**Part A – Historical Analysis:**

**A. Business In:**

The Ford Motor Company is a world-leader in the design, development, manufacturing and servicing of cars and trucks.

Specifically, the company operates in two distinct sectors: automotive and financial services. Each is described in greater detail below.¹

**Automotive:** The Ford Motor Company sells cars and trucks worldwide under the Ford, Mercury, Lincoln and Volvo brand names. Substantially all cars, trucks and parts are marketed through retail dealers in North America, and through overwhelmingly privately owned distributors and dealers outside of North America.

- Reportable segments include: Ford North America, Ford South America, Ford Europe, Volvo and Ford Asia Pacific Africa
- The number of dealerships worldwide for each brand is as follows (at 2008 year end):
  - Ford 11,827
  - Mercury 1,827
  - Lincoln 1,427
  - Volvo 2,341
- In addition to retail sales, Ford engages in the selling of cars and trucks to fleet customers (rental car companies, leasing companies, governments, etc.)
- Also provides retail customers with after-sale vehicle services and products including maintenance, repair, vehicle accessories and extended warranties²

**Financial Services:** The Ford Motor Credit Company, LLC (“Ford Credit”) offers a variety of automotive financing options to and through dealerships worldwide. This business is primarily concerned with financing the Ford Motor Company’s vehicles and supporting its dealers.

- Products fall into three categories; retail financing, wholesale financing and other financing
  - Retail financing: Purchase retail installment sale contracts and retail lease contracts from dealers, and offer financing to commercial customers
  - Wholesale financing: Make loans to dealers to finance the purchase of inventory

² www.yahoo.brand.edgar-online.com. Ford Motor Company
Other financing: Loans to dealers for working capital, improvements to dealership facilities or to purchase or finance new dealership real estate
- Ford Credit also services the receivables and leases it originates and purchases, makes loans to affiliates, purchases certain receivables from itself or its subsidiaries and provides insurance for its programs
- Does business throughout the United States and Canada through dealer financing branches and regional business centers
- Outside of the US, FCE Bank is the business' largest operation

Ford Motor Company NAICS Codes:
336111 – Automobile Manufacturing (Primary)
336399 – All Other Motor Vehicle Parts Manufacturing
522220 – Sales Financing
522291 – Consumer Lending
524126 – Direct Property and Casualty Insurance Carriers

Financials: See Appendix A: Historical Financial Data

B. Goal Clarification & Strategies and Tactics Used to Fulfill Goals:

Goal 1: "To transform Ford Motor Company into a growing and profitable global automotive leader."
After almost a decade of sinking profits, a nose-diving share price and years of loss in market share, Ford is pushing forward full-throttle with its restructuring plan in the effort to become viable and profitable in the not so distant future.

- In the second quarter of 2009 Ford announced a profit of $2.3B
  - However, this was largely a result of the company’s restructuring of its debt and not of positive operations flows
  - Operations actually posted a loss of $424M, a figure far better than analyst expectations
  - The company forecasts that it’s on track to become profitable in 2011
- Ford has partnered with Microsoft Corp. in order to offer the ‘Sync in-car connectivity system’

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1 www.yahoolasts.fordonline.com. Ford Motor Company
The company believes this is an essential revenue builder and 38% of Ford’s current fleet and all 2009 models will offer the system. The system was first introduced on the popular Focus in a strategic decision by management.

- The idea was to reflect the way of thinking with the Model T in that it would be available to greatest amount of customers.
- Management maintains the belief that the Ford experience meshes well with the connectivity business: “new technology goes quickly when it grows.”

As of June 2009, Joe Hinrichs, Ford’s manufacturing chief has mandated that any new manufacturing plant worldwide must have the same processes and capabilities as other facilities.

- He believes standardizing worldwide is essential to cost savings and quality.
- Ford subcompacts built in China, for example, will come from an identical plant in Mexico.

Further in the effort to expand and grow globally, Ford is enhancing its global vehicle platform efforts and consequently conjoining the multitude of individual marketing campaigns.

- Elena Ford, the company’s director of global sales, marketing and service operations has implemented the use of a single global creative director for each product launch, rather than enlisting a different one in each country.
- Intends to make Ford’s marketing and advertising efforts worldwide “speak with a single voice.”
- With this plan in effect, it is anticipated that the marketing budget for the firm will decline in parallel with overall revenue.

**Goal 2: To build more products that satisfy the needs and wants of customers**

As trends in the auto industry are constantly evolving, it is Ford’s mission to remain at the forefront of not only the American market, but the worldwide market, both technologically and individualistically. Since Allen Mulally’s entrance as CEO in 2006, the company has been constantly striving to both offer the latest vehicular technology and increase consumer appeal via overall style and price point.

- Joe Hinrichs, the manufacturing chief, believes that Ford is well positioned to meet the growing demand for smaller cars.

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○ He insists that by 2014 Ford will be building 1M subcompact vehicles around the world and 2M compact vehicles.

○ Ford undoubtedly takes pride in their vehicles and aim to preserve its brands goodwill by offering “exciting vehicles” to the consuming public.
  ○ CFO Lewis Booth states that the company’s vehicles, “look like a Ford, drive like a Ford and feel like a Ford,” and adds, “we don’t sell commodity products. We sell exciting products. That’s what Ford is about.”
  ○ Booth estimates that 70%-90% of Ford’s lineup will be refreshed or replaced by 2012 in the company’s three largest regions: North America, Europe and Asia Pacific/Africa.
  ○ Further, by 2014, he concludes that the company will have gone through one complete cycle of redesigned vehicles and will be halfway through the next cycle.

○ The plan forward is refreshingly direct and concise: develop higher fuel economy vehicles, more small cars, and a full range of cars, crossovers and trucks; a mantra preached by CEO, Mulally.
  ○ He insists that what sets Ford apart is that during tough economic times, they continue to invest in new products that people truly want and value, which will enable them to emerge full-speed ahead as conditions improve.
  ○ Ford will offer more small cars, but maintain its position in medium and large vehicles.
  ○ Crossover offerings will increase as traditional SUVs decline, while pickup production (“big-ticket profit generators”) will continue at current levels.
  ○ Improved fuel economy and lower weight are key in new vehicle production, in addition to the new strategy of turbo charging and smaller engines which will debut this year with the ‘EcoBoost’.

Goal 3: To serve the needs of stakeholders and add value for shareholders.

To acquire some necessary perspective here, it should be noted that just ten years ago, in 1999, Ford Motor Company was trading above the $30 level. Shareholders who have held on since then experienced an absolute miserable ride all the way down to lows of $1.87 in January of 2009 and then a relieving trip back up to over $7.50 today; still, however, just a fraction of where the stock traded a decade ago.

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1 Barkholz, David "Hinrichs: Ford must standardize its plants." Automotive News 83.6364 (2009)
2 Treece, James B. "Booth: Smart cuts save future Fords." Automotive News 83.6373 (2009)
3 Wilson, Amy "Ford's mantra: Let's stick to the plan." Automotive News 83.6370 (2009)
During the prior CEO, William Clay Ford Jr.’s, five-year tenure as CEO, shareholders a staggering $7.32M each day.

Upon Mulally’s hiring in 2006, the question regarding whether shareholders would be willing to give the new CEO the time to implement the changes he needs to in order to improve the long-term viability of the firm arose.

- As the former CEO of Boeing he was responsible for the completion of the highly regarded 777 which took many years to complete and also ran the company approximately $5B.
- However, since the stock was almost 1/2 of what it was in 2005 just a year before, many questioned the patience of shareholders and if they would comply with a long-term vision rather than seek a short-term rebound in the value of their investment.

The 2007 earnings report shows that Ford’s numbers have improved since 2006, however there is still a ways to go in getting the company back on solid footing and recouping the massive loss sustained by shareholders over the past ten years.

- Ford lost $2.7B in 2007, a far improvement over its $5.6B loss in 2006.

Currently, Ford is the only American automaker with a growing market share, a reversal from the 16.7% loss in market share in 2007.

- Mulally believes that the “Cash For Clunkers” subsidy from the US government will have the most direct benefit on his firm over the next few months.
- In an effort to please the government and shareholders, he notes that Ford will shift its focus to green cars going forward.

**Goal 4: Obtain the necessary funding to accomplish plans while improving the balance sheet**
Due to a lackluster past decade at Ford Motor Company categorized by an absence of new, innovative ideas in producing vehicles and slumping sales, one of Allen Mulally’s prime objectives over the past few years and into the future is to clean up the balance sheet. A plethora of long-term debt exists that will prove very costly to the firm if it is not deal with, however, there still remains the obvious need for funding in order to continue to invest and progress.

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3 Kiley, David "Ford Reports Improved Earnings." BusinessWeek Online (2008)
5 Ford Motor Company Annual Report, 2007
In 2006, when the economy was in stellar sort, Ford went to the markets to obtain sufficient liquidity that would hold them well into the future and into the economic downtown.

- Since then, Ford has been actively working with world governments to “maximize the availability of funding” to further secure itself within the uncertainty of the environment the auto industry is facing.¹

- In April of 2009, the company reduced its long term debt by $9.9B from $25.8B by swapping company stock and cash.
  - $2.24B in cash was used to reduce the debt which will decrease annual cash interest expenses by $520M.
  - Upon completion of the process, Mulally stated, “by substantially reducing our debt, Ford is taking another step toward creating an exciting, viable enterprise.” He went on to state that “Ford leads the industry in taking the necessary steps to weather the current downturn and deliver long-term profitable growth.”²

- Ford released a restructuring plan in 2009 which focused on returning the company to profitability and a position of financial viability.
  - Included was an investment of $14B in the U.S. over the next seven years on advanced technology.
  - Discussions would commence with the United Auto Workers labor union to reduce labor costs.
  - The company would sell its five corporate aircraft.
  - Cancel all 2009 bonuses for management worldwide, and additionally, would not merit pay increases for employees in North America.
  - Importantly, the plan included the denial of government financial assistance in the form of low-interest loans³.

### Goal 5: Improve fuel economy in new vehicles and reduce environmental impact⁴

In a world becoming increasingly focused on preserving the environment and reducing the undeniable dependence on such finite resources as gasoline, Ford must, as a premier American automaker, place a tremendous focus on the development of vehicles that leave less of a carbon footprint.

- Ford was the third automaker to enter the American hybrid market with 2004’s first “Made in the USA” hybrid, the Escape. The vehicle also happened to be the first SUV hybrid introduced.

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1 Haldis, Peter "Despite Another Quarterly Loss, Ford Remains Optimistic." Global Refining & Fuels Report 12.23 (2008)
4 Ford Motor Company Annual Report, 2007
- The Escape gets up to 60% better gas mileage and reduces harmful emissions by up to 80%
- Ford has since expanded the escape to ethanol compatibility
- The company now also produces a luxury hybrid SUV under its Mercury brand and the goal is to continue to produce 250,000 alternative-fuel and hybrid vehicles annually

- CEO Allen Mulally constructed a plan in December 2008 to begin offering a family of hybrids, plug-ins and all-electric vehicles by 2012
  - He stressed the importance of creating vehicles that were both green but also digitally savvy as a way to redefine the company as “with-it” and environmentally conscious

- The 2010 Fusion Hybrid is receiving stellar recognition in both the style and substance categories from industry analysts and consumers alike
  - It earned and EPA fuel economy rating of 41 mpg in the city and 36 mpg on the highway
  - Includes a new display called “SmartGauge with EcoGuide,” which provides real-time powertrain information to help users maximize fuel efficiency
  - Experts who drove the vehicle were pleasantly surprised with how seamlessly the switch from gas to electric is and how quiet the cabin remains while in motion

C. Environmental Analysis

Social – Rising Healthcare Costs

Being that automakers employ a tremendous workforce worldwide, it would only make sense for them to be extremely weary of the rising healthcare costs that have plagued the past decade. Not only do these year over year cost hikes affect the average citizen, but they affect the corporations who are obligated to fund their plans.

Interestingly, in November of 2006, when President Bush met with the CEOs of the U.S. automobile manufacturers, the rise in healthcare costs was a primary issue of concern and discussion. Bush acknowledged how the decrease in costs would have a direct and immediate impact on the auto industry’s bottom line and vowed to work toward that

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goal. The alarming statistic remains, however, that recently, automakers are spending more on health care costs than on the steel that constructs the car body, frame and engine.

**Political/Legal – Tough Fuel Economy and Emissions Standards**

A sort of paradox exists in this instance, as there is an overwhelming political effort to reduce greenhouse gas emissions while simultaneously improving fuel economy. With the peak of gas prices in 2005, there was suddenly an increased emphasis within the industry, especially within the US, to increase fuel economy in new vehicles. However, producing these vehicles that boast better gas mileage traditionally meant increased emissions. The tough restrictions are forcing car makers to invest heavily in alternative technologies such as electric and battery powered vehicles, essentially fundamentally restructuring the entire industry in the process.

There has also been a history of confusion regarding diesel engines, largely within the US industry. The fact that fuel-efficient Diesel engines produced in Europe used to emit a significant amount of gases meant that the US automakers would forego their production. Despite improvements in the diesel technology, American firms still largely ignore the option. Currently, most around the world are convinced that diesel engines are in fact cleaner, more efficient and better performers.

**Economic – The Recession**

The current economic recession that struck the world with great vigor in 2008 was of almost unfathomable proportion. The majority of industries, companies and markets were also naturally devastated by rising rates of unemployment, less disposable income and a lack of consumer confidence. The auto industry was no exception. To put it frankly, as a result of the recession, the industry’s customer base began to shrink, it experienced heavy losses across the board and was running out of cash and/or any sort of funding to restructure and return to viability.

However, there certainly are measures that are being taken within the industry to weather the storm and return to profitability and growth within a few years. First, they must increase operating efficiency, cut costs, and focus on instant returns on investment; all this of course without sacrificing quality or value.

Next there must be a substantial transition toward a “next generation business model.” Effective business and technology plans must be put into place worldwide along with clear new vehicle design and development goals.

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1 Larkin, John "Remarks by President Bush After a Meeting With CEOs of the U.S. Automobile Manufacturers." Automotive Industries 186.11 (2006)
2 Manzullo, Donald "Complex solution." Rubber & Plastics News 35.16 (2006)
3 Hensley, Russell, Stefan Knupfer, and Dickon Pinner "Electrifying cars: How three industries will evolve." McKinsey Quarterly 3 (2009)
Thirdly, the auto industry must innovate and learn, by leveraging technologies and promoting greater sharing which in turn will enhance the opportunity for the design and production of successful new innovative products.

And finally, they must “adapt, accelerate and advance” by creating the infrastructure to act quickly and ensure that global expansion continues at a steady, growing pace.¹

Socio-Cultural – Society’s Desire to Own Automobiles vs. Public Transportation
Although many seek the freedom of owning their own house and car, public transportation is becoming an increasingly sought after option, especially based on its convenience and low cost within urban areas.

Mass transit focuses on the city as the hub both economically and culturally of a region in which professionals and non rely on a convenient system to get around an outlying area or from suburb to suburb. Given the tremendous spike in gas prices in 2007, more opted to take public transport than drive themselves. However, would declining gas prices mean a return to the individuality of the automobile? The answer is no. In fact, in 2008 as gas prices came down to less than 50% of 2007 highs, the American Public Transportation Authority stated there was actually a 4% increase in mass transit. The estimated savings from using public transportation is approximately $8,000 per year. Consequently, while mass transit saw increased, driving saw decreases, as the US Transportation noted a 3.1% decline in vehicle-miles traveled in January 2009 as compared with the same month a year earlier.²

However, the fact remains that public transport may be suitable for commuting to work, but not so much for social outings, shopping, appointments or trips with multiple outings. Also, fewer than half of all adults live near transit, essentially a plus for the automotive industry.³

Technological – The Internet
Although the rapid expansion of the Internet over the last two decades has proved highly beneficial to a plethora of businesses and industries, the automotive industry, especially given the shrinking market as a result of the recent recession has strongly increased its marketing and advertising efforts on the web. Shrinking revenues and customer bases means that it is more crucial than ever to reach those customers looking to buy. “Ad networks allow brands to identify these users and reach them whenever they are online.”

The auto industry is actually the second biggest spender on online advertising behind the recruitment industry. Automakers are enlisting search companies (such as Google and UK based, Specific Media) to create targeted ads, dividing users vertically in terms of

² "Gas Prices Down, Unemployment Up, 2008 Public Transit Hit Record Highs." US Rail News 32.7 (2009)
³ Stromberg, Meghan "Growing Old in a Car-centric World." Planning 73.10 (2007)
"general interest," "in market users," and "near transactions." By allocating the appropriate marketing messages to each subcategory, brands encourage people to transact faster and with a greater degree of satisfaction.

Interestingly also, advertising efforts within the auto industry are targeted at those users who frequent travel and retail destinations on the web, as those consumers indicate they are comfortable searching and transacting online.¹

Ecological – Overwhelming Emphasis on “Green” Products and Lifestyles

With growing concerns regarding the environment and global warming ever-present, the automotive industry has struck the firm initiative to enhance its “green portfolio,” essentially designing and engineering vehicles which reduce environmental impact and produce lower emissions, reduced fuel consumptions and offer further weight reduction.²

As a result of the recent weakening of the auto industry, governments have offered industry players credits, tax breaks and special investment vehicles; however in return, they are obliged to create more energy-efficient engines and vehicles. The urge to focus research on hybrid, plug-in, electric, and hydrogen and fuel-cell vehicles is more poignant than ever, and at the financial mercy of the governments that support them, automakers are forced to restructure accordingly.

Additionally, governments are including incentives on the buy side as well. For most hybrid car purchases, there is a tax credit extended to the consumer, so in addition to the perk of lower gas costs, a governmental credit can also help towards the purchase of a new vehicle. Some question the overall good of such a credit, however, because hybrids are already significantly marked up due to the technology the vehicles possess. Another initiative within the US to encourage those with older, less efficient vehicles to purchase new cleaner ones is known as “Cash For Clunkers,” which essentially offers American consumers up to $5,000 toward the purchase of a new vehicle with the trade-in of their older car.³

Ethical – Keeping Jobs and Factories at Home or Moving Abroad to Cheaper Markets

The auto industry, particularly in the US and in other developed, democratic nations (such as the UK) has been under scrutiny over the past few decades regarding its decision to complete much of the manufacturing of its vehicles overseas in areas where labor is cheaper.

It is largely agreed upon that for the automakers, outsourcing is the easy answer. While it may not be right, it is certainly cheaper. However, while these firms are moving their

¹ Howell, Nic "Identifying marques." New Media Age (2009)
² Hilton, James "Leading the Way in Delivering Green Sustainable Products." Automotive Industries 189.8 (2009)
³ Venables, Mark "Cash to go green [power stimulus]." Engineering & Technology (17509637) 4.13 (2009)
manufacturing plants to Mexico, China, India and other low-wage countries, experts acknowledge that there is simply a geographical shift of inefficiency here, which is still an inherent problem, however the problem is simply cheaper.

Firms are not only compelled to move overseas because of cheaper labor costs, but also because the initial investment for establishing plants in less-developed regions is far smaller than in the home country. So the argument remains that while those in the industry notice the opportunity to spend less on labor and outright investment, they lose sight of the longer-term costs of freight, foreign management issues, carrying costs, etc., which can certainly add up over time.  

D. Competitive Analysis

Motors Liquidation Co.
Another American automobile company, this firm encompasses the remains of what was General Motors and is comprised of GM North America, GM Europe, GM Latin America/Africa/Mid-East and GM Asia Pacific. The firm sells products to dealers for retail sales, and sells cars and trucks to fleet customers (rental car companies, governments, etc.). Finance and insurance operations are conducted through the company’s 60% owned GMAC, LLC.

On June 1, 2009 General Motors and its affiliate filed for voluntary Chapter 11 reorganization.

Competitive advantages that the company prizes itself on are its SUV models along with what the company calls, the creation of “gotta’ have products.”

Toyota Motor Corp.
Toyota’s operations include the design, manufacture, assembly and sale of passenger cars, recreational and sport-utility vehicles, minivans and trucks and related parts and accessories. The firm’s financial services business consists primarily of providing financing to dealers and their customers for the purchase or lease of its vehicles. A third operations business segment includes its information technology related businesses, which focuses on certain intelligent transport systems and an e-commerce marketplace called Gazoo.com, and the design and manufacture of prefabricated housing.

Toyota is the world's largest vehicle manufacturer based on sales and production volume and the most profitable company based on net income. In the home country of Japan, the company expects to maintain its market leadership by actively introducing remodeled and

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1 Felax, Laurie "Inefficiency drives jobs overseas." Plastics News 17.5 (2005)
new cars to the market; increasing marketing efforts; proactively using information technology to enhance customer loyalty and brand image; and reorganizing existing sales channels to better target consumer demand patterns. Around the world, the firm is constantly increasing production capacity and upgrading facilities and focuses on cost savings initiatives in the areas of production, development and sales and marketing.\(^1\)

**Daimler**
The firm supplies automobiles and manufactures heavy and medium trucks, with a range of trucks, vans and buses. The four business segments of operations are: Mercedes-Benz Cars, which provides passenger cars and off-road vehicles under the brand names Mercedes-Benz, Smart and Maybach, as well as related parts and accessories; Daimler Trucks, which provides trucks under the brand names Mercedes-Benz, Freightliner, Western Star and Mitsubishi Fuso, as well as related parts and accessories; Daimler Financial Services, which activities primarily include the marketing of financial services; and Vans, Buses, Other, which includes Co.'s Mercedes-Benz Vans segment and the bus operating unit.\(^2\)

In November 1998, Daimler-Benz and Chrysler merged to form Daimler-Chrysler, the world's third largest automobile manufacturer based on revenues. However, the company unraveled the merger and was completely absolved of relations with Chrysler when the American company filed for bankruptcy protection in April of 2009. The diversified holdings of the firm offer it a competitive advantage within the industry.\(^3\)

**Honda Motor Co.**
Honda Motor and its subsidiaries are engaged in developing, manufacturing and distributing motorcycles, automobiles, power products, and also providing financing for the sale of those products. Aside from operations within its home country of Japan, principal overseas manufacturing facilities are located in the U.S., Canada, Mexico, the U.K., France, Italy, China, India, Thailand, Vietnam, Argentina, Brazil and Turkey. Co. operates in four segments: motorcycle business, automobile business, financial services business and power product and other businesses.\(^4\)

The company aims to create value by offering high-end innovative products, establishing advanced customer relations activities, and building a foundation for new business projects. Also, in addition to working on advanced environmental technologies and building customer-pleasing vehicles, it plans to further expand its motorcycle business and increase the flexibility of its production system.\(^5\)

**Nissan Motor Co.**

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\(^1\) [www.netadvantage.standardandpoors.com](http://www.netadvantage.standardandpoors.com). Toyota Motor Corp.

\(^2\) [www.mergentonline.com](http://www.mergentonline.com). Daimler AG.

\(^3\) [www.netadvantage.standardandpoors.com](http://www.netadvantage.standardandpoors.com). Daimler.

\(^4\) [www.mergentonline.com](http://www.mergentonline.com). Honda Motor Co., Ltd.

\(^5\) [www.netadvantage.standardandpoors.com](http://www.netadvantage.standardandpoors.com). Honda.
Nissan Motor and its subsidiaries are engaged in the manufacture and sale of vehicles, forklifts, marine products and related parts; and also are in the business of sales finance services, worldwide. The firm manufactures sedans, sport coupes, compact cars, mini vans, SUVs, pick-up trucks, and station wagons under the Nissan and Infiniti brand names.¹

The company maintains its competitive advantage through its encompassing plan that details five important commitments. The first was to quality, and the second was to become, with partner Renault, a global leader in zero-emission vehicles. Nissan planned to introduce an all-electric car in 2010 in the U.S. and Japan and then globally in 2012. The third commitment was to achieve an average of 5% sales growth over the five-year plan. The company planned to launch 60 new models by FY 13 (Mar.). It also proposed dividends for the next three years. With the fourth commitment, the company intended to expand its market presence, especially in India, Brazil, China and the Middle East. Finally, the company was to focus on cost leadership, as it worked to overcome increased raw material costs and the expectation of continued price pressures.²

**Exor**

Exor, formerly known as Istituto Finanziario Industriale, is the financial holding company of the IFI Group. Through its subsidiaries, the firm operates in the mechanical engineering sector, financial sector, cement sector, and other activities. The major mechanical engineering sectors include automobiles, commercial vehicles, agricultural and construction equipment, metallurgical products, automotive components, batteries, industrial components, production systems, aviation, rolling stock and railway systems, chemicals - fibers - bioengineering, civil engineering, publishing and communications.³

The Italian company’s presence in the automobile industry is due to the fact that it is the primary shareholder of Italian car brand, Fiat. The advantage here is the fact that Exor is an active shareholder in its investments. With the primary concern increasing the net asset value of its portfolio for shareholders, the firm brings in finance for the development of its companies and maintains a dialog with top management at each company an investment is made while fully respecting the firm’s autonomy.⁴

**SAIC Motor Corp.**

The firm is engaged in manufacturing, assembling and selling automobiles, motorcycles, tractors, and other automobiles and its parts; property management; domestic trading; provision of consultation services; exporting self-produced products and technologies; and importing machinery equipment, spare parts, raw materials and technologies needed. Through its subsidiaries, the company is also engaged in manufacturing and selling

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¹ [www.mergentonline.com](http://www.mergentonline.com). Nissan Motor Co., Ltd.
² [www.netadvantage.standardandpoor.com](http://www.netadvantage.standardandpoor.com). Nissan.
³ [www.mergentonline.com](http://www.mergentonline.com). Istituto Finanziario Industriale.
⁴ [www.exor.com](http://www.exor.com)
passenger cars, power transmissions, chassis, and engines and construction machinery and equipment; and providing automobile financing.  

Since its restructuring in 2006, SAIC is now the largest vehicle making corporation on the Chinese A-share stock market. Its controlling shareholder is Shanghai Automotive Industry Corporation, and the firm proudly boasts the titles of the leading manufacturer of passenger vehicles, the largest mini-vehicle maker and the automaker with the largest sales volume in China. The company strives to maintain its dominance in China and aims to increasingly grow its international influence via “advantage through innovation, internationalization in operation and concentration on people.”

**Fuji Heavy Industries**  
The company is engaged in the manufacture, repair and sale of automobiles, industrial equipment, airplanes and aerospace-related equipment, and other machineries, with automobiles and industrial equipment are sold under "Subaru" brand and "Robin" brand. The principal business segments are automobiles, industrial equipment, aerospace, and others. Real estate leasing is also an operating segment at Fuji.

The Japanese firm, according to its CEO aims to be “an appealing company with a strong market presence.” In realizing this goal, he cites the importance of satisfying all customers. Subaru is the essential lynchpin of Fuji’s business, and the firm is driven toward delivering superior value that reflects and accentuates the distinctive characteristics of the brand.

**Jardine Cycle & Carriage**  
Jardine Cycle & Carriage is an investment holding company engaged in provision of management services. Through its subsidiary and associated companies the firm is also engaged in assembly, distribution and retailing of motor vehicles and motorcycles and provision of after sales services; provision of financial services; heavy equipment and agribusiness and others consisting of information technology and infrastructure businesses. The two main business segments are Astra and Motor, and operations occur predominantly in Singapore, Indonesia and Malaysia.

With a market capitalization of over S$3B, the firm ranks among Singapore’s top 20 companies, strongly rooted in the automobile market through its 50.1% stake in Astra. As a member of the Jardine Matheson Group, the company can receive the needed assistance to further expand throughout Southeast Asia. The long-term goal is to remain a premier motor vehicle group by continuing to provide customers with the highest quality products.

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1 www.mergentonline.com. SAIC Motor Corp Ltd.  
2 www.saicmotor.com  
3 www.mergentonline.com. Fuji Heavy Industries, Ltd.  
4 www.fhi.co.jp/english/outline/index.html  
and services. A focused portfolio and dedicated workforce will be what ensure that desired company future.¹

**Hino Motors**

Hino Motors is a manufacturer of large, medium-duty, and light-duty trucks, buses, and commissioned vehicles for Toyota Motor Corp. The firm is fully engaged in the design, development, manufacturing, sale and maintenance services of diesel trucks, buses, special-purpose vehicles, industrial and marine diesel engines.²

This Japanese firm abides by its mission; “to make the world a better place to live by helping people and goods get where they need to go -- safely and economically -- while focusing on sustainable development.” In setting itself apart, the firm chooses to focus solely on larger format vehicles such as trucks and buses. Moving forward, there is an increased focus on increasing fuel efficiency through its technologies to reduce emissions and to improve driver environment and comfort level which will likely reduce accidents.³

**Tata Motors**

This Indian company is engaged in the manufacturing of heavy, medium and light commercial vehicles, buses, utility vehicles and passenger cars. Through its subsidiaries, Tata is also engaged in engineering and automotive solutions, construction equipment manufacturing, automotive vehicle components manufacturing and supply chain activities, machine tools and factory automation solutions, high-precision tooling and plastic and electronic components for automotive and computer applications, and automotive retailing and service operations. Operations exist in the U.K., South Korea, Thailand and Spain.⁴

The company simply dominates the Indian auto market, and is the leader in commercial vehicles in each segment, and among the top three in passenger vehicles with winning products in the compact, midsize car and utility vehicle segments. Globally, Tata is the world’s fourth largest truck manufacturer, and the world’s second largest bus manufacturer. The foundation of the company’s growth over the last 50 years is contributed to a deep understanding of economic stimuli and consumer needs, and the ability to translate them into desired offerings through cutting edge research and development.⁵

**Dongfeng Motor Group**

Dongfeng Motor Group and its subsidiaries are principally engaged in the manufacture and sale of commercial vehicles, passenger vehicles and auto engines and parts; the manufacture of vehicle manufacturing equipment; and other automotive-related businesses such as the import or export of vehicles and vehicle manufacturing equipment,

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³ www.hino-global.com
⁴ www.mergentonline.com. Tata Motors Ltd.
auto finance businesses, insurance agency businesses and used car businesses. The firm’s major products include commercial vehicles, such as trucks and buses, passenger vehicles and engines and other auto parts.¹

The Chinese firm ranks 20th out of the top 500 domestic enterprises and 5th in the top 500 domestic manufacturers. The goal at DFM is to create a centennial firm capable of sustained growth, an international DFM that’s world oriented and an open DFM capable of independent development. The firm is diligently pursuing its long term goal of becoming the number one automaker in China.²

Kanto Auto Works

Kanto Auto Works assembles bodies for Toyota’s passenger cars. The firm also manufactures automotive parts including front/rear spoilers, bumpers, and side mud guards as well as special vehicles known as “Welcab” for senior citizens and physically-handicapped individuals. In addition, the company has business segments in the provision of logistic services and plant maintenance service; the manufacture of raw materials for automobiles; the development of software; and the sales of single-family houses.³

The Japanese company is fully reliant on the Toyota Motor Group for its business. This enables a competitive focus on the primarily compact cars that it manufactures. The firm prides itself on its tradition of tackling new technologies and manufacturing cars that delight its customers.⁴

E. Strengths and Weaknesses of the Organization

Strengths: 10

Marketing
  - Focus on promoting value in their vehicles during tough economic times
  - Engages in strategic sponsorships with select organizations, especially prevalent is the sponsorship for the ‘Komen Race for a Cure’, to show support for breast cancer research⁵
  - Use of multi-tiered media marketing initiatives highly effective in reaching a greater number of potential consumers with specifically targeted ads to different audiences
  - Use of social media to drum up buzz for new releases

Finance
  - Effort to improve balance sheet underway as the company alleviated a significant portion of debt in 2009

⁴ www.kanto-aw.co.jp.
Stock has rebounded from its November 20, 2008 low of $1.01 to over $7.50\textsuperscript{1}
- Avoided bankruptcy, while GM and Chrysler both went that route
- Declined government loans and was able to weather the economic storm with its own funding and investment

Production and Operations
- Measures being taken to standardize production facilities globally
- Cost cutting initiatives aimed at reducing labor costs and outright plant investment costs
- Negotiations with the UAW to reduce labor expenses
- Production up 16% in 3\textsuperscript{rd} quarter of 2009 as compared to a year earlier\textsuperscript{2}

Human Resources
- Stern emphasis on leading by example permeates Ford – managers and executives work and act in concert with what they expect from subordinates
- Face-to-face discussions are commonplace, even on the busy floors of manufacturing plants
- Focus on making sure the right people are in the right jobs to leverage talent to further overall objectives
- Leadership program training in one specific region can be applied globally at Ford

Accounting
- Forecasts profitability in 2011 after accumulating profit in the second quarter of 2009

Research and Development
- Investments into green technologies will better the environment and help reduce greenhouse gas emissions
- Constant focus on the latest technology such as Microsoft Sync system
- Hybrid, electric and hydrogen based engines all being explored to lessen dependency on oil

E-Commerce
- Targeted advertising permeates the Internet which target potential customers based on their personal preferences
- Ford builds an individual website for each of its vehicles, each site reflecting and accentuating the style and appeal of the car or truck
- Pop-up questionnaires at ford.com to acquire a better understanding of the consumers visiting the company website
- Option to custom build a car virtually, changing or adding any options and specifications on the fly, and receive an accurate MSRP price quote instantly
- Option to request a local dealer quote on vehicle of choice expedites the close of sale
- Certified pre-owned vehicles also available via the web

Weaknesses

Marketing

Marketing campaigns developed by a single group to target multiple regions may miss the cultural or social nuances that a local advertiser would not overlook.

Ford has significantly decreased its sponsorships over the past few years.

Too much focus on advertising to revive the US auto industry could mean less attention paid to markets around the world.

**Finance**
- Although stock has recovered from lows, it still trades at just a fraction of its share price about a decade ago (over $36)\(^1\)
- Return on assets are currently -1.35%, profit margins are -4.58% and trailing 12-month earnings per share are -$2.07
- Extremely high beta of 2.67 indicating high market risk

**Production and Operations**
- Seeking lower labor and investment costs, manufacturing plants and jobs are being shipped overseas.
- Under a constant state of restructuring, the operational mission is sometimes diluted or confused.

**Human Resources**
- Massive layoffs as a result of the recession
- Job losses have led to a general decline in morale as job security, especially at manufacturing plants, is largely uncertain.
- Health care benefits place a burden on the firm’s bottom line.

**Accounting**
- Conversion of debt to equity diluted shareholders and dampened profits
- Foreign currency fluctuations are of concern.

**Research and Development**
- Focus on green technology is extremely expensive in the near term.
- Experts believe Ford product and technological development lags overseas automakers.

**E-Commerce**
- Process of virtually constructing car becomes tedious and laborious.
- Very difficult to actually complete a sale online, as many customers prefer to actually test-drive and enjoy a first-hand experience before opting to buy.
- Online consumers fundamentally tend to shy away from purchasing high ticket items over the Internet, while preferring to reserve their web purchases for smaller, more tangible items.

Part B – Future Perspective:

A. Future Environment

Social – Drunk Driving
The issue becomes more and more severe and law enforcement finds it increasingly difficult to prevent and control. More accidents and deaths are the obvious outcome and this will have a tremendously negative effect on the auto industry.

Firms will have to invest a tremendous amount into technology to internally detect when a driver may be operating a vehicle while under the influence. The social unrest regarding the alarming increase in deaths will also prompt pressure on the firms within the industry to financially support public service announcements and improve marketing initiatives to help curb the amount of DWI arrests and accidents.

Political/Legal – The National Labor Relations Act
The Act, established in 1935 was designed to enhance the relationship between employers and employees and protect one another’s collective rights. Bargaining between management and subordinates is encouraged in order to reach satisfactory conditions for both sides and to sustain the well being of businesses and the economy.¹

However, in the coming years, the equilibrium originally designed to characterize the Act will shift in the worker’s favors. The United Auto Workers union will amass more control within the auto industry and their bargaining power will increase in relation to that of management. Their salary demands will cause a great increase in labor costs within the industry and their benefit and pension package requests will also be honored, introducing a much higher cost structure for companies within the industry.

Economic – Interest Rates
Currently, with interest rates at the lowest they’ve been in years, consumers are able to finance their purchased vehicles more readily as interest expense is relatively low. To finance for three years, in many cases, the industry will offer a 0% APR, while for five years the rate hovers around 5%.

However, into the future, interest rates will undoubtedly rise as the economy begins to grow. The cost of borrowing will increase. Consumers will have a much harder time financing their vehicles, which will hurt industry sales.

Socio-Cultural – Average Life Expectancy
Looking forward, an increase in the average life expectancy should obviously prove beneficial for the auto industry. Although many of those at later stages in life are no longer driving, there is obviously a certain percent that are, and as they remain healthier longer, there will certainly be more driving in their old age.

¹ www.nlrb.gov
However, should the average life expectancy begin to decrease, the auto industry will be negatively affected as the amount of people living and able to drive will naturally decrease.

**Technological – Online Degrees and Courses**
The purpose of the vehicle is to transport individuals from one place to another for a number of reasons. However, as technology improves into the future, the need for people to leave their homes to accomplish many tasks that they currently complete by transporting themselves will decrease.

As online college degrees and courses become more popular over the next decade, students who used to commute to school will find themselves doing so much less. In fact, the existence of online learning will become so widely used that many students will learn completely from home, hurting the auto industry because the students who formerly required an automobile to get to and from school will no longer need one.

**Ecological – Hurricanes and Flash Flooding**
As global warming becomes increasingly worse over the next decade, the weather will become increasingly violent and unpredictable. Areas which never before dealt with extreme and deadly weather will begin to experience hurricanes, tornadoes and the like.

The rapid increase of hurricanes and flash flooding throughout the world will have a devastating effect on gasoline prices for the consumer. They will skyrocket, which will in turn leave the auto industry in a state of disarray as former customers will flock away from personal vehicles to other means of transportation in extremely large numbers.

**Ethical – Inaccurate and Incomplete Product Testing**
As costs within the auto industry increase exponentially, the firms will look for ways to cut corners and reduce expenditures. The amount of testing that goes into products will be lessened, and vehicle safety will become less of an issue.

A staggering amount of product recalls will be the result and the entire industry will be looked upon with disgust and utter shock as the media begins to report on the issue. Consumers, again, will migrate away from personal vehicles and loose the trust they once held for the industry.

*For statistical figures reflecting the pessimistic outcome of the above scenarios, see:
Appendix B: Future Environmental Scenarios

**B. Strategic Targets – 2010**

As the environmental factors continue to negatively affect the automobile industry over the next ten years, Ford Motor Company’s management, keen and always growth oriented, will focus their efforts on conglomerate diversification.
A thorough study of current business strengths will present three lucrative opportunities outside of the scope of their current operations that Ford will choose to pursue to counteract the loss incurred in their automobile manufacturing business. The three strategic business units to be established are as follows: 1) Ford Management Consulting Group; 2) Ford Advertising; 3) Ford Holding Company.

**Ford Management Consulting Group**

*What:* A worldwide consulting group that specializes in enhancing the management and executive teams at leading global firms. The group is to be contracted and retained for a certain period of time to improve the leadership and managerial abilities of those at firms that are either struggling in that capacity or choose to improve. The majority of clients will be firms of a global or transnational nature.

*Why:* Ford currently boasts an extremely strong human resources department. Since Allen Mulally has come on as CEO there has been a stringent effort to improve leadership abilities throughout the firm via courses and leadership seminars in many different locations around the globe. However, despite the global nature of the firm, Ford maintains a near identical strategy in its management training programs in each region of operations. The new business unit will capitalize on its unique ability to assess different industries and firms and offer them uniform modes of bolstering leadership and executive potential and effectiveness that can be learned and understood in one specific location and applied throughout any corporation on a global scale.

**Ford Advertising**

*What:* A high end global marketing and advertising business that develops unique, socially relevant and exciting campaigns for its exclusive list of worldwide clients. The marketing initiatives will be of a multi-tiered nature, not only focusing on the use of a variety of mediums to promote a product or brand (the web, television, magazines, etc.), but will further dissect the process, developing unique strategies for each specific target within each advertising medium.

*Why:* Ford’s marketing department has initiated a focus on targeted advertising over the past half decade, taking advantage especially of the growing power of the Internet as a marketing tool. This combined with the use of social media as a way to enhance the buzz for upcoming products has set the firm apart in the automotive industry. Ford has truly mastered the art of creating campaigns for its automobiles that are consumed by the intended customer through the intended medium and that ignite the intended response. This new business unit will extend this unique capability to firms who require marketing assistance. Again, the services will be contracted and retained, and Ford Advertising will work hand-in-hand with its client to develop marketing campaigns for specific products and brands. In addition to the goodwill of the Ford brand, this business’s ability to pinpoint even the tiniest potential target market and serve it with an appropriate and exciting advertisement will help make it among one of the elite in the advertising industry in a relatively short time.
Ford Holding Company

*What:* Ford will amass ownership, either via an outright purchase of, or by obtaining a significant equity position in a diversified list of successful and profitable businesses. However, this business will operate in an investment vehicle type fashion rather than in an uncontrolled, greed-inspired acquisition spree. Rather than allowing its own management to run each business acquired, Ford will either leave in place current management, or hire a team highly familiar with the industry and has a significant amount of experience in the field. The aim will be to obtain ownership in a number of profitable and growing businesses in many different industries to hedge against the downside risk of any specific industry and to reap the rewards of the equity investments the firm has placed for years into the future. Note: It’s important to recognize that Ford Holding Company will *not* own Ford Motor Company, but will exist as a separate entity focused on profiting from a number of large, diversified investments outside the firm’s current operational scope.

*Why:* Not only does the Ford name carry with it a great deal of goodwill, but over the past decade, Ford has been actively engaged in creating partnerships and networks outside of its own industry. Whether it’s working with Microsoft to develop Sync capabilities in its vehicles or investing heavily in strategic sponsorships with non-profits or Fox Television (American Idol), Ford has certainly worked diligently at expanded its influence and recognition throughout all areas of the business world and popular culture. A holding company will be a perfect opportunity to capitalize on the relationships and goodwill the firm has procured, and allows the firm to diversify its risk while obtaining equity ownership in a variety of different businesses. This will also allow Ford to become increasingly competitive and exist as the sole automotive conglomerate in North America. Finally, and importantly, Ford’s current management will work closely with the management at each of the companies in its holding portfolio, and provide any resources necessary to improve the firms and make them more viable.

**Financials**
Come the year 2019 the redistribution of net sales by business segment will be as follows:
- Automotive
- Financial Services
- Ford Management Consulting Group
- Ford Advertising
- Ford Holding Company

*63%  4%  13%  8%  12%*

*To further illustrate the impact of these new strategic business units see:
Appendix C: Future Financial Projections*

C. Implementation

2009
- Management Consulting
Conduct a comprehensive survey of the current leadership and executive training programs at Ford to determine which of those contribute most to improvement.

Interview current Ford employees who both administer these programs and those who have learned from them to acquire a statistical understanding of the programs' strengths and weaknesses.

Assign an executive to oversee the new venture and have this person scan the managerial environment, searching for those who are both extremely adept at leading others and are also able to think critically and problem solve at the most intricate levels.

Keep the new business under relative lock and key; in other words, don't inform the company as to the new venture – simply amass information to digest at the executive level.

Advertising
- Assign an entrepreneurial and creative leader of the current marketing team at Ford to head the new externally focused venture.
- Construct a business plan, complete with a portfolio of past projects that will be used as marketing material to present to potential clients.

Holding Company
- Establish investment criteria to determine what kind of businesses are desirable to invest in and what fundamental financial situation must categorize a company worth investment dollars.
- Take advantage of personal networking bases at the executive level and reach out to successful money managers to acquire greater insight into what it takes to manage large sums of money successfully.
- Alert the financial services department to the idea, and devise a plan to weave profits and premiums in that business into investment capital for the holding company.

Management Consulting
- Have the person in charge of the new venture hand select an executive team by either recruiting talented individuals already within the organization or looking outside of Ford for talent.
- Present the entire firm with a memo regarding the new business, asking for individuals interested in positions to submit resumes and/or personal requests to the newly appointed executive team.
- By year end, have an executive team fully in place to handle communications with firms seeking the service.
- Construct a brief marketing plan to present to corporations who are seeking management or leadership counsel, however, acknowledging that each product and firm will be dealt with on an individual basis.

Advertising
- Conduct an extensive analysis of the various industries that are seemingly suffering in their ability to convert advertising expenditure into revenues.
  - Narrow down the industries that best exemplify this issue.
Develop a sales pitch around the idea of developing exciting, multi-tiered, relevant campaigns for businesses with struggling marketing messages

Actively recruit top talent from marketing firms and from within Ford who are adept at creating in depth, targeted campaigns of a multi-tiered nature

Establish the business niche and competitive advantage as the firm to seek when there is a desired target market not being reached and/or revenues are not accumulating after multiple advertising attempts

- Holding Company
  - Appoint a portfolio manager with value principles from outside of the firm
    - He will have a history of buying undervalued securities at the right time and right price and will have managed a multi-billion dollar fund
  - The manager will begin scouring the landscape for, and hiring talented analysts and putting together a research team

2011

- Management Consulting
  - Begin to advertise the new business, first focusing on the power of word of mouth – especially of the current Ford executives who already have a vast business network
  - Conduct various case studies throughout the year on other successful consulting firms to determine the most effective forms of management and leadership consulting
  - Enlist the help of workplace psychologists and speak to professors engaged in cutting edge research at top business schools to acquire a better understanding of the psyche of the leader
  - By year end, the group will acquire its first major corporate client

- Advertising
  - Actively begin to pursue business with firms that meet the criteria expressed in last years analysis
    - Ford will leverage its pre-existing connections and brand power to ensure meetings with top executives at firms worldwide
  - Establish the alcohol industry as a particularly good candidate for business, noting the lack of ability to properly market beer to women or establish the beverage as one of choice in any fine dining scenario

- Holding Company
  - Mulally will address the growing concern among shareholders and stakeholders that Ford may be attempting to speculate with their money
    - He will reassure the public that the investments that this unit will undertake will be of an extremely safe nature and more profitable, in his view, over the long term than committing investment capital solely to the manufacturing of automobiles
  - The media will latch onto Mulally’s initiative and question whether he could be the next Jack Welch
  - The fund manager will begin to allocate capital, entering into various, relatively small equity positions

2012
Management Consulting
- The first project will prove a rampant success as the productivity and effectiveness of the client’s management and executive team immediately notice strong improvement
- Recommendations and further marketing efforts from within the new business will procure a number of new clients this year
- There will be an expansion of personnel with the business as small groups will be sent to various locations around the world, conduct detailed studies of current managerial capacity and efficiency, digest the statistics, formulate detailed and individual plans to improve upon the results and finally implement the training and coursework necessary

Advertising
- Engage in business with inBev, the unit’s first client, with the ultimate goal to develop a multi-tiered, targeted marketing campaign for its different beers
  - Begin a comprehensive study of past marketing practices and work to develop a statistical understanding of why beer is inadequately marketed to a variety of demographics
- By the end of the year, develop a comprehensive campaign that includes a strategic emphasis on women and consumption of the beverage in more intimate, fine settings

Holding Company
- A modest rise in the stock market will bring about good news, as the value of investments within the portfolio appreciates
- The portfolio manager will pursue opportunities in which he can perform a leveraged buyout, amicable acquisition or even a merger
- All the while, the unit will continue placing equity investments into the businesses that it partners with (i.e. Microsoft)
  - This not only helps strengthen the relationship between the partners, but allows Ford to reap the appreciable benefits of firms that they truly believe in
  - This practice becomes somewhat of an unwritten policy

2013
Management Consulting
- The consulting group will lease the real estate to house its own operations after existing in offices on an unused floor of Ford Motor Company for the past few years
- The clientele remains satisfied as improvements are noticed extremely quickly
- Allen Mulally, confident that the business is on the high road to success, will publicly promote the service, as his word is regarded highly in the business world
  - He will also state in the annual report that he sees the future of Ford moving well beyond automobile manufacturing and that he plans to orient the future of the company more towards service than manufacturing
Advertising
- The inBev campaign is met with moderate success, as new demographics are seen to be latching on to the message and revenues increase, however no wildly atypical results to the upside are realized
- However, industry takes notice of the detailed and technical techniques used in its campaign and buzz begins to build quickly regarding Ford's conglomerate expansion and its advertising prowess
- Firms begin to approach for estimates and business begins to take off

Holding Company
- A rising stock market has allowed this unit to already contribute roughly 6% of revenues to Ford's total top line
- The portfolio manager alerts executives that he sees a correction in the market coming relatively soon given the high P/E ratios across the board
  - He states that he currently sees no real buying opportunities in equities and promotes a cautious outlook
- Toward the end of the year, prices continue to appreciate, although the manager slowly sells out of a healthy percentage of his equity positions in order to protect against a harsh correction

2014
Management Consulting
- Revenues for the consulting group already make up 4% of the total at Ford
- The group moves into its new headquarters in Manhattan, New York
- A newsletter begins to circulate monthly that serves both as an advertising mechanism for the consulting group and also provides firms with general tips and tricks for enhancing management to some degree
  - The periodical is included in most business mailings from any Ford strategic business units and continues to generate awareness and desire for the services
- The group celebrates its 75th client

Advertising
- The staff is increased by 50% as the clientele list continues to grow
  - Many projects are for a specific product, however, as this unit has not yet been retained to handle all the marketing for an entire firm to date
- Continued research continues to locate businesses and products that have had seemingly unsuccessful marketing histories, and the unit continues to pitch their services to them
- A second competitive advantage is arrived upon as the group believes its experience in the automotive industry would carry over well to other high-ticket items that maintain a sense of style, prestige and pragmatism

Holding Company
- As predicted, the market experiences a rather harsh correction in the first quarter of the year, losing about 22% of its value
- The portfolio manager is praised for his prudence and judgment by top management and even by a number of top Wall St. firms
The drop in the market presents a number of opportunities and Ford begins to place bids on a number of firms in the technology space, the insurance space and the retail space

2015

- Management Consulting
  - In addition to the global and transnational approach that characterized most of the firms the group has worked with through 2015, Ford notices an increasing demand from smaller, more localized companies
    - A new department is formed to handle more localized managerial training where focus on global competitiveness is replaced with focus on community dynamics
  - The group conducts a statistical analysis of former clients to assess the business’s success and confirms that 77% of clients feel that their management and leadership capabilities have been either improve somewhat or greatly improved
  - The group begins to look into acquiring real estate in China to set up a second set of offices as demand for services in Asia picks up for firms that want to better emulate western managerial practices

- Advertising
  - The unit is approached by Continental Airways with the proposition that it handle all of its marketing; a proposition that is gladly accepted
    - This marks the first client in which Ford will handle the complete marketing portfolio
    - A team of 25 is enlisted to handle the Continental account and immediately begins to research the company and brainstorm in close conjunction with the executives and marketing team
  - This segment, even without any retained clients is already bringing in 1.5% of total revenues for the firm
  - New technologists are hired in the effort to procure and patent cutting edge internet advertising capabilities
    - They are paid extremely healthily for their contributions

- Holding Company
  - The unit acquires an insurance company and immediately performs a thorough analysis of operations, looking for a way to increase the premium base
    - Costs are trimmed and advertising is now handled internally at Ford
    - Management is audited and, after a detailed review, the CFO is replaced
  - By year end the portfolio begins to once again buy into beat up value stocks

2016

- Management Consulting
  - The group purchases a small office in Shanghai and sends a number of exceptional, cultured expatriates over to oversee the Asian facilities along
with new Asian hires who are well versed in both eastern and western managerial styles

- The localized division has exploded for the group due to strong recommendations
  - Allen Mulally, along with the executive in charge of the consulting business determine that there will be no advertising on a local basis for the consulting services, but will happily rely on the strength of the corporate marketing initiative and word of mouth to continue the inflow of community-minded businesses seeking help

- Advertising
  - The Continental campaign proves an unmitigated success, as the unit is able to develop a campaign with so many tiny sub-partitions to appeal to each and every kind of conceivable flyer
  - The technologists acquired last year prove to be an extremely lucrative investment as their combination of software and hardware allows for the subject of the units advertisement to display in some capacity on over 62 of the top 100 public websites that derive revenues from advertising dollars
  - Sears Holding Company retains the unit to create marketing campaigns for the majority of Sears’s home appliances

- Holding Company
  - As firms across all industries continue to feel the pinch from the down market, Ford performs leveraged buyouts of a number of smaller technology companies that boasted proprietary information and processes
    - The firm will not only be able to benefit from the use of these technologies in its vehicles, but will be able to selectively sell the products to other companies in other industries
  - By the summer months, the market digs itself out of its trough and begins once again to expand
  - The portfolio manager continues to buy profitable, growing smaller companies, some in the consumer staple space and retail space

2017

- Management Consulting
  - The demand from Asia is staggering, as firms who have been counseled by the group begin showing substantial increases in productivity and effectiveness almost immediately
  - Based on the success of the business, rates are increased slightly to become more inline with top consulting firms, however, Ford still offers its services slightly below the typical industry price point
  - Ford is now being mentioned in conjunction with the top consulting firms in the world as a serious player, however, Mulally insists that managerial and leadership training are the core of this unit’s knowledge base and he doesn’t plan on expanding to different types of consulting in the near future

- Advertising
The Sears campaign also proves to be another tremendous success, as it seemingly pulls the retail chain out of a situation of near bankruptcy.

Potential clients flock in great numbers to retain the unit's services.

Two entire floors of a corporate office are dedicated to the unit, a significant step above the wing of offices delegated to the business at its inception.

Hiring increased by 50%, furthering the unit's technological talent and also bringing in a number of talented statisticians and information gatherers.

**Holding Company**

- In a bold move, the unit purchases a financial services firm
  - The portfolio manager and Mulally justify this by stating that Ford is already so entrenched in the business of financial services (with its existing financial services unit handling leasing and financing of vehicles and its newly acquired insurance business) that this purchase was not only fully justified, but also necessary.
  - Management is left in place after an extensive audit of operations.
- Equity positions are moderately eased into as the market continues to move higher.

**2018**

**Management Consulting**

- The group will contribute to 13% of total revenues for Ford
- 2,000 clients have been served at this point and the demand appears to be increasingly exponentially.
- Success rate, meaning those who claim their management capabilities have either somewhat improved or greatly improved, has risen to 84%.
- Asian firms now contribute to 36% of the group's total projects, as local, community-based businesses account for 9%.

**Advertising**

- The unit contributes to 8% of total revenues for Ford.
- 7,500 projects have been completed focusing on specific products and 4 firms have retained Ford to handle all of its marketing needs.
- Ford, despite its renowned brand name, is regarded as a highly successful boutique marketing firm and attracts a large number of applicants looking for hire based on the competitive salary offered, strong portfolio and exciting potential for growth.

**Holding Company**

- The portfolio contributes to an impressive 12% of Ford's total top line.
- The manager has produced an impressive return of just over 16% annually since the inception of the company.
- Each business that Ford now maintains a controlling stake in has experienced positive growth since the date of purchase.

**Responsibilities**

**Management Consulting**

- President of Ford Management Consulting Group
- Hire personnel to meet the needs of the unit, assign teams to certain projects
  - Senior Vice President of Asian Operations for Ford Management Consulting Group
    - Handle all duties in Asia independent from the rest of the world, however, must report regularly to the President of the unit
  - Ad-Hoc Project Team Leaders
    - Responsible for the team in any project, serves as the liaison to upper management within the unit

- Advertising
  - President of Ford Advertising
    - Appoint any and all personnel to positions within the unit
    - Oversee operations of the business
  - Client Account Managers
    - Manages specific client accounts in which Ford is retained as the sole advertising firm or handles a significant amount of advertising for the company
  - Ad-Hoc Project Team Leaders
    - Responsible for the team in any project relating to a specific product, usually one year or less, serves as the liaison to upper management within the unit

- Holding Company
  - Portfolio Manager
    - Oversee investment decisions, allocate capital accordingly
    - Work directly with Ford's executives to determine appropriate investment strategy
  - Chief Research Analyst
    - Construct a team of researchers and analysts of the highest caliber to evaluate potential investments
    - Report directly to the portfolio manager

**Measures for Monitoring Performance**

- Manager of Consulting
  - Develop a statistically derived numerical basis that monitors management effectiveness (internally strive for a success rate above 95%)
  - Compare this number with top consulting firms

- Advertising
  - Determine sales before the initiation of the marketing campaign and compare with sales six months into the campaign, a year into the campaign, and one year after the completion of the campaign
  - Compare this number with top advertising firms

- Holding Company
  - Goal is to consistently outperform the S&P 500 in terms of absolute returns
Appendix A: Historical Financial Data
Ford Motor Company

**Net Sales 2003 – 2008**

*By Business Segment*¹

<table>
<thead>
<tr>
<th></th>
<th>2008 (in thousands)</th>
<th>% of sales</th>
<th>2007 (in thousands)</th>
<th>% of sales</th>
<th>2006 (in thousands)</th>
<th>% of sales</th>
<th>2005 (in thousands)</th>
<th>% of sales</th>
<th>2004 (in thousands)</th>
<th>% of sales</th>
<th>2003 (in thousands)</th>
<th>% of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>129,166,000</td>
<td>88.30%</td>
<td>154,379,000</td>
<td>89.52%</td>
<td>143,307,000</td>
<td>89.50%</td>
<td>153,503,000</td>
<td>86.68%</td>
<td>147,134,000</td>
<td>85.72%</td>
<td>128,442,000</td>
<td>84.32%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>17,111,000</td>
<td>11.70%</td>
<td>18,076,000</td>
<td>10.48%</td>
<td>16,816,000</td>
<td>10.50%</td>
<td>23,586,000</td>
<td>13.32%</td>
<td>24,518,000</td>
<td>14.28%</td>
<td>25,754,000</td>
<td>15.68%</td>
</tr>
<tr>
<td><strong>Total Sales and Revenues</strong></td>
<td><strong>146,277,000</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>172,455,000</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>160,123,000</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>177,089,000</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>171,652,000</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>164,196,000</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

**Net Income 2003 - 2008**

*By Business Segment*²

<table>
<thead>
<tr>
<th></th>
<th>2008 (in thousands)</th>
<th>% of income</th>
<th>2007 (in thousands)</th>
<th>% of income</th>
<th>2006 (in thousands)</th>
<th>% of income</th>
<th>2005 (in thousands)</th>
<th>% of income</th>
<th>2004 (in thousands)</th>
<th>% of income</th>
<th>2003 (in thousands)</th>
<th>% of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>-11,823,000</td>
<td>82.08%</td>
<td>-4,970,000</td>
<td>132.67%</td>
<td>-17,040,000</td>
<td>100.01%</td>
<td>-4,209,000</td>
<td>-250.24%</td>
<td>-177,000</td>
<td>-3.66%</td>
<td>-1,556,000</td>
<td>-92.02%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>-2,581,000</td>
<td>17.92%</td>
<td>1,224,000</td>
<td>-32.67%</td>
<td>1,966</td>
<td>-0.01%</td>
<td>5,891,000</td>
<td>350.24%</td>
<td>5,008,000</td>
<td>103.66%</td>
<td>3,247,000</td>
<td>192.02%</td>
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<tr>
<td><strong>Total Operating Income</strong></td>
<td><strong>-14,404,000</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>-3,796,000</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>-17,038,034</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>1,682,000</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>4,831,000</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>1,691,000</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

¹ [www.mergentonline.com](http://www.mergentonline.com)
² [www.yahoo.brand.edgar-online.com](http://www.yahoo.brand.edgar-online.com)
### Net Income 2003 - 2008
**By Geographic Region**

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>United States</td>
<td>60,376,000</td>
<td>80,874,000</td>
<td>81,155,000</td>
<td>96,764,000</td>
<td>100,208,000</td>
<td>103,435,000</td>
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<tr>
<td>All Other</td>
<td>18,570,000</td>
<td>19,348,000</td>
<td>17,352,000</td>
<td>18,360,000</td>
<td>25,343,000</td>
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<td>9,363,000</td>
<td>8,075,000</td>
<td>7,945,000</td>
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<tr>
<td>Mexico</td>
<td>2,833,000</td>
<td>2,826,000</td>
<td>3,461,000</td>
<td>3,399,000</td>
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<tr>
<td>United Kingdom</td>
<td>15,481,000</td>
<td>17,277,000</td>
<td>15,850,000</td>
<td>15,287,000</td>
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</tr>
<tr>
<td>Germany</td>
<td>9,408,000</td>
<td>8,381,000</td>
<td>7,006,000</td>
<td>7,701,000</td>
<td>-</td>
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</tr>
<tr>
<td>Sweden</td>
<td>4,274,000</td>
<td>5,240,000</td>
<td>4,290,000</td>
<td>4,412,000</td>
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<tr>
<td>Other Europe</td>
<td>27,554,000</td>
<td>29,146,000</td>
<td>22,934,000</td>
<td>23,221,000</td>
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<tr>
<td>Total Europe</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,101,000</td>
<td>39,280,000</td>
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<tr>
<td>Total</td>
<td>146,277,000</td>
<td>172,455,000</td>
<td>160,123,000</td>
<td>177,089,000</td>
<td>171,652,000</td>
<td>164,196,000</td>
</tr>
</tbody>
</table>

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**Net Income by Geographic Region - 2008**

![Net Income by Geographic Region - 2008](image)

1 [www.mergentonline.com](http://www.mergentonline.com)
Appendix B: Future Environmental Scenarios
# Future Perspective of the Automobile Industry

## Pessimistic Scenario

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Social</strong></td>
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<tr>
<td>Drunk driving</td>
<td>11,773</td>
<td>12,126</td>
<td>12,490</td>
<td>12,865</td>
<td>13,251</td>
<td>13,648</td>
<td>14,058</td>
<td>14,479</td>
<td>14,914</td>
<td>15,361</td>
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<td><strong>Political/Legal</strong></td>
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<td></td>
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<tr>
<td>The National Labor Relations Act</td>
<td>$28.00</td>
<td>$28.56</td>
<td>$29.13</td>
<td>$29.71</td>
<td>$30.31</td>
<td>$30.91</td>
<td>$31.53</td>
<td>$32.16</td>
<td>$32.81</td>
<td>$33.46</td>
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<td><strong>Economic</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Interest Rates</td>
<td>7.33%</td>
<td>7.55%</td>
<td>7.78%</td>
<td>8.01%</td>
<td>8.25%</td>
<td>8.50%</td>
<td>8.75%</td>
<td>9.01%</td>
<td>9.29%</td>
<td>9.56%</td>
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<td><strong>Socio-Cultural</strong></td>
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<tr>
<td>Average life expectancy</td>
<td>78.1</td>
<td>77.7</td>
<td>77.3</td>
<td>76.9</td>
<td>76.5</td>
<td>76.2</td>
<td>75.8</td>
<td>75.4</td>
<td>75.0</td>
<td>74.7</td>
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<tr>
<td><strong>Technological</strong></td>
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</tr>
<tr>
<td>Online degrees and courses</td>
<td>165,373</td>
<td>171,988</td>
<td>178,867</td>
<td>186,022</td>
<td>193,463</td>
<td>201,202</td>
<td>209,250</td>
<td>217,620</td>
<td>226,324</td>
<td>235,377</td>
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<tr>
<td><strong>Ecological</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Hurricanes and flash flooding</td>
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<td>16</td>
<td>17</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>19</td>
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<td></td>
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<tr>
<td>Inaccurate and incomplete product testing</td>
<td>492</td>
<td>526</td>
<td>563</td>
<td>603</td>
<td>645</td>
<td>690</td>
<td>738</td>
<td>790</td>
<td>845</td>
<td>905</td>
</tr>
</tbody>
</table>

Notes:
1. madd.org - Number of deaths as a result of drunk driving
2. www.associatedcontent.com - Average UAW wage
3. www.bankrate.com - 48 month interest rate for a new car
4. www.census.gov
5. nces.ed.gov - Enrollment at University of Phoenix
6. www.wunderground.com - Number of hurricanes and tropical storms
7. wwwodi.nhtsa.dot.gov - Annualized estimate based on September number
Appendix C: Future Financial Projections
Future Financial Prospectus

Net Sales 2003 – 2008
By Business Segment
Based on Pessimistic Scenario

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<tbody>
<tr>
<td>Automotive</td>
<td>129,166</td>
<td>154,379</td>
<td>143,307</td>
<td>153,503</td>
<td>147,134</td>
<td>138,442</td>
<td>147,134</td>
<td>147,134</td>
<td>147,134</td>
<td>120,241</td>
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<td>Financial Services</td>
<td>17,111</td>
<td>18,076</td>
<td>16,816</td>
<td>23,586</td>
<td>24,518</td>
<td>25,754</td>
<td>24,518</td>
<td>24,518</td>
<td>24,518</td>
<td>7,634</td>
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<tr>
<td>Management Consulting</td>
<td>0</td>
<td>1,507</td>
<td>5,742</td>
<td>7,992</td>
<td>11,525</td>
<td>13,566</td>
<td>18,514</td>
<td>19,789</td>
<td>22,236</td>
<td>24,812</td>
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<td>0</td>
<td>301</td>
<td>776</td>
<td>3,197</td>
<td>4,939</td>
<td>7,631</td>
<td>8,733</td>
<td>12,593</td>
<td>13,342</td>
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<td>904</td>
<td>2,328</td>
<td>4,795</td>
<td>7,409</td>
<td>8,479</td>
<td>10,480</td>
<td>14,392</td>
<td>16,677</td>
<td>22,903</td>
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<tr>
<td>Total</td>
<td>146,277</td>
<td>150,665</td>
<td>155,185</td>
<td>159,841</td>
<td>164,636</td>
<td>169,575</td>
<td>174,662</td>
<td>179,902</td>
<td>185,299</td>
<td>190,858</td>
</tr>
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</table>

Percent of Total
Based on Pessimistic Scenario

<table>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>88.30%</td>
<td>87.72%</td>
<td>84.63%</td>
<td>80.91%</td>
<td>76.50%</td>
<td>73.90%</td>
<td>71.40%</td>
<td>67.80%</td>
<td>66.80%</td>
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<tr>
<td>Financial Services</td>
<td>11.70%</td>
<td>10.48%</td>
<td>9.67%</td>
<td>9.09%</td>
<td>9.00%</td>
<td>8.60%</td>
<td>7.00%</td>
<td>6.20%</td>
<td>5.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Management Consulting</td>
<td>0.00%</td>
<td>1.00%</td>
<td>3.70%</td>
<td>5.00%</td>
<td>7.00%</td>
<td>8.00%</td>
<td>10.60%</td>
<td>11.00%</td>
<td>12.00%</td>
<td>13.00%</td>
</tr>
<tr>
<td>Advertising</td>
<td>0.00%</td>
<td>0.20%</td>
<td>0.50%</td>
<td>2.00%</td>
<td>3.00%</td>
<td>4.50%</td>
<td>5.00%</td>
<td>7.00%</td>
<td>7.20%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Holding Company</td>
<td>0.00%</td>
<td>0.60%</td>
<td>1.50%</td>
<td>3.00%</td>
<td>4.50%</td>
<td>5.00%</td>
<td>6.00%</td>
<td>8.00%</td>
<td>9.00%</td>
<td>12.00%</td>
</tr>
<tr>
<td>Total</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
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</tr>
</tbody>
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