

Boston Consulting Group Matrix (See Commentary 2: Product)

From page 509 of the Business and Management text

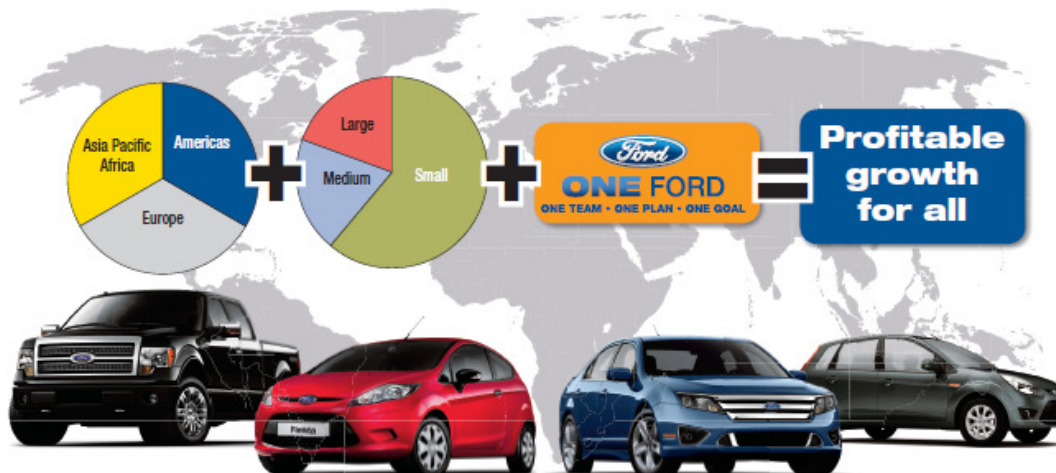
		Market Share	
		High	Low
Market Growth	High	Stars	Problem Children
	Low	Cash Cows	Dogs

Supporting Documents

1.

Please note: Only sections relevant to the question, of the 173 pages of the pamphlet, are provided and thus highlighted through the thoughtful selection. To view the complete pamphlet, visit: <http://www.virtualonlinepubs.com/publication/?i=34121>

Global Growth Plan



Key products in Ford's global vehicle line up include: the 2010 F-150 manufactured in Dearborn, Michigan, U.S.A.; the 2010 Ford Fiesta manufactured in Cologne, Germany; the 2010 Ford Fusion Sport manufactured in Hermosillo, Mexico; and the Ford Figo, manufactured in Chennai, India.

On the Cover

The next-generation Ford Focus, which made its worldwide debut in January, is part of a new generation of vehicles based on a common platform that will support up to 10 global products, with a projected 2 million units of annual production by 2012. The Focus is designed and developed to exceed the wants and needs of global Focus customers. This stylish new offering will be nearly identical across markets with 80 percent parts commonality. Focus will offer class-leading technologies, premium feature content and precision craftsmanship combined with exceptional fuel economy and a fun-to-drive experience. Production will begin simultaneously in Europe and North America in late 2010, with production in Asia beginning in 2011.

About the Company

Ford Motor Company, a global automotive industry leader based in Dearborn, Michigan, manufactures or distributes automobiles across six continents. With about 198,000 employees and about 90 plants worldwide, the company's automotive brands include Ford, Lincoln, Mercury and Volvo. The company provides financial services through Ford Motor Credit Company. For more information regarding Ford's products, please visit www.ford.com.



Alan Mulally and William Clay Ford, Jr. introduce the next-generation Ford Focus at the 2010 North American International Auto Show in Detroit.

Ford Transit Connect



In the summer of 2009, Transit Connect launched in North America as a spacious and fuel-efficient alternative to larger commercial vehicles, offering the maneuverability of a car, the enclosed space of a van and the payload capacity of a full-size pickup. This unique product – already a market leader in Europe – was adapted for North American use with the addition of a proven 2.0-liter engine and four-speed automatic overdrive transmission. The durable powertrain helps Transit Connect deliver fuel economy of 25 mpg highway and 22 city. No other vehicle in North America can match its combination of payload, space and fuel efficiency. Beginning in 2010, Transit Connect Electric will be offered for commercial customers with routine usage over specified routes. Ford also offers a taxi prep package, with clean-burning compressed natural gas or liquefied propane compatibility.

▶ A Message from the Executive Chairman

Last year Ford Motor Company continued its transformation in the face of extraordinarily difficult economic conditions. By borrowing all we could ahead of the credit collapse and dramatically cutting our costs we avoided a government bailout. We then went on to achieve one of the greatest financial turnarounds in our history.

Our outstanding progress confirmed we are headed in the right direction, but we know our journey is far from over. We are now fighting our way back to prosperity.

Today the automotive industry is at the intersection of three critical global issues: the economy, energy and the environment. There are concerns about competitiveness and employment, the availability and affordability of fuel, and the impact of CO₂ emissions. In response to these concerns, for the first time in a century, some of the most fundamental and enduring elements of the automobile are being radically transformed by new technologies. The key to this transformation, and to success in our business, is continuous improvement and innovation.

We remain intensely focused on growing our business profitably by delivering exciting vehicles that our customers want and value. To do that we want to be a leader in the application of technology that makes our customers' lives better. That includes developing breakthrough technologies to address the critical global issues that impact us all.

Operating as ONE Ford around the world allows us to fully leverage our resources so that we can introduce new technology at a lower cost and a faster pace. These advanced technologies will help us ensure that every new product we introduce will be a leader in its segment for fuel economy, while providing top quality, safety and value.

We are transforming our company and our products to keep pace with a rapidly changing world. We are proud of our achievements, but also fully aware that in a fiercely competitive global economy there is no room for complacency. The fact that our plan is working will not slow us down – rather, it will inspire us to move faster and farther.

Thank you for your continued support of our efforts.

William Clay Ford, Jr.
Executive Chairman
March 4, 2010



William Clay Ford, Jr. celebrated his 30-year anniversary with Ford Motor Company. Pictured with him are Elena Ford, Director, Global Marketing, Sales and Service Operations and Felicia Fields, Group Vice President, Human Resources and Corporate Services.

▶ A Message from the President and CEO

Ford Motor Company emerged from the challenging business environment of 2009 with the strongest proof yet that our ONE Ford plan is working. We reported full year 2009 net income of \$2.7 billion, which was the company's first full year of positive net income since 2005 and a \$17.5 billion improvement over the previous year. We achieved a pre-tax operating profit, excluding special items, of \$472 million in 2009, which was a \$7.3 billion improvement over 2008. (See page 22 for a listing of special items in 2009 and 2008.)



We still face significant challenges, but by following the ONE Ford plan we put in place three and a half years ago we are forging a path toward profitable growth. Our plan remains unchanged:

- Aggressively restructure to operate profitably at the current lower demand and the changing model mix.
- Accelerate the development of high-quality, fuel-efficient, safe new products that customers want and value.
- Finance our plan and improve our balance sheet.
- Work together as one team, leveraging our global assets.

ONE Ford helped us achieve profitability and grow our business despite a global recession. In every part of the world we are providing customers with great products, building a stronger business and contributing to a better world.

Great Products

In 2007 we created a single global product development organization to maximize economies of scale and share best practices and ideas. That allows us to fully leverage our resources so that we can offer a full range of vehicles with the best quality, fuel-efficiency, safety, smart design and value.

Taking full advantage of our global scale and talent to build products customers want and value is already paying off for us in markets around the world. And within the next four years, all Ford vehicles competing in global product segments will be common in North America, South America, Europe and Asia Pacific Africa.

In 2009 our strong products drove full year market share gains in North America, Europe and South America while maintaining share in the rapidly growing Asia Pacific Africa region.

In the U.S., Ford F-Series was the best-selling truck for the 33rd year in a row in 2009. In the utilities segment, the Ford brand was the top-selling brand of crossovers in the U.S., led by the Ford Escape. Every consumer metric about the Ford brand – including favorable opinion, consideration, shopping and intention to buy – ended the year at record levels. Full-year total market share was 15.3 percent, more than one point higher than 2008, marking the company's first full-year U.S. market share increase since 1995.

In Canada, Ford was the best-selling brand in 2009, and the Ford F-Series was the best-selling truck for the 44th year in a row. Led by the Fiesta, Focus and Ka, Ford strengthened its position

as Europe's second highest-selling brand in 2009. Ford Europe's market share of 9.1 percent was a half point increase for the year and set an 11-year high.

In South America, Ford Brazil achieved its best ever full-year sales in 2009 by selling 325,000 vehicles, a 15 percent increase over the previous year. Ford Asia Pacific Africa's sales were up 14 percent in 2009, and set a full-year record. Ford sales in China, up 45 percent, led the increase in the region.

More great products are on the way this year, including the new Ford Fiesta in the U.S., freshened versions of the Ford S-MAX and Galaxy in Europe, and the new Ford Figo in India.

Strong Business

Ford has completed major cost reduction actions over the past four years to substantially restructure its business, including personnel levels, facilities and related costs, and the settlement of the United Auto Workers retiree health care Voluntary Employee Beneficiary Association (VEBA) agreement. We also obtained capital and liquidity ahead of the financial market crisis, which helped us maintain our investments in new products during a difficult economic period.

In 2009, we achieved \$5.1 billion in Automotive structural cost reductions, exceeding our target of \$4 billion. For the full year, Automotive operating-related cash flow was negative \$300 million; an improvement of \$19.2 billion over 2008. We finished the year with \$25.5 billion in Automotive gross cash, which was up from \$23.8 billion at the end of the third quarter of 2009.



Ford Motor Credit Company reported net income of \$1.3 billion in 2009, an improvement of \$2.8 billion from a net loss of \$1.5 billion a year earlier. Contributing to this improvement was the non-recurrence of an impairment charge for operating leases and lower depreciation expense for leased vehicles due to higher resale values.

Our intense focus on improving our cost structure and strengthening our balance sheet will continue going forward. Among other actions, we anticipate completing the sale of Volvo Cars to Zhejiang Geely Holding Group Co. Ltd. in the second quarter of 2010.

ONE Ford DNA and Global Vehicle Strategy



2011 Ford Fiesta

"Ford knows that customer wants and needs are converging globally, and to that end, the customer is at the center of the company's strategy to bring new global vehicles to market. The next generation of small cars created under the ONE Ford approach are engineered not just to meet the standards of customers the world over but to surprise and delight with their high level of feature content. They are great to look at, great to sit in and great to drive, too."

- Derrick Kuzak, Ford group vice president, Global Product Development

Ford's Global Product Strategy is focused on five key areas:

- Driving quality – Building on a dynamic heritage to define a truly engaging driving experience.
- Fuel economy – Delivering on our commitment to be unsurpassed in providing fuel-efficient vehicles, which is becoming increasingly important to customers.
- Technology – The next-generation small cars are loaded with intuitive and intelligent features until now found only in larger, more premium vehicles.
- Safety – Engineering to global safety standards.
- Craftsmanship – Material selection and fit-and-finish take a major step forward. Interior quietness bests the competition and then some.

Better World

Great companies are driven by purpose as well as profit. Ford has a proud heritage of improving people's lives and making their world a better place. We want to build on this heritage by being a good neighbor locally and a trusted corporate citizen globally, operating responsibly and sustainably wherever we do business.

A central element of our efforts is providing affordable fuel economy for millions of customers, not just expensive, low-volume niche vehicles. To do that we have introduced innovative fuel-saving technologies across a wide range of vehicles.

We now have more fuel-saving six-speed transmissions on the road than any other manufacturer. We are also the leading U.S.-based producer of hybrid-electric vehicles, with record sales that were up 72 percent in 2009. The EcoBoost™ engine technology we introduced last year delivers up to 20 percent better fuel economy and will be offered on a wide range of vehicles with projected production reaching half a million annually in North America within 5 years. In that same time period, we will introduce a series of four new electric, next-generation hybrid and plug-in hybrid vehicles that use advanced lithium ion batteries.

In 2009, a U.S. Environmental Protection Agency report showed that Ford Motor Company improved its combined car and truck fuel economy by nearly 20 percent during the 5-year period 2004-2009, almost double the improvement of the next closest competitor.

Giving back to the community also is an important part of our efforts to help build a better world. Ford Motor Company Fund and Community Services, our philanthropic organization, celebrated its 60th anniversary in 2009. Our Ford Volunteer Corps, which was established in 2005, encourages salaried employees to take two work days per year to serve as volunteers. Last year 16,000 Ford employees and retirees volunteered more than 77,000 hours to help people in their local communities.

Looking Forward

We are more convinced than ever that Ford has the right plan to lead us through near-term economic pressures and continue to deliver profitable growth. We expect to be profitable for the full year in 2010 on a pre-tax basis, excluding special items. That includes full year profitability for our Ford North America and total Automotive operations, with positive Automotive operating-related cash flow.

The entire extended Ford team is absolutely committed to building on our progress and working together as a lean global enterprise focused on delivering great products. By doing that, we will create an exciting and viable company with profitable growth for all.

As always, we thank you for your support of our efforts.



Alan R. Mulally
President and Chief Executive Officer
March 4, 2010

(Page 4 of the pamphlet)

Cars



Next-Generation Ford Focus



2010 Lincoln MKZ

A key element of the ONE Ford plan is accelerating development of the products our customers want and value. In North America, this is evident in the reinvigoration and renaissance of several Ford car lines. As the light-vehicle market shifts back to cars, Ford has gained market share with boldly designed, high-quality, fuel-efficient cars that offer unexpected levels of technology, convenience and safety, while rewarding drivers with a fun-to-drive experience.

A new Ford Fusion, Fusion Hybrid, Lincoln MKZ, Mercury Milan and Milan Hybrid debuted in 2009. All-new six-speed transmissions help these stylish midsize sedans deliver improved fuel economy – with both I-4 and V-6 engines – compared to previous models. The Fusion and Milan Hybrids are America's most fuel-efficient midsize cars, delivering impressive fuel economy figures of 41 mpg city, 36 highway. In 2010, a Lincoln MKZ Hybrid joins the lineup.

The all-new Ford Taurus and Taurus SHO sports sedan debuted, bringing bold technologies, luxurious interior appointments and world-class driving dynamics. Taurus SHO is the first North American Ford-brand application of EcoBoost™, employing two small turbochargers to boost power from its advanced 3.5-liter V-6 to V-8 levels without compromising fuel efficiency.

Lincoln continued its transformation with the addition of the MKZ with EcoBoost, attracting new, younger buyers to Ford's luxury brand.




Ford Figto (left) and Grand C-MAX

In Europe and Asia, Fiesta, Ford's new global small car, introduced an advanced PowerShift six-speed automatic transmission, employing dual internal clutches and six well-spaced gears to keep the 1.6-liter I-4 engine in its most efficient operating range. Fiesta proves small car drivers can enjoy a wide selection of convenience technologies and luxury appointments without sacrificing top fuel efficiency.

Around the world, Ford continues to expand its small car portfolio with a new Focus hatchback and sedan. Developed for sale across global markets, Focus will continue the trend of offering luxury-class safety and convenience features and technologies that will set new small car standards.

In Europe, Ford launched a high-performance Focus RS in addition to new C-MAX and Grand C-MAX family vehicles, while in India the Figto was revealed to bring a new class of drivers into the Ford brand. These stylish new offerings feature Ford DNA design cues and numerous fuel-efficient powertrain alternatives.

Strong Business

With Ford working aggressively to improve its balance sheet, major transformations to its manufacturing footprint are taking shape. Rather than relying just on a regional supplier base, Ford is partnering with international suppliers to drive cost efficiencies and establish consistent levels of quality and craftsmanship. When it came time to build the company's first ONE Ford global product, the next-generation Ford Focus, executives, engineers and plant workers in North America, Europe and Asia gathered in front of huge projection screens to put the car together virtually piece by piece. Focus will be sold in 122 countries, based on the C-platform, with projected production of 2 million vehicles a year by 2012.



S-MAX Trend 5-seat

The new Galaxy and S-MAX are the first European Ford models to benefit from the company's global family of turbocharged, direct-injected EcoBoost engines, which deliver impressive fuel economy and low CO₂ emissions. The Galaxy and S-MAX are built alongside the Mondeo at Ford of Europe's Genk facility in Belgium, a highly sophisticated, lean and flexible manufacturing factory that ensures Ford can respond very quickly to changes in customer demand.

(Page 10)

► Global Expansion and Manufacturing

As Ford introduces a new generation of global products, the company's ONE Ford strategy is clearly evident in its assembly plants. Taking advantage of global demand means scaling up the company's manufacturing operations to produce the first of these global products – the next-generation Ford Focus – with universally high levels of craftsmanship, quality and efficiency all around the world. In Wayne, Mich., one of three North American truck plants is being retrofitted to build fuel-efficient global small cars, and in Chongqing, China, Changan Ford Mazda Automobile broke ground in September for a state-of-the-art and highly flexible passenger car plant scheduled for completion in 2012 as the new home for Focus in China.

Meanwhile, the integrated manufacturing facility in Chennai, India, saw a \$550 million expansion to begin production of the new Ford Figo for that country's vast small car market using environmentally friendlier processes like the three-wet, high-solids paint application.

(Page 10)

Management's Discussion and Analysis of Financial Condition and Results of Operations

Trends and Strategies

We continue to monitor incipient signs of economic recovery following the recent global economic crisis that caused such a sudden and substantial decline in global automotive industry sales volume, and we remain firm in our belief that our continued focus on executing the four pillars of our plan is the right strategy to achieve our objectives.

- Aggressively restructure to operate profitably at the current demand and changing model mix;
- Accelerate development of new products our customers want and value;
- Finance our plan and improve our balance sheet; and
- Work together effectively as one team, leveraging our global assets.

(Page 16)

2. Ford's Bet: It's a Small World After All

By Bill Vlasic

Published: January 9, 2010

HE blew into the Ford Motor Company in 2006 as an outsider from a different industry, and he was hailed as the latest in a long line of purported saviors of a faltering, century-old automotive icon.

At the time, skeptics in the clubby world of auto executives whispered that the newcomer, Alan R. Mulally, would be swallowed up by the complexities of the car business, his ebullient personality smothered by the feudal infighting for which Ford had long been famous.

Yet three years into his tenure as chief executive — and with a host of still nettlesome challenges awaiting him — Mr. Mulally has thus far proved to be the unifying figure that Ford has needed for decades.

His vision is distilled in the laminated, wallet-size cards carried by tens of thousands of Ford employees that spell out his management principles beneath a simple heading: "One Ford ... One Team ... One Plan ... One Goal." And on Monday, at the opening press conference of the 2010 Detroit auto show, Mr. Mulally will unveil the car that embodies his strategy for returning Ford to its status as a leader in the global auto industry.

That car, the new Ford Focus, is arguably as important to Mr. Mulally as the Model T was to Henry Ford, the founder. Despite some previous efforts, the Focus is Ford's first truly global car — a single vehicle designed and engineered for customers in every region of the world and sold under one name. It is small, fuel-efficient and packed with technology and safety features that, Mr. Mulally believes, will appeal to consumers in Europe, Asia and the Americas.

The car also represents what Mr. Mulally calls the "proof point" of everything he has done since joining Ford after a 37-year career with Boeing: he hopes that the vehicle will provide a rolling blueprint for generations of Ford cars to come.

"If we were going to be world-class, we needed to pull together and leverage and use our global assets around the world to create a powerhouse 'One Ford,'" he said in an interview in his office at Ford's headquarters. "It's exactly why we are here."

In an industry populated by naysayers and familiar with wrenching disappointment, Mr. Mulally's doubters have largely disappeared because he has already delivered more than what was expected of him when he replaced Ford's chairman, William C. Ford Jr., as chief executive.

One of Mr. Mulally's first, prescient acts in 2006 was to borrow \$24 billion, which later gave Ford the cash it needed to stave off the government-sponsored bankruptcies of its crosstown rivals General Motors and Chrysler. He has also shifted Ford's emphasis away from trucks and sport utility vehicles to cars and crossover vehicles, and dumped luxury brands like Land Rover, Jaguar and Aston-Martin that were consuming Ford's resources and distracting management.

Perhaps most important, Ford has shrunk drastically, shedding jobs and factories to better align its production with demand. For decades, Ford executives and workers labored inside a bureaucracy that made decision-making cumbersome and often undermined dexterous responses to market shifts. It was a system that also withstood repeated efforts by others to streamline it.

But under Mr. Mulally's hand — and in response to a downturn that threatened the very existence of Detroit's Big Three — Ford has finally started to run a tighter ship.

All of this is beginning to show up in Ford's bottom line. It reported \$1 billion in earnings in the third quarter of 2009, its first profitable quarter in nearly two years. Mr. Mulally, however, says he doesn't expect Ford to become "consistently" profitable until 2011. (Coincidentally, that's when the new Focus will begin appearing in sizable volumes in the United States and Europe.)

While the Focus is only one of several new products on the way, it is the centerpiece of Ford's transformation from a truck-heavy manufacturer to a producer of smaller, lighter and more environmentally friendly passenger cars.

The impact of the Focus on Ford's global operations is even more significant. While Ford has been an international company since early in the 20th century, its overseas divisions have long operated as semiautonomous units geared to individual markets.

In the 1990s, Alexander Trotman, then its chief executive, developed a plan called Ford 2000 to standardize some vehicles around the world. The new system saved money, but the products it yielded were successes in some markets and flops in others. The initiative was summarily dropped by Mr. Trotman's successor, Jacques A. Nasser.

Upon his arrival, Mr. Mulally took his own shot at knitting together Ford's far-flung operations, seeking the economies of scale that a "world car" could bring.

"Why are we doing it this way?" he asks. "Because we believe the customer requirements are going to be more the same around the world than they are different."

INDUSTRY analysts have long derided Detroit automakers as being overly fixated on the United States market and unable to see how vehicles designed for Europeans and Asians could appeal to American consumers.

"There's nothing revolutionary about selling the same car around the world," says John Casesa, an industry consultant. "Toyota does it. BMW does it. But the Detroit companies were always disproportionately run around their North American strategy."

In that regard, the Focus is Ford's first big bet that it can effectively sell a single, largely uniform car — with variations to come later — in several global markets. Currently, the company has three engineering "platforms" serving what the industry calls the C-car segment — essentially, compact vehicles the size of a Toyota Corolla or a Honda Civic. The three platforms account for annual sales of about 1.1 million vehicles, although the various models are substantially different inside and out.

The new Focus is built on one platform for all markets, from Shanghai to Seville to Seattle. The platform is also flexible enough that it can be adapted for different body styles, whether hatchbacks or small crossover vehicles.

Within a few years, Ford expects to sell as many as two million vehicles a year off the new C-car platform and to save billions of dollars in costs by avoiding multiple platforms.

"The Focus represents the first tangible evidence of a global strategy," says Mr. Casesa. "For the first time, Ford is executing it and not just talking about it."

A YOUTHFUL-LOOKING 64-year-old with close-cropped red hair and a toothy smile, Mr. Mulally is relentlessly optimistic and perpetually in motion. Educated in engineering at the University of Kansas, a father of five and married for nearly 40 years, he can be so exuberant that he'll sometimes hug people the first time he meets them.

But Ford executives quickly learned that beneath that sunny disposition was a demanding and competitive executive.

"The very first conversation I had with Alan was around the opportunities that we had never taken full advantage of here at Ford," says Derrick M. Kuzak, a 30-year Ford veteran and the head of global product development.

Mr. Mulally saw Ford as a messy conglomerate of brands, divisions and international businesses that obscured its best asset: the Ford brand and its blue oval badge.

Why, he asked executives repeatedly, did the company insist on pouring money and resources into Volvos and Jaguars when its Ford product line was a mishmash of Mustangs, S.U.V.'s and pickup trucks?

"We made a strategic decision to move from a house of brands to a laser focus on Ford," Mr. Mulally says. "That brand clarity was going to be absolutely essential and a competitive advantage."

He was also prepared to stake Ford's future on a thesis that consumers around the world are becoming more and more alike, and that what they want in a car is the same in China and India as it is in Germany or the United States.

After all, customers in disparate markets were already showing preferences for the same attributes in cars: safety, technology, fuel efficiency and appearance. The Internet was allowing car buyers everywhere to pore over the specifications of vehicles available in the United States or Europe, enabling consumers in developing countries to home in on quality products in mature markets and empowering them not to settle for lesser products.

"Everybody knows everything, and everybody knows what's available," says Mr. Mulally. "You look at the reasons people buy vehicles, and all those requirements are coming together."

The first planning sessions for the global Focus kicked off in late 2007, a year after Mr. Mulally came aboard. He told executives that it was crucial to design a single model that could serve many markets, and challenged the conventional wisdom that parts of the car had to be tailor-made for different regions of the world.

Gunnar Herrmann, head of the Focus project, recalled how Mr. Mulally kept referring to his years of developing airplanes that were the same no matter where they flew.

“He said, you guys are always doing multiple doors on these cars; at Boeing, we have only one door,” Mr. Herrmann remembers. Mr. Kuzak and Mr. Herrmann were assigned to create a development team that had European engineers and designers at its core, but also included members from Asia and the Americas. Mr. Herrmann assigned the team to develop a “program paper” that laid out projections for production volumes, market-share targets and competition. He says he ended up receiving a hefty document larded with traditional Ford approaches to doing business.

The paper was 150 pages long and contained separate analyses for Europe, Asia and North America. Rather than zeroing in on common goals for the three regions, the sections emphasized the differences. Mr. Herrmann says he threw it back at the team. “Where is the common denominator here, so we can do a single car?” he recalls asking.

His boss, Mr. Kuzak, had spent his three decades with Ford working here and abroad and was keenly aware of how the company’s past practices could weigh it down — and how important it was to embrace Mr. Mulally’s emphasis on global product development. “It would allow us to bring our vehicles to market quicker than we have ever been able to do in the past,” Mr. Kuzak says. “The benefits were in the neighborhood of 25 percent to almost 50 percent quicker time to market.”

So the Focus team ended up rallying around a few main objectives. The car had to drive and handle like a European sedan and have the creature comforts like wireless Internet access that American consumers demanded.

When it came to designing the exterior of the vehicle, the team faced a quandary.

Whereas European and American buyers appreciate flair, Chinese consumers, in particular, have more conservative tastes. In the past, Mr. Herrmann, said, Ford would have designed separate bumpers and headlights for the different markets. That approach, however, wouldn’t fly with Mr. Mulally.

In the end, the Focus team came up with a front end with a low-set, three-part grille and tapered headlights. The look is striking but not too flashy, and the team was given freer rein to make the hatchback version sportier than the four-door sedan model.

TOWARD the end of 2008, Ford conducted dozens of market research clinics with potential customers in several countries. In the clinics, the team learned that it could tailor the interior of the Focus for different regions by simply changing colors and materials rather than pursuing larger design changes that would have been more complex and expensive to manufacture.

The development process entered the home stretch last April, when the first prototypes were presented to Mr. Kuzak for a test drive. Beyond look and feel, he was focused on sound: he wanted to be sure the car was quiet when driven. “We needed to elevate customers’ perception of our cars,” he says. “When I drive the vehicle, I am the customer. We needed it to be refined.”

The team gathered at the company’s test track in Lommel, Belgium, on the day Mr. Kuzak came to test the Focus. “Any time the boss drives the prototype, you think, ‘I hope we survive this,’ ” says Mr. Herrmann. But after he had driven the car, Mr. Kuzak broke into a big smile. “They exceeded my expectations,” Mr. Kuzak recalls.

THE Focus is also serving as a laboratory for sweeping changes in how Ford markets its vehicles. Ford’s previous C-car models had not only different and distinct engineering platforms, but also as many as 20 advertising campaigns. James Farley, Ford’s global marketing chief, said the new Focus would have just four or five ad strategies around the world.

Mr. Farley says that in the past, Ford had to shape the ads based on vehicles’ differences. Now, any variation will be based on the campaign’s audience.

“This is not a one-size-fits-all effort,” he cautions. “But the diversity of the marketing is created by the customers we want to reach, and not by the differences in the vehicles.”

Analysts view the Focus project as a significant step forward for a company that, for years, had been burdened by the weight of its own complexity. Aaron Bragman, an analyst with IHS Global Insight, compared the new direction to Toyota’s systemic approach of building high-quality vehicles that have a singular identity and global appeal.

“In its history, Toyota’s growth was basically organic,” says Mr. Bragman. “They used the same production system everywhere, and sold the same cars everywhere. Their success was all in the execution.”

For his part, Mr. Mulally has long been an unabashed admirer of Toyota, and he relishes the comparison. He also makes no apologies for Ford’s dependence in the past on selling pickup trucks and big S.U.V.’s to earn profits. With the new Focus and other passenger cars in the product pipeline, he expects to compete head-on with Toyota, Honda and other leaders in the car market.

That won’t be easy. Japanese auto companies still dominate the small-car segment in the United States, and their customers have proved very loyal to the brands. G.M., now out of bankruptcy and well financed with government money, is also laying the groundwork for its own product offensive.

Moreover, Ford has yet to prove it can command healthy prices for cars that were historically sold on the cheap.

“The biggest issue that Ford is going to have to deal with is convincing hundreds of thousands of people to pay premium prices for small cars that used to be a bargain,” says Joseph Phillippi, a principal of Auto Trends Consulting.

Mr. Mulally promises that Ford is up to the challenge. “We can make cars and make them profitable,” he says. “You know how much money Toyota has made on cars? The new Ford can make money on all of its vehicles.”

He concedes that Ford’s rebirth is a work in progress. But within three years, as many as 80 percent of Ford’s products will be built on global platforms, Mr. Mulally says. It is the essence of a strategy to simplify a sprawling, complicated company, leverage its still vast resources and talent, and try to change its direction forever.

The company must still show that it can earn profits quarter after quarter, and not allow its costs to creep up in its pursuit of more sales worldwide. And Mr. Mulally has to be wary of overconfidence after his recent success. “There’s no question that he has to keep the pressure on constantly,” says Mr. Phillippi.

Ford did dodge the bankruptcy bullet that hit G.M. and Chrysler, and many consumers are gravitating to it precisely because the company did not need a government bailout. That momentum should help as it brings new cars like the Focus to its dealer showrooms.

What Ford won’t do is change direction again, at least not under Mr. Mulally’s watch. He promises that he — and Ford’s 200,000 employees — will not waver from his “point of view” about the future of the auto industry.

“That is what strategy is all about,” he says. “It’s about a point of view about the future and then making decisions based on that. The worst thing you can do is not have a point of view, and not make decisions.”

3.

One Ford for the Whole World

By Joseph B. White

Published: March 17, 2009

America is the Galapagos Islands of automobiles. We have cars roaming our highways like no other vehicles on earth. Car makers want to change this, but it won't be easy.

Consider the Ford Focus. Ford Motor Co. sells a compact car called the Focus in Europe, and a very similar-sized car in the U.S. under the same name. If you showed these cars to most consumers -- car geeks don't count -- they wouldn't be able to tell the difference between them. But they aren't the same car. In fact, even though they look alike, there's very little in common between the current European Focus and the U.S. Focus, says Derrick Kuzak, head of Ford's world-wide product development. Under the skin, they might as well have been made by two different companies.

Next year, Ford will launch a new Focus in the U.S. that will have 80% of its parts in common with the European version. This car and a smaller model called the Fiesta, also due out next year, are among the first fruits of a costly and urgent effort overseen by Mr. Kuzak to develop cars that can be engineered once and sold around the world in more or less the same form -- a strategy Japanese and European auto makers have pursued successfully for years.

So why is the forthcoming U.S. Focus going to be only 80% identical to the European Focus? Why not 100%? A big part of the answer is government rules that haven't evolved to reflect the realities of a global car market.

Converging Models

From a consumer point of view, the U.S. and European car markets are converging, driven in part by tougher U.S. fuel-efficiency standards.

President George W. Bush gave a big boost to this convergence in 2007 when he signed a law requiring car makers to boost the average fuel economy of their U.S. car fleets to 35 miles per gallon by 2020 from the 27.5 mpg standard in effect for more than 30 years. President Barack Obama and his administration have signaled they may push for an even higher effective fuel-economy target as a result of an effort to craft a national standard for vehicle carbon-dioxide emissions.

For Detroit's struggling car makers, this isn't as terrible as it might appear. Reaching those fuel-efficiency levels will mean shifting Americans over time into cars that are smaller, more technically sophisticated and more likely to be propelled by four-cylinder engines than big V-8s.

It just so happens these are the very cars General Motors Corp. and Ford sell in Europe and in many Asian countries today. Designing "world cars" that can achieve global economies of scale is the auto industry's Holy Grail. Bringing America into the mainstream of the world auto market would put that prize within reach for the two largest U.S. auto makers.

Chrysler LLC could benefit, too, because a Europeanized American car market would buoy its strategy of selling cars co-designed with Italian auto maker Fiat SpA, should that alliance come to pass.

Regulatory policy and practice, however, aren't global. U.S. government crash standards, for example, require car makers to take into consideration the potential harm to passengers who aren't wearing seat belts when designing the crash-safety features of their cars. European governments assume that everyone riding in a car is wearing a belt -- a standard that's easier and less costly for car makers to meet.

U.S. government and insurance-industry crash tests effectively require that American cars have stouter, heavier bumpers, the better to withstand impacts of five miles per hour. European crash tests don't put the same premium on bumper strength. The result is that cars need different bumper designs for Europe and the U.S.

European standards for rear-view mirrors are slightly different from U.S. requirements. A North American mirror has to be larger and flatter -- a fitting reflection, perhaps, on the dimensions of the average North American driver.

Auto industry officials have lobbied for years to get the U.S. and European governments to harmonize their regulations. An effort begun under a 1998 trans-Atlantic agreement has produced results, such as common standards for electronic stability control, says James Vondale, director of Ford's automotive-safety office. When it comes to merging fundamental standards involving crash testing, lighting and brakes, "there are still many challenges for manufacturers," he says, citing in particular the U.S. requirement to design for unbelted passengers.

Picking Them Off

A spokesman for the National Highway Traffic Safety Administration says the agency is "working very hard to harmonize as much as possible. We recognize it's become a global market.... We're picking them off one by one."

The cost of trans-Atlantic regulatory disharmonies is a burden for all auto makers that have significant sales on both sides of the ocean. But it's particularly acute for Detroit's auto makers, which are playing catch-up in the race to develop global cars. The cost of adapting European Ford designs to American rules runs to "hundreds of dollars a car" in extra costs, Mr. Kuzak says.

That doesn't sound like much. But this is auto industry math: Multiplied by Ford's annual U.S. sales volume of about two million vehicles, "hundreds of dollars" a car -- let's say \$500 -- is nearly \$1 billion a year. That's money Ford could use in its effort to stay off the public dole.

4.

The Ford Story: Ford Focus Global Test Drive Leaves the Starting Line

By Jenna Ezarik

Published: February 19, 2011

Hi, my name is Jenna Ezarik, and I was brought on board by Ford to the Focus Global Test Drive event in Madrid, Spain, as a special insider correspondent.

Day one of the Ford Focus Global Test Drive in Madrid was a huge success. More than 20 bloggers from all over the world got a sneak peek at the new Ford Focus and had the opportunity to test it out on closed courses at INTA, Spain's National Institute for Aerospace Technology.

We had the opportunity to drive the 2012 Focus on the INTA track and were faced with various drills that simulated specific road and weather conditions. Each drill demonstrated the strengths and improvements of the new safety features of the Focus. We were even given the opportunity to drive on the test track reaching top speeds up to 100 mph!

So what was my favorite part of today? That would have to be meeting professional drivers Justin Bell and Tanner Foust and getting a behind-the-scenes look at a full racing experience in the new Focus.

I'm looking forward to more fun Ford festivities, and I can't wait to see what day two has in store.

Watch theFordStory.com for more updates on the Focus Global Test drive, and visit the Ford Focus Facebook page for more information.



(included image with article)

Link to video referenced with this document (also in bibliography):

<http://www.youtube.com/watch?v=lpHzLlILHw4>

3.

Ford plans to team with Sollers in Russia

By Michelle Chapman

Published: February 18, 2011

NEW YORK — Ford Motor Co. plans to team up with a Russian automaker to make and distribute cars in the country. The announcement came shortly after Italian automaker Fiat SpA backed out of a potential partnership with the same Russian company.

Fiat and Russian automaker Sollers had signed a memorandum of understanding last year to produce up to 500,000 vehicles a year in Russia in a bid to become the country's second-largest car maker. The two companies said in a joint statement Friday that they would "pursue independent strategies." Fiat owns U.S. automaker Chrysler.

Following the Fiat announcement, Ford and Sollers disclosed they had signed a memorandum of understanding. The companies said they will have equal stakes in their Russian joint venture called Ford Sollers.

Local plants in the St. Petersburg region and the Tatarstan will make Ford passenger cars and light commercial vehicles as well as engines. The venture will also run a stamping facility that will provide local parts for Ford vehicles made in Russia, create research and development activities and import and distribute Ford products, parts and accessories in Russia. Financial terms of the deal weren't disclosed.

The joint venture, which is expected to start operations by year's end, will help strengthen Russia's auto industry and its local supply base, Stephen Odell, Chairman and CEO of Ford of Europe, said in the statement.

Russia has poured millions of rubles into its stagnant domestic car industry over the past decade in an attempt to resuscitate it. Last year, the government announced that the Russian car industry would survive only in partnership with global players.

Fiat's proposed partnership with Sollers had been viewed as a key joint venture, with Prime Minister Vladimir Putin overseeing a high-profile ceremony last February that announced the potential deal. But the joint venture fell into a financial limbo for months after VEB, a Russian state-owned bank which was expected to give the car makers a euro2.1 billion (\$2.85 billion) loan, said in December that Fiat and Sollers had not provided enough documents to support the application for the loan.

The unraveling of the Fiat Sollers joint venture gave Ford an opportunity to step in. The Dearborn, Michigan, company began making cars in Russia in 2002, and like many car makers is eager to expand business there as demand improves.

While domestic auto companies in Russia have been struggling, the market itself has been gaining strength. Car sales in Russia rose by 30 percent last year, according to the Moscow-based Association of European Businesses. Nine of the 10 best-selling models were produced locally, while Ford Focus was in the top five of best-sellers.

Ford is not the only automaker angling for more of the Russian market. General Motors Co. increased its sales 12.4 percent in Russia last year. Russia's largest automaker, AvtoVAZ, is partly owned by France's Renault SA.

Just last week reports indicated that Toyota Motor Corp. would join forces with Sollers to boost its auto production in Russia. News reports said Toyota would use Sollers' existing factory in the Russian far eastern port city of Vladivostok to produce cars and possibly sport utility vehicles. Japanese firm Mitsui & Co. is also said to be joining Toyota in the Russian project.

A Toyota spokeswoman said at the time that nothing had been decided.

Meanwhile, Fiat will maintain a presence in Russia. Sollers has a license to produce Fiat vehicles, including assembly of the Fiat Ducato light commercial vehicle, that is unaffected by the end of the joint venture. Fiat says it plans to go ahead with expansion of the plant in Naberezhnye Chelny, east of Moscow in the Tatarstan.