CASE STUDY 2

FORD MOTOR COMPANY : SUPPLY CHAIN STRATERGY

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OUTLINE

A) General Issues

B) Main Stakeholders

C) Theory and Concepts

D) Symptoms and Problems

E) Alternatives & Evaluation Criteria

F) Best Solution & Implementation Plan

G) Evaluation and Review of the Project

H) Current Status Update

COMPANY HISTORY :

- A century old USA manufacturer , with second largest industrial corporation of the world.
- Spread across 200 countries.
- Revenue : $200 Billion.
- Since 1903 company produced 260 million vehicles.
- In 2000 ford came up, with its reconstructing plan.
- Encapsulated the use of modern technologies

Eg: IT was widely used

- Ford launches its site in 1995 , results reflected by 1997.
- Did tremendous cost reduction.
- Reduced OTD to less than 15 days.

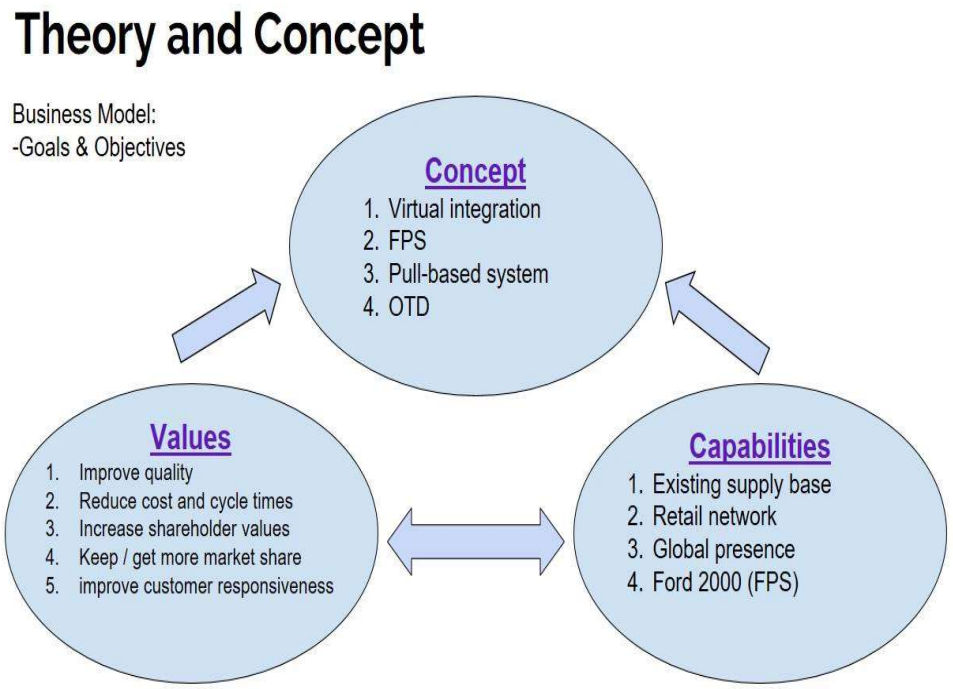
MAIN STAKEHOLDERS

INTERNAL

- Teri Takai(Director of Supply chain Systems)
- Senior Executives

EXTERNAL

- Customers
- Distribution Dealers
- Manufacturing Team
- Suppliers



THEORY AND CONCEPTS :

A) GOALS AND OBJECTIVES

- Shareholders' values to be increased.
- Increase in revenue and decrease in operating cost.

B) VALUE AND CONCEPT

- Order to delivery virtual integration pull based business system.

C) CAPABLITIES

- Excellent customer service provider.
- Growing global presence and global retail network.
- Enhancement in quality cost and cycle time reduction.

SYMPTOMS & PROBLEMS

Symptoms

1. Reduce working capital.
2. Reduce exposure to inventory obsolescence.

1. Suppliers picked based on costs not supply chain costs
2. Different investment rates between Ford and suppliers

Problems

1. A need for change in existing supply chain strategy

1. Creation of a complex supply chain network
2. Attempt of IT-enabled cost savings

Decision

1. Incorporating the concept of "virtual integration."
2. Creating a virtual supply chain like Dell

1. Cutting down on suppliers
2. Finding long-term relationships that benefited Ford

ALTERNATIVES AND EVALUATION CRITERIA : CON'S

FORD'S BOTTLENECK'S

Falling behind competitors and loosing competitive advantage

Increase risk due to unfamiliarity

No guarantee of improvement

Time consuming with operation

Increase competition for dealers

ALTERNATIVES AND EVALUATION CRITERIA : PRO’s

Increase customer, dealer, and supplier relationships	Creates a more linear and flexible supply chain process	Reduces Order to Delivery (OTD) process	Provides an effective way for global communication	Provides an effective inventory management system at a global scale

DELL COMPANY : ADVANTAGES OF VIRTUAL INTEGRATION

- Uses "push" and "pull" methodologies allowing customer's satisfaction and effective supply chain management.
- Allows creation of a strong supplier and customer relationship
- Achieves both coordination and focus which comes from two different business models

IMPORTANCE OF VIRTUAL INTEGRATION ADVANTAGES : IN AUTO BUSINESS

- Improves supply chain management
- Reduces OTD (order to delivery)

Creates a more lean ,flexible, and predictable process

Increases customer satisfaction

- Allows customer to know what they want in their vehicle beforehand

FORD'S PRACTICAL CHALLENGES

Very difficult to predict many source of risk especially the unknown-unknown

Impact of disruption can be devastating

Large investment in identifying every possible risk in the supply chain

Existing tools and techniques have been inadequate.

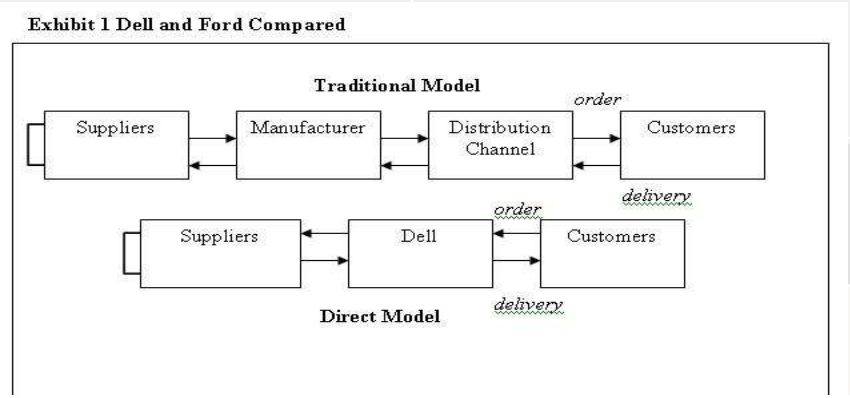
No ability to prioritize mitigation investment

GENERAL ISSUES : FORD EXISTING SUPPLY CHAIN

- As the company had grown so it had the supply base.
- In the late 1980s, they had several thousand suppliers of production stuff in a complex network of business relationships.
- Suppliers were picked on the basis of cost with little estimate for overall supply chain cost and the complexity of dealing with such a large network of suppliers.
- The company made its expertise available to assist suppliers in improving their operations via various techniques including Just In Time(JIT) Inventory, Total Quality Management(TQM) and Statistical Process Control(SPC).

DIFFERENCE IN SHOPPING EXPERIENCE

DELL	FORD
Customers interact directly with the product developers.	The customers had to interact with the distribution dealers.
Dell forecasts its demand from customer regularly with short-term forecasts.	Ford relies on long term forecasting.
Dell meets customer's need faster and more efficiently as it uses new methods.	Ford is not able to meet customer's need that much faster as it have complex supply chain.



BEST SOLUTION & IMPLEMENTATION PLAN

Partnerships with suppliers

- Establish long term commitment with the best suppliers .
- Decrease the number of Supplier by developing a negotiating strategy.

Communication improvements

- For quicker information transfer improve coordination with the suppliers by integrating their communications systems.

Forecasting Analysis

- To minimize the risk of inaccurate forecasts, develop new forecasting methods.
- Identify bottlenecks in the flow of parts in the Supply Chain.

FORD Results after implementing technology

- FORD learnt from DELL systems and capitalized profit of , $6.9 Billion.
- Leaded CHRYSLER in profit making.
  Return on sales was 7.2% in finances and 3.7% in automation.

EVALUATION AND REVIEW OF THE CASE : SUMMARY

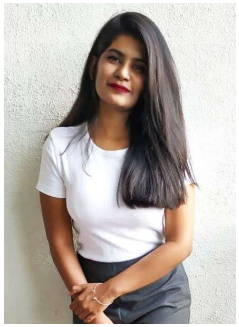
- Ford Motor Company: Supply Chain Strategy case focuses on the viability of implementing a supply chain strategy following Dell's model.
- FORD is 100-year-old company, where as DELL was founded 15 years ago.
- Ford's supply chain has a complex nature.
- Ford should set up a special department responsible for handling new business processes.
- Capital investment in new high-tech equipment is required.
- Ford also should educate their employees as well as third parties how to use a new system and present benefits to all.
- Since Dell and Ford are two different types of markets, one is in the computer manufacturing /distribution business and the other is in the automobile business, it does not seem right for Ford to implement the exact "virtual integration model" deployed by Dell.

- OUR RECOMMENDATION AS TERI TAKAI : FOR SENIOR EXECUTIVES

  - All sales can't be all the way virtual like Dell.
  - Most customers desire the feel of driving the car.

MEET THE TEAM

JASLER



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THANK YOU