# Ford's Global Strategy

When Ford CEO Alan Mulally arrived at the company in 2006 after a long career at Boeing, he was shocked to learn that the company produced one Ford Focus for Europe and a totally different one for the United States. “Can you imagine having one Boeing 737 for Europe and one 737 for the United States?” he said at the time. Due to this product strategy, Ford was unable to buy common parts for the vehicles, could not share development costs, and couldn't use its European Focus plants to make cars for the United States, or vice versa. In a business where economies of scale are important, the result was high costs. Nor were these problems limited to the Ford Focus. The strategy of designing and building different cars for different regions was the standard approach at Ford.

Ford's long-standing strategy of regional models was based upon the assumption that consumers in different regions had different tastes and preferences, which required considerable local customization. Americans, it was argued, loved their trucks and SUVs, while Europeans preferred smaller, fuel-efficient cars. Notwithstanding such differences, Mulally still could not understand why small car models like the Focus, or the Escape SUV, which were sold in different regions, were not built on the same platform and did not share common parts. In truth, the strategy probably had more to do with the autonomy of different regions within Ford's organization—a fact that was deeply embedded in Ford's history as one of the oldest multinational corporations.

When the global financial crisis rocked the world's automobile industry in 2008–2009 and precipitated the steepest drop in sales since the Great Depression, Mulally decided that Ford had to change its long-standing practices in order to get its costs under control. Moreover, he felt that there was no way that Ford would be able to compete effectively in the large developing markets of China and India unless Ford leveraged its global scale to produce low-cost cars. The result was Mulally's One Ford strategy, which aims to create a handful of car platforms that Ford can use everywhere in the world.

Under this strategy, new models—such as the 2013 Fiesta, Focus, and Escape—share a common design, are built on a common platform, use the same parts, and will be built in identical factories around the world. Ultimately, Ford hopes to have only five platforms to deliver sales of more than 6 million vehicles by 2016. In 2006, Ford had 15 platforms that accounted for sales of 6.6 million vehicles. By pursuing this strategy, Ford can share the costs of design and tooling, and it can attain much greater scale economies in the production of component parts. Ford has stated that it will take about one-third out of the $1 billion cost of developing a new car model and should significantly reduce its $50 billion annual budget for component parts. Moreover, because the different factories producing these cars are identical in all respects, useful knowledge acquired through experience in one factory can quickly be transferred to other factories, resulting in systemwide cost savings.

What Ford hopes is that this strategy will bring down costs sufficiently to enable Ford to make greater profit margins in developed markets and be able to achieve good profit margins at lower price points in hypercompetitive developing nations, such as China (now the world's largest car market), where Ford currently trails its global rivals such as General Motors and Volkswagen. Indeed, the strategy is central to Mulally's goal for growing Ford's sales from 5.5 million in 2010 to 8 million by mid-decade.

Questions:

1. How would you characterize the strategy for competing internationally that Ford was pursuing prior to the arrival of Alan Mulally in 2006? What were the benefits of this strategy? What were the costs? Why was Ford pursuing this strategy?

2. What strategy is Mulally trying to get Ford to pursue with his One Ford initiative? What are the benefits of this strategy? Can you see any drawbacks?

3. Does the One Ford initiative imply that Ford will now ignore national and regional differences in demand?