Changing a Global Giant – Part 1

Article 3 – Change Management Series

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Change is a powerful thing, positively effecting companies both large and small. Operam's own director, Simon Woodhouse, is exploring the effects of large scale change in his recent series of articles. This two part article focus on one of the largest motor company's in the world, looking at why they had to change, and how they decided to implement a solution.

The Company

Little needs to be said to explain Ford Motor Company, an American multinational carmaker whose headquarters (known as the Glass House) are to be found in Dearborn, Michigan. The company is named after its founder Henry Ford, who incorporated the company in 1903. As of 2015 it had 199,000 employees, whereas in 1996 it employed 347,000. In 1996 it was the second largest, by sales, company in the world, behind General Motors, just ahead of Mitsubishi and Exxon.

This study looks back at the transformation project that was to be known as the Ford 2000 initiative.

The Challenge

One of the largest and most widespread examples of change management occurred at Ford. They were a global leader in the automotive sector, whose position was threatened by giant strides being made in the Far East, especially by Toyota. For example, Toyota were bringing new models to the market in 3 years, whilst the new-car development time at Ford was twice that. In addition, the competitors had higher profit per car, and as a result, they had greater pre-tax margins across their operations.

Ford was operating in a Global market, with design and manufacturing sites across the world. It was not however a harmonised global player, operating more via an international set of fiefdoms. These domains were not restricted down into purely Continental camps; for example, within Europe the divisions split further, where co-operation between the parties was often hard earnt with clear competition being felt between Ford of Britain, and the other major powerhouse in Europe, Germany. In Europe, 2 design centres and multiple production facilities vied for supremacy/survival. This environment contributed at least $3 billion towards the annual costs due to massive duplication of processes across the organisation(s).

It is no surprise to learn that the design platforms/systems were not common, and therefore, the centralised ability to design, manufacture, sell and service a global car, was doomed to failure from the off.

The Approach – Strategy

At the end of 1993, Alex Trotman the newly appointed CEO of Ford attended a senior managers meeting in Ford's London office. The objective of that meeting was to review the consolidation of the powertrain across the product range.

> *The term powertrain describes the main components that generate power and deliver it to the road surface, this includes the engine, transmission, drive shafts, differentials and wheels.*

Trotman poised the question and challenged this group of assembled senior managers – Could they expand this idea out to the entire company? Could Ford tear down its highly segmented and feudal structure and create one global system? To top it, they had six weeks to conclude if such an idea was even possible.

In April 1994, Trotman announced the single most significant reorganisation of Ford Motor Company, if not in Corporate America. The key directives included:

- The need to be more efficient and quicker in developing new models
- A wider range of products, and to plug the gaps
- Match the Far East in regards to profits per unit and thereby improve overall profitability
- Reduce manufacturing time
- Sell a global model

A team of 150 executives were assembled, and lead by Bob Transou, who had previously planned the more effective and efficient powertrain process. The team were assembled in a war room, a large open area with small desks and cubicles, and no private offices. The principle was to put all the decision makers in one place, and make them thrash out decisions, there and then, and not via a string of emails, delegations and corner fighting. They were all

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totally focused upon this project, and all other duties were delegated away from them for the duration of this phase. It is said that everyone worked in their shirt-sleeves, so it was impossible to distinguish VPs from their juniors. This was a deliberate strategy of Transou because he “wanted people to leave their corporate credentials at the door”.

Hanging over the heads of the team was the spectre last attempt to make a global car, the Mondeo. That endeavour failed spectacularly becoming the 7 year project that cost $6 billion producing the Ford Contour, Mercury Mystique and Mondeo!

Next

In the next article, we shall explore how Ford 2000, Ford’s program of corporate cultural change, cascaded down from this team of executives in the War Room in Dearborn, to help challenge Ford’s Purchasing and Human Resources teams to revisit its usage of third party labour.

**Note that this articles information is based on the book, International Business – Competing in the Global Marketplace by Hill. ISBN: 0-07-117584-9*