

# **Business & Management (SL) IA:**

## **Sample 1**

**Commentary on:**

**“Can Ford’s ‘Way Forward’ strategy work to rescue the company?”**

**Candidate Name:**

**Candidate Number:**

**Word Count: 1,497**

# Contents

| <b>Contents</b>   | <b>Page</b> |
|-------------------|-------------|
| Introduction      | 3           |
| Commentary 1      | 4           |
| Commentary 2      | 5           |
| Commentary 3      | 6           |
| Conclusion        | 7           |
| Bibliography      | 8           |
| <b>Appendix -</b> |             |
| Article 1         | 9-14        |
| Article 2         | 15-16       |
| Article 3         | 17          |
| Article 4         | 18-19       |
| Survey            | 20-21       |

# Introduction

- **Background information:**

I have decided to write my commentary on the problems facing Ford PLC. This is an area that interests me as I was surprised to see such an iconic company suffering such bad press lately. Ford has found itself in need of a rescue strategy. It has seen profits tumble and losses mount, it has seen its market share in its home market the U.S. drop continuously from 1995 onwards. However over the past few years its core market of gas guzzling SUV's have taken a huge hit from high oil prices as well as high steel prices. Consumers are becoming more environmentally aware and environmental effect has become a major factor for a consumer when purchasing a car, which has lead them to opt for the small and efficient as well as cheaper Japanese brands.

In the past Ford have had little foresight and have dug themselves a grave which they are now trying to climb out of with their new proposed rescue strategy called "Way Forward". This is the scheme that is supposed to save Ford and bring back profitability by 2009. It is a major cost cutting scheme, whereby they plan to save \$5 billion a year from axing tens of thousands of jobs and closing several production plants, in order to scale down production by 25%. They also plan to upgrade or bring out new models for 70% of Ford, Lincoln and Mercury products.

This scheme has just been accelerated due to huge losses Ford is due to make this year, which could reach up to \$9 billion. It was the newspaper responses to this announcement that first stirred my interest.

- **Procedure:**

I decided to write my commentary based on the following supporting documents –

1. Ford PLC Press release - Ford Accelerates 'way forward'
2. BBC News – Can Mark Fields rescue Ford motor?
3. Ford Motor Company Annual Report 2005 Operating Highlights
4. Daily Telegraph - Ford lays bare its financial plight
5. Survey – What cars do Indian's prefer (produced by author October 2006)

*Note: full references for these documents can be found in the bibliography*

# SWOT Analysis

After reading the various documents I tried to sythesise the key points by creating a SWOT analysis<sup>1</sup> for the Ford based on the information they gave out:

|   |   |
|---|---|
| <p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• World recognized car brand</li> <li>• One of the world's pioneers in the automobile industry</li> </ul>  | <p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Cars are fuel-inefficient</li> <li>• Car designs are unappealing</li> <li>• Car companies in general in America are failing</li> </ul>  |
| <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Retrenchment of 14000 workers</li> <li>• Closing down of factories and non - core businesses</li> <li>• 70% of Ford, Lincoln and Mercury products will be new or upgraded.<br/>New pickup designs</li> <li>• New crossover</li> <li>• New Mustang designs</li> <li>• Focus on redesigning car models to be fuel efficient</li> </ul> | <p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Asian cars are cheaper and more fuel efficient</li> <li>• Demand for pickups have fallen<br/>Declining sales</li> <li>• Market share dropping</li> <li>• Increasing oil prices</li> <li>• Increasing steel prices</li> </ul> |

The ‘way forward’ strategy – of cutting costs in the domestic market is a desperate measure, and this was highlighted by the fact that it firstly was a speeding up of an existing strategy and secondly by the scale of the action to be taken. And this for what was a ‘benchmark’<sup>2</sup> company.

It theoretically should ease the financial burden on the company. However, how these funds which will be freed up are going to be used is the key. Another part of their plan is to redesign their automobiles. This is a step in the right direction, because following their old formula for cars would just bring them back to square one. They have fallen into this position because they did not keep up with the times, and adjust their products accordingly. Now that they realize that, not only should they bring themselves up to date, but offer something more that competitors cannot provide.

If Ford were just to bring themselves on par with their Asian competitors, they would be hard pressed to be able to take away market leadership from them. Using their newly gained capital from all the cost-cutting to redesign and reinvent their automobiles is the key. One thing is to bring their cars fuel-efficiency up to today's standards, as well as adding other features such as additional safety features, or even a totally different fuel system. The most important thing is to make their cars as good as current ones, and then stand out as well.

<sup>1</sup> Ian Chambers (Ed), p 129

<sup>2</sup> Ibid p604

# Leadership

Mark Fields style of leadership could be the key as to whether Ford will be successful or not. Clearly Mark Fields is a energetic and organised leader, he managed to change round Mazda's problems by leading from the front with his motto of "change or die" which is a very emotional rallying cry. He is also a "great motivator and a great leader. He has the kind of courage, candour, and communication skills it takes, and that we need to turn tradition on its head" all of which means that he is a very innovative, and inspirational leader which is just the sort of leader that Ford needs at the moment.

Especially as the article points out that only 1 in 4 workers will be left over after the huge job losses announced in the 'way forward' programme.. The staff who will remain will need careful handling and if they are going to adapt to the new conditions will require the reassurance that a charismatic leader can provide.

Ford needs an autocratic leader <sup>3</sup> as one who can show the way out of the mess they are in by being decisive and getting the job done. However as much as Mark Fields also sounds like the Task Manager of the Blake & Moulton grid <sup>4</sup> below

|               |                      |              |
|---------------|----------------------|--------------|
| <b>People</b> | Country Club Manger  | Team Manager |
|               | Impoverished Manager | Task Manager |
|               | <b>Task</b>          |              |

He will also need to bear in mind that his 'team' has just been reduced drastically and will need to be taken on board with hiss ideas before they change their ways of doing things. He will need to be at his best communicating the strategy that will overcome any resistance to change <sup>5</sup> by the Ford workers. Maybe the fact that the workers remaining will be so scared that they may lose their jobs that they won't "die".

<sup>3</sup> Ibid p445

<sup>4</sup> <http://www.maaw.info/ManagerialGrid.htm>

<sup>5</sup> Ian Chambers (Ed), p 562

## Accounts

An analysis of the 2004 and 2005 accounts of the company showed that in 2005 sales of cars went down only in The Americas by around 136,000 vehicles, but the worldwide sales still grew by 20,000 units from the previous year.

The profits of the automotive department rose by \$6.4 billion or 4.4%, but because the expenditure incurred by this department was 12.7% more than the previous year, their losses rose by \$3.7 billion in just 12 months time. Therefore, their rate of spending proved to be 2.9 times higher than the profits they made.

It was only the financial services department that made a profit of \$0.9 billion from 2004 to 2005. This was overshadowed by the heavy losses made by the automotive sales unit and thus their profits went down by \$1.5 billion, with their losses being 19.5 times greater than in 2004.

With this in view, it is essential for Ford to cut down its spending in the automotive unit for which it has employed the strategy of cutting its workforce by a quarter (i.e. around 25,000 to 30,000 personnel) and closing 14 factories in a 6 year period.

Since sales of its core SUV and pickups, which Ford heavily relied on for its profits have also gone down, cutting production by 21% is a step in the right direction.

Moreover, on top of all this information was the further revelation that Ford would have to “restate” their financial accounts because of irregularities in the estimates of their derivatives.

Overall I would say that these cost cutting exercises are timely and that they should have a positive effect on the company. However they will also mean nothing if the new strategy does not involve inspired leadership and a change in direction. This should cater to the demands of the customers by producing more fuel efficient cars. Their forthcoming hybrid variety and its crossover and medium sized cars should help Ford rise above the crisis in 3 years time.

## Conclusion

I concluded that because of Ford's Public limited status and as America's no2 automaker, Ford is very unlikely to file for bankruptcy and close within the next 5 years; they have the cash reserves and the size to maintain these losses for sometime, long enough to turn the company to profitability again. I believe Ford's rescue strategy will succeed in turning Ford's huge losses of up to \$9 billion this year alone into a profitable automaker by 2009.

However, Ford must shift their focus from their core market (pick up trucks) and move on to more practical solutions. This rescue strategy is very likely to return Ford to profitability but at the cost of down sizing, losing more market share or becoming a smaller automaker

Ford has clearly recognized it has a problem and finally implemented a plan to tackle that problem by reaching some achievable goals as part of their SMART targets<sup>6</sup>. It's acceleration of this rescue strategy is what I think will save it. This commitment to change is exactly what Ford needs.

Ford believes that going to new environmentally friendly cars and making cheaper cars because of this cost cutting strategy will enable them to compete with the Asian manufacturers. However, they should not rely on this strategy alone. Other options could be open to them, for example:

- They could think of forming a 'Strategic Alliance'<sup>7</sup> with other American producers who are facing similar problems.

Or alternatively:

- Going for growth in the emerging Asian markets, which return the favour to their Asian competitors.

But my survey showed they will have their work cut out if they are to convince large sections of the younger Asian market. It would seem that many people are not convinced by current designs and features. Another possibility may be:

- Forming a 'Joint Venture'<sup>8</sup> with an Asian competitor.

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<sup>6</sup> Ibid p27

<sup>7</sup> Ibid p653

<sup>8</sup> Ibid p653

# Bibliography

## General Texts:

1. Ian Chambers (Ed), Business Studies, (3<sup>rd</sup> edition), 1999, Causeway Press Ltd, ISBN: 1 902796 83 7
2. <http://www.maaw.info/ManagerialGrid.htm>

## Supporting Documents:

1. Ford PLC Press release , Ford Accelerates ‘way forward’, accessed 10/10/2006, [http://media.ford.com/newsroom/release\\_display.cfm?release=24261](http://media.ford.com/newsroom/release_display.cfm?release=24261)
2. BBC News – Can Mark Fields rescue Ford motor? (published 23/01/2006) <http://news.bbc.co.uk/1/hi/business/4641142.stm>
3. Ford Motor Company Annual Report 2005 Operating Highlights - (page 1) [http://www.ford.com/en/company/investorInformation/companyReports/annualReports/2005annualReport/2005\\_pdfs.htm](http://www.ford.com/en/company/investorInformation/companyReports/annualReports/2005annualReport/2005_pdfs.htm)
4. Daily Telegraph - Ford lays bare its financial plight (accessed 24/10/2006) <http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2006/10/24/cnford24.xml>
5. Survey – What cars do Indian’s prefer (produced by author October 2006)



# Appendix:

## Supporting Documents

### 1.

#### FORD ACCELERATES ‘WAY FORWARD’

##### **North America “Way Forward” plan accelerated to deliver faster progress through 2008:**

- Operating costs to be reduced by approximately \$5 billion, including:
- Salaried-related work force reduced by a third, the equivalent of about 14,000 positions.
- Ford, UAW leadership agree on buyout offers for all U.S. Ford and ACH hourly employees.
- Further manufacturing capacity reductions planned.
- All ACH operations to be sold or closed by the end of 2008.
- More products to be delivered faster, including:
- 70 percent of Ford, Lincoln and Mercury products by volume will be new or significantly upgraded between now and the end of 2008.
- Ford’s truck leadership is fortified.
- Growth segments, including crossovers, are prioritized.
- All-new Ford full-size crossover to go on sale in 2008.

##### **Ford Motor Company’s financial outlook is revised:**

- Full-year automotive profitability in North America not expected before 2009.
- South America and Ford of Europe still expected to be solidly profitable in 2006. However, full-year operating losses now expected in 2006 for Asia Pacific and Africa, and the Premier Automotive Group.
- Ford Motor Company’s 2006 year-end liquidity is expected to include automotive gross cash of about \$20 billion, including the effects of \$3.4 billion of VEBA.
- Ford Motor Company’s Board indicates that it will suspend payment of the quarterly dividend on its common and Class B Stock beginning in the fourth quarter of 2006.

#### REMARKS: FORD ACCELERATES ‘WAY FORWARD’

DEARBORN, Mich., Sept. 15, 2006 – Ford Motor Company [NYSE: F] today announced plans to further reduce its capacity and work force, and ramp up new product introductions as it accelerates its North America “Way Forward” turnaround plan.

Ford will cut its North American salaried-related work force by about a third and offer buyout packages to all Ford and Automotive Components Holdings (ACH) hourly employees in the U.S. The reductions will contribute significantly to reducing ongoing annual operating costs by about \$5 billion. In addition, Ford will renew 70 percent of its North American product lineup by volume by the end of 2008.

The announcements are being made this morning in an employee address led by Ford Executive Chairman Bill Ford, President and Chief Executive Officer Alan Mulally, President of The Americas Mark Fields and Chief Financial Officer Don Leclair.

“These actions have painful consequences for communities and many of our loyal employees,” said Bill Ford. “But rapid shifts in consumer demand that affect our product mix and continued high prices for commodities mean we must continue working quickly and decisively to fix our business. Mark Fields and his team deserve credit for the accelerated Way Forward strategy, which puts us on an even faster product-driven path to success.

“Alan Mulally’s experience in turning around a major industrial company will help guide the implementation of these measures as he assumes leadership of the company,” Bill Ford continued. “The actions we announce today – coupled with the North American production cuts we announced last month, the strategic alternatives we are considering for Aston Martin and a push for greater progress from our operating units and brands around the world – are part of a series of actions that Alan and our entire global team will be taking to put the company on a path to sustained profitability and success.”

Mulally, whose appointment as CEO of Ford was announced last week, echoed support for the Way Forward plan and for the team leading the company’s North American turnaround.

“The steps we are announcing today are clearly needed to ensure the ultimate turnaround of the business in Ford’s biggest and most important market,” Mulally said. “Although the process has been under way for months, I have had a chance to review these actions and am convinced that they provide the sound, product-led underpinnings and cost reductions we will need to achieve our goals. I look forward to helping with the implementation.

“Turnarounds of this magnitude succeed when capacity and costs are aligned with a realistic expectation of demand,” Mulally continued. “These actions are certainly consistent with that goal. We will focus intensely on the needs of our customers in North America, and around the world, by pulling forward new products and creating new markets. We are a team united by a shared vision to build the best automobiles in the world at Ford Motor Company.”

Fields said the Way Forward plan will continue to focus every part of the business on the customer – building stronger Ford, Lincoln and Mercury brands; strengthening the company’s North American product lineup; improving quality, and accelerating progress on productivity and competitive costs.

“The fundamentals of our Way Forward plan have not changed, but our timetable has changed dramatically,” said Fields. “We’ve taken a sobering look at the industry and our own business, and the entire team in North America has a renewed sense of urgency and a clear view of what it will take to position this business for profitability.

“We know our decisions bring more pain to the business in the short-term, and they require sacrifice from our employees, labor unions, dealers and suppliers,” he added. “But, together, we are building a much stronger Ford Motor Company and a more secure future for us all.”

Fields said the team will continue to push to move further and faster throughout the business.

“Our work is far from over. We recognize that the competitive landscape and cost pressures have significantly challenged our traditional business model, and that recognition is driving more investment in small cars and crossovers, even as we continue to position ourselves to remain the truck leader,” Fields said. “We will remain quick and decisive in executing our Way Forward plan and flexible in reacting to changing conditions in the future.”

Market share declines, reflecting primarily segment shifts, and higher-than-planned raw material costs will mean full-year profitability for Ford’s North American auto operations is not expected before 2009.

“Clearly, we could have cut product programs and maintained our goal of North American profitability in 2008,” Fields said. “But, even as we further reduce our costs and capacity and make tough-but-necessary

decisions throughout our business, we cannot and will not retreat from the critical investments to deliver the right products for our customers.”

A summary of the North America Way Forward actions to be implemented by the end of 2008 and resulting financial impact follows.

### **Product-Led Turnaround**

- 70 percent of Ford, Lincoln and Mercury products by volume will be new or significantly upgraded from today through the end of 2008. The new lineup builds on Ford’s strength as America’s truck leader while expanding in growth segments, such as crossovers.
- Ford will introduce an all-new full-size crossover based on the Ford Fairlane concept. The seven-passenger vehicle for modern families goes on sale in 2008 and will be produced at Ford’s Oakville ( Ontario, Canada) Assembly Plant.
- Ford will continue to lead the American truck market with a new Super Duty pickup confirmed to go on sale in early 2007 and an all-new F-150 pickup confirmed to go on sale in 2008. The vehicles boast powertrain, design and feature upgrades.
- Ford will continue to lead America’s sports car market with new Mustang derivatives each year.
- The new Lincoln MKS flagship sedan will go on sale in 2008 – packed with more technology and features than any prior Lincoln, including all-wheel drive. Current plans are to produce the vehicle at the company’s Chicago Assembly Plant.
- Lincoln will continue offering the Lincoln Town Car to meet ongoing demand. After assembly ends at Ford’s Wixom ( Mich.) Assembly Plant in 2007, Ford intends to move Town Car production to Ford’s St. Thomas ( Ontario, Canada) Assembly Plant. St. Thomas will be reduced to one shift of production, as previously was announced.
- Product development work is intensifying through 2008 on creating new small cars and even more crossovers that will go on sale in the future. These vehicles will be based on the company’s global vehicle architectures, including “B” and “C” platforms not presently used in North America.
- Major investments continue in new gasoline, flexible-fuel, diesel, hydrogen and hybrid powertrains, including additional E-85 ethanol-powered and hybrid vehicles on the road by the end of 2008. In addition, two out of every three Ford, Lincoln and Mercury vehicles will be offered with fuel-saving 6-speed transmission technology by the end of 2008.
- The new products and a voluntary consolidation of the Ford and Lincoln Mercury dealer network are designed to significantly improve the dealers’ through-put and profitability by the end of 2008.

### **Accelerated Cost Savings, Leaner Structure, Improved Efficiency**

- Compared with 2005, annual operating costs will be reduced by about \$5 billion by the end of 2008.
- Salaried-related costs will be reduced through the elimination of the equivalent of about 14,000 salaried-related positions, which represents approximately a third of Ford’s North American salaried work force. The reduction includes the equivalent of 4,000 positions eliminated in the first quarter of 2006. The additional reductions will be achieved through early retirements, voluntary separations and, if necessary, involuntary separations – with most employees expected to depart by the end of the first quarter in 2007.
- An agreement with the UAW will expand early retirement offers and separation packages to all Ford U.S. hourly employees, including Ford employees at the company’s ACH plants. Employees will begin receiving details by mid-October, and those accepting offers will leave the company by September 2007.
- Ford will accelerate by four years its previously announced goal of reducing 25,000 to 30,000 North American manufacturing employees by the end of 2012. The reductions now will be completed by the end of 2008.
- The sale or closure of all ACH facilities by the end of 2008 will result in additional employee reductions.

- Ford continues to work with the UAW to improve the competitiveness of its U.S. manufacturing facilities. As a result, new competitive operating agreements have been ratified by UAW locals in 30 different U.S. Ford and ACH facilities – and nearly \$600 million in annual savings is projected to be realized.

### **Capacity Further Aligned with Consumer Demand**

- North America manufacturing capacity is being adjusted to 3.6 million units by the end of 2008, down 26 percent versus 2005 – in line with consumer demand and as announced earlier.
- Nine facilities will be idled and cease production through 2008, including seven already announced. The two additional plants are the Maumee ( Ohio) Stamping Plant and the Essex ( Ontario, Canada) Engine Plant.
- Ford’s Norfolk ( Va.) Assembly Plant will be idled a year earlier than planned, and a shift reduction, in advance of idling the facilities, now is planned at Norfolk and Twin Cities ( Minn.) Assembly.
- Facilities affected by the end of 2008 include the following:
  - Atlanta Assembly – to be idled in October 2006
  - Batavia Transmission – to be idled in 2008
  - Essex Engine – to cease operations in 2007
  - Maumee Stamping – intended to be idled in 2008
  - Norfolk Assembly – to be idled in 2007, a year earlier than previously planned, with a shift reduction planned in January 2007
  - St. Louis Assembly – already idled in March 2006
  - Twin Cities Assembly – to be idled in 2008, with a shift reduction planned in 2007
  - Windsor Casting – to be idled in 2007
  - Wixom Assembly – to be idled in 2007
- Dearborn Truck Plant will add a third crew, beginning in 2007, for F-150 truck production.
- All ACH operations will be sold or closed by the end of 2008.
- Including Maumee Stamping and Essex Engine, Ford has announced plans to cease production at 16 North American manufacturing facilities by the end of 2012, including seven assembly plants.

### **Financial Impact**

“Though North America’s return to profitability will take longer than planned, the actions we’re taking are the right ones, and are fundamental and necessary steps to improving our business structure,” said Leclair, the company’s CFO. “The planned improvements in our auto operations, in conjunction with Ford Credit – which remains a core asset – will leave us well-positioned for the future.

“We are starting from a position of strong liquidity, including our cash, credit lines and VEBA,” Leclair added. “We will continue to focus on enhancing our liquidity, building upon our decision to explore strategic alternatives for Aston Martin and the board’s intent to eliminate our quarterly dividend.”

### ***Automotive Operations***

- Full-year pre-tax special items for 2006 are expected to be significantly increased from the \$3.8 billion we estimated previously to reflect the accelerated Way Forward actions. Further details will be provided when Ford announces Third Quarter financial results next month.
- Full-year profitability in North American automotive operations not expected before 2009 .
- Ford and Lincoln Mercury U.S. market share is projected to be in the low-16 percent range at the end of 2006.
- A further share decline is expected as production of the Ford Taurus sedan and Mercury Monterey minivan ends in 2006 and production of the Ford Freestar minivan ends in 2007. The end of these vehicles will reduce the company’s sales to daily rental fleets.

- With the investment in new products and improvements in quality, Ford expects to be in the 14 to 15 percent market share range going forward – with a focus on profitable retail share.
- South America and Ford of Europe still are expected to be solidly profitable in 2006. However, full-year operating losses now are expected in 2006 for Asia Pacific and Africa, as well as the Premier Automotive Group – primarily reflecting lower volumes.

### ***Liquidity***

- Ford Motor Company’s 2006 year-end liquidity is expected to include automotive gross cash of about \$20 billion, including marketable and loaned securities and the effects of \$3.4 billion of VEBA. The company will continue to have committed automotive credit facilities totaling more than \$6 billion .
- Ford Motor Company’s Board indicates that it will suspend payment of the quarterly dividend on its common and Class B Stock beginning in the fourth quarter of 2006.

Sept. 15, 2006

### ***Safe Harbor/Risk Factors***

Statements included or incorporated by reference herein may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- Continued decline in market share;
- Continued or increased price competition resulting from industry overcapacity, currency fluctuations or other factors;
- A market shift (or an increase in or acceleration of market shift) away from sales of trucks or sport utility vehicles, or from sales of other more profitable vehicles, in the United States;
- A significant decline in industry sales, particularly in the United States or Europe, resulting from slowing economic growth, geo-political events (e.g., an escalation or expansion of armed conflict in or beyond the Middle East) or other factors;
- Lower-than-anticipated market acceptance of new or existing products;
- Continued or increased high prices for or reduced availability of fuel;
- Currency or commodity price fluctuations;
- Adverse effects from the bankruptcy or insolvency of, change in ownership or control of, or alliances entered into by a major competitor;
- Economic distress of suppliers that has in the past and may in the future require us to provide financial support or take other measures to ensure supplies of components or materials;
- Work stoppages at Ford or supplier facilities or other interruptions of supplies;
- Single-source supply of components or materials;
- Labor or other constraints on our ability to restructure our business;
- Worse-than-assumed economic and demographic experience for our postretirement benefit plans (e.g., discount rates, investment returns, and health care cost trends);
- The discovery of defects in vehicles resulting in delays in new model launches, recall campaigns or increased warranty costs;
- Increased safety, emissions, fuel economy or other (e.g., pension funding) regulation resulting in higher costs, cash expenditures, and/or sales restrictions;

- Unusual or significant litigation or governmental investigations arising out of alleged defects in our products or otherwise;
- A change in our requirements for parts or materials where we have entered into long-term supply arrangements that commit us to purchase minimum or fixed quantities of certain parts or materials, or to pay a minimum amount to the seller (“take-or-pay contracts”);
- Inability to access debt or securitization markets around the world at competitive rates or in sufficient amounts due to additional credit rating downgrades or otherwise;
- Higher-than-expected credit losses;
- Increased competition from banks or other financial institutions seeking to increase their share of financing Ford vehicles;
- Changes in interest rates;
- Collection and servicing problems related to finance receivables and net investment in operating leases;
- Lower-than-anticipated residual values or higher-than-expected return volumes for leased vehicles;
- New or increased credit, consumer or data protection or other regulations resulting in higher costs and/or additional financing restrictions; and
- Inability to implement the Way Forward plan.

We cannot be certain that any expectation, forecast or assumption made by management in preparing these forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. For additional discussion, see “Item 1A. Risk Factors” in our 2005 10-K Report.

## 2.

Can Mark Fields rescue Ford Motor?

By Jorn Madslie

BBC News business reporter

**All eyes on Mark Fields, these days - the Ford Motor executive in charge of closing a slew of factories and axing tens of thousands of jobs.**

Mr Fields is expected to achieve cost savings of \$6bn (£3.4bn), which will indeed prove challenging.

But compared with the true test of his tenure it amounts to little.

Mr Fields' task is not merely about returning the US auto business to profits and halt the company's skidding share price.

He must also bring back the Blue Oval's shine, however intangible that task may be.

Mr Fields appears to have his own definition:

"Our way forward is not a retreat into smaller markets, but a retaking of the American marketplace.

"It's time to fight back."

**'Change or die'**

Trouble is, how can he bring inspiration to Ford's executives and workforce, at a time when up to one in four of them are about to lose their jobs?

How can he re-sell the Ford brand to an increasingly sceptical, and perhaps even uninterested, American people?

The answer might lie in his past.

The 44-year-old, who joined Ford Motor in 1989, was moved from the job as head of Ford Europe last October to take charge of the US operations.

While in Europe, Mr Fields had also been in charge of turning around Ford's luxury division Premiere Automotive Group (PAG), which includes Aston Martin, Jaguar, Land Rover and Volvo.

Under Mr Fields, PAG launched a string of new models, which were by and large built for the US market, and his efforts at PAG did much to impress the top dogs in Dearborn, Michigan.

But Mr Fields is best known for having engineered the rescue of Ford's third-owned Japanese ally Mazda, which he headed from 2000 to 2002.

Under Mr Fields command, Mazda recovered from a record loss of 155bn yen in the year to April 2001 to record profits of 8.83bn yen in the year to April 2002.

"Mark led the turnaround by telling his team: 'change or die'," observes his boss, Ford Motor chairman and chief executive Bill Ford.

**“ Under Mark, North America will change ”**

Bill Ford  
Chairman and chief executive  
Ford Motor

**Ford's rocky 'Way Forward'**  
**Check Ford's share price**

"They changed."

**Heir in the making**

Last November, just weeks after Mr Fields had taken over the helm at Ford's US division, Mazda reported a 66% rise in net profits for the six months to September, to 32bn yen, and predicted that 2006 would bring it to fresh records once more.

Mr Ford's hope is that Mr Fields can repeat the exercise.

"Under Mark, North America will change, too," he predicts.

"He is a great motivator and a great leader. He has the kind of courage, candour, and communication skills it takes, and that we need, to turn tradition on its head."

And Mr Ford is not the only one who believes in Mr Fields' skills as a leader.

As early as in 2000, before his achievement at Mazda, Mr Fields was named Global Leader of tomorrow by the World Economic Forum.

These days some see him as an heir to Mr Ford's throne.

From BBC News at [bbc.co.uk/news](http://bbc.co.uk/news)



## 3.

## Operating Highlights

|  | 2005            | 2004            |
|--|-----------------|-----------------|
| <b>Sales and Revenues</b>  |                 |                 |
| Worldwide vehicle unit sales of cars and trucks by automotive business unit (in thousands) |                 |                 |
| The Americas   | 3,779           | 3,915           |
| Ford Europe and PAG  | 2,542           | 2,476           |
| Ford Asia Pacific and Africa/Mazda   | 497             | 407             |
| <b>Total</b>   | <b>6,818</b>    | <b>6,798</b>    |
| Sales and revenues (in billions)   |                 |                 |
| Automotive   | \$ 153.5        | \$ 147.1        |
| Financial Services   | 23.6            | 24.5            |
| <b>Total</b>   | <b>\$ 177.1</b> | <b>\$ 171.6</b> |
| <b>Financial Results</b>   |                 |                 |
| Income/(loss) before taxes (in billions)   |                 |                 |
| Automotive   | \$ (3.9)        | \$ (0.2)        |
| Financial Services   | 5.9             | 5.0             |
| <b>Total</b>   | <b>\$ 2.0</b>   | <b>\$ 4.8</b>   |
| <b>Net income (in billions)</b>  | <b>\$ 2.0</b>   | <b>\$ 3.5</b>   |
| <b>Diluted net income per share of Common and Class B Stock</b>                            | <b>\$ 1.05</b>  | <b>\$ 1.73</b>  |
| <b>Cash and Spending</b>   |                 |                 |
| Automotive capital expenditures  |                 |                 |
| Amount (in billions)   | \$ 7.1          | \$ 6.3          |
| As a percentage of automotive sales  | 4.6%            | 4.3%            |
| Automotive cash at year end (in billions)  |                 |                 |
| Cash, marketable and loaned securities and assets held in short-term VEBA trust (a)        | \$ 25.1         | \$ 23.6         |
| Cash net of debt (b)   | 7.2             | 5.2             |
| <b>Shareholder Value</b>   |                 |                 |
| Dividends per share  | \$ 0.40         | \$ 0.40         |
| Total shareholder returns % (c)  | (45)%           | (6)%            |

(a) Short-term Voluntary Employee Beneficiary Association (VEBA) trust, in which \$1.4 billion of financial assets were held at the end of 2005 and \$4.1 billion at the end of 2004 to fund certain future employee benefit obligations in the near term.  
 (b) Automotive cash, marketable and loaned securities and assets held in a short-term VEBA trust less Automotive debt.  
 (c) Change in value of Ford stock assuming dividends are reinvested in Ford stock. (Source: Bloomberg)

## 4.

# Ford lays bare its financial plight

By Russell Hotten, Industry Editor

Last Updated: 12:01am BST 24/10/2006

Ford, the second-biggest US carmaker, laid bare its financial woes, reporting a loss of \$5.8bn (£3bn) in just three months and revealing that it will restate more than five years of earnings.

It was the company's largest quarterly deficit for 14 years and included widening losses at its Premier Automotive Group (PAG), the division that includes Jaguar, Land Rover and Aston Martin.

Ford's US sales have fallen 8.6pc this year, and PAG is being restructured amid speculation that the operations are being prepared for sale. Ford is already considering offers for Aston Martin.

Excluding one-off items such as shedding jobs and writing down the value of assets, the quarterly loss was \$1.2bn. Ford has made heavy provisions for its restructuring programme, which foresees plant closures and more than 30,000 job cuts to restore profitability.

The losses were in line with analysts' estimates, but news that earnings from 2001 would be restated, to correct derivatives transactions, was a surprise. The derivatives were used to hedge interest rate risks.

Ford's North American operations had a pre-tax loss of \$1.98bn, excluding one-off costs — the eighth loss in nine quarters. Revenue for the unit fell to \$15.4bn from \$18.2bn.

The European car division made pre-tax losses of \$13m, against \$55m. But the separate PAG operation, which also includes Volvo, saw losses increase to \$593m from \$108m a year ago.

Alan Mulally, the new Ford chief executive, who joined from Boeing, was blunt about the car giant's performance. "Let me make it clear: These results are unacceptable." He forecast that the North American operations would return to profit in 2009.

Analysts believe Mr Mulally will use his "new broom" to get bad news out of the way immediately. "If there are any skeletons in the closet, I would expect them to come out between now and the end of this year, if they're not out already," said Dan Poole, a fund manager at US-based National City.

Ford said yesterday that it has no current plans to sell Jaguar and Land Rover, but the results of a strategic review is due to be published within weeks.

Ford's problems are so great that analysts believe that it may need to form a huge strategic alliance to survive.

# 5.

## Survey – What cars do Indians prefer?

The survey was conducted over a period of a week in [REDACTED] India during my half term holiday in October 2006. I went to two service stations and passed out my questionnaires to people who were filling their cars with petrol. In this way I was using a stratified random sample to minimise the hassle whilst allowing for as many different opinions as was possible. I handed out 50 questionnaires and got 46 usable responses.

### 5. My questions are laid out below:

- |    |  |   |
|----|--|---|
| 1. | What is your age?  | Less than 20<br>21-30<br>31-40<br>41-50<br>51-60<br>Older than 61 years   |
| 2. | What gender are you?   | Male/Female   |
| 3. | What type of car do you drive?   | Family Saloon<br>Sports Car<br>SUV<br>Executive Car   |
| 4. | How much would you pay for a car?  | Less than 300,000 Rupees<br>301,000- 500,000 R's<br>501,000 – 800,000 R's<br>801,000 – 1,200,000 R's<br>More than 1,200,000 R's |
| 5. | What features are the most important for you when deciding which car to buy? | Miles per gallon<br>Looks<br>Accessories<br>Brand<br>Warranty   |
| 6. | Would you consider buying a Ford?<br>If so why? If not why not?              | Yes / No<br><br><div style="border: 1px solid black; height: 60px; width: 100%;"></div>   |

- **My findings were the following:**

1. The present generation did not like the new models released in the market.
2. Women did not prefer because the car was more of executive type and it was difficult for them while parking and reversing the car. Due to Indian Traffic women mostly prefer small cars.
3. Cars were also very expensive.
4. They were also certain group who only prefer to buy Ford due to its reputation specially executive people. Like Ford icon.
5. In last one year Ford is doing really good with its new launch Ford Fiesta. Younger generation usually prefer good engines (Duratich) and good designer and all these features are in Fiesta.
6. Older people prefer SUV's with good interior space. This is a main drawback in Ford. If Ford can launch a new model keeping in view with all these features than its shares should increase. We can actually see gradual increase with its new launch in India Ford Fiesta.
7. Most women don't like Ford.
8. Executive officers like it.
9. Normal men like it but cannot afford it.
10. Younger generation does not like the new looks of Ford since they give looks most preferences.