



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **MGT3114 Corporate Strategy**
Semester & Year : January – April 2022
Lecturer/Examiner : Joseph Choe Kin Hwa
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (40 marks) : TWO (2) Case Study Questions. Answer ALL of the questions. Answers are to be written in the Answer Booklet provided.
PART B (60 marks) : THREE (3) Structured-Type Questions. Answer ALL of the questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 7 (Including the cover page)

PART A : CASE STUDY QUESTIONS (30 MARKS)

INSTRUCTION(S) : Answer all **TWO (2)** questions. Write your answers in the Answer Booklet(s) provided.

FORD: AN AUTO COMPANY IN TRANSITION

In January 2019, the Ford Motor Company celebrated as the F-Series line of pickups became the top-selling trucks in the United States for the 42nd consecutive year. This line of trucks also marked 37 years as the best-selling vehicle in the United States overall. In 2018, the F-Series, which included the Super Duty and the F-150 Raptor, sold 909,330 vehicles—just 30,181 units short of the all-time record set in 2004. Jim Farley, Ford executive vice president and president, Global Markets, pointed to the F-Series as a “juggernaut” that “leads the world in sales, capability, and smart technology, setting the bar others follow.” But would truck sales alone help the increasingly depressed auto market, where the overall industry had already seen a drop in sales of 2.6 percent in the first months of 2019? This was the biggest decline since the recession of 2009, and there appeared to be no relief in sight. Something would have to change. Bold leadership was needed.

The ability to anticipate customers’ needs was crucial to any company’s long-term success, but it was especially important in the capital-intensive, consumer-driven, globally competitive automobile industry. As the major players from Asia, Europe, and the United States jockeyed for position in the sales of traditional trucks and cars, smaller, more innovative companies such as Tesla, Elio Motors, and start-up Faraday Futures were creating concept cars that addressed consumers’ interests in alternative fuels, low operational costs, and self-driving autonomous designs that promised to leave the passenger free to use in-transit time for other more productive pursuits. The auto industry was going through a “significant secular change” that was hard to predict. The trend seemed to be going toward less car ownership and, as the industry became more niche focused, rapid technological changes meant it was essential to be able to refresh the product portfolio rapidly in order to maintain market share.

Responding to this trend, Mark Fields, CEO of Ford from 2014 to 2017, had said Ford would be using innovation “not only to create advanced new vehicles but also to help change the way the world moves by solving today’s growing global transportation challenges.” Self-driving cars were reported to be coming as early as 2019 to the global roadways; and Ford Motor Company had made a commitment to this business, testing its fleet of 100 autonomous cars in Florida, Pennsylvania, and Michigan. CEO Fields reminded investors of the company’s long term legacy, pointing to a history going back to founder Henry Ford of “democratizing technology,”—not just making products for people who could afford luxury vehicles, but using technology to solve problems of mobility and access, and providing not only products but also transportation services that made people’s lives better. So, although Ford would always sell cars and trucks; it was also making big bets in autonomous technology (self-driving cars), electric vehicles, and

other transportation services such as urban mobility solutions via ride-sharing, bike-sharing, and customized interior vehicle experiences serving multiple customer needs.

But in 2019 Ford was still at least two years away from releasing a long-range electric vehicle while General Motors (GM) had already brought the Bolt to market. Given the increasing disruption in the industry, and the obligation to return value to understandably concerned investors, Ford had some significant decisions to make, one of which was selecting the right leader for this business. Executive Chairman Bill Ford had said “this is a time of unprecedented change. And a time of great change, in my mind, requires a transformational leader.” Ford was feeling pressure from investors, who had seen the stock price steadily decline from a high of over 17.50 in 2014 to a low of under 10.00 in 2017. In 2017, Ford had asked Fields to resign and promoted Jim Hackett to the CEO position. Hackett, previously head of Ford Smart Mobility LLC—a subsidiary of Ford formed to accelerate the company’s plans to design, build, grow, and invest in emerging mobility services such as autonomous vehicles—believed in the need for transformation. Hackett had said “breakthrough technologies are transforming nearly every aspect of the vehicles we build and how people use them, demanding a rethink of how we design transportation systems.”

In 2019, CEO Hackett was sustaining this vision while migrating from a production line focus on multiple vehicle types to one where each team was dedicated to a specific product line and expected to “understand every small detail of the underlying product and customers they serve.” Ford was planning to execute in four strategic areas:

- Develop a winning portfolio that provides products customers want in the markets where we know we can win.
- Make propulsion choices that create clean-running cars without sacrificing power, style, and performance by creating an entire portfolio of electric vehicles.
- Build a viable autonomous vehicle business by bringing components of autonomous technology together, designing products such as ride-hailing and delivery services that are centered on the needs of humans, providing solutions for city leaders and transportation planners, as well as vehicle owners.
- Create a set of mobility experiences that encourages freedom of movement—orchestrating millions of connections across a digital network accessible to all, equipping our vehicles with software and services that connect to the smart world around them, and addressing the problems of congested cities and roads.

This vision of a seismic shift in personal transportation was fully supported and even driven by Ford’s executive chairman Bill Ford, who had championed the concept of increased mobility back when the only things to invest in were “parking and municipal ticketing solutions.” Now, in 2019, Bill Ford was supporting the company’s movement beyond selling vehicles to investing heavily in mobility services. As the initial architect of this shift, Bill Ford predicted the company could make increased profit margins on new services, more than double what it had traditionally made selling cars and trucks, but the ultimate goal, beyond making money, was to improve people’s lives. In doing so, Bill Ford would be protecting his great-grandfather’s legacy.

The automotive industry in the United States had always been a highly competitive, cyclical business. By 2019 there was a wide variety of product offerings from a growing number of manufacturers, including the electric car lineup from Tesla Motors, self-styled as “not just an automaker, but also a technology and design company with a focus on energy innovation.” The total number of cars and trucks sold to retail buyers, or “industry demand,” varied substantially from year to year depending on general economic situations, the cost of purchasing and operating cars and trucks, and the availability of credit and fuel. Because cars and trucks were durable items, consumers could wait to replace them and, based on the most recent report, the average age of light vehicles on U.S. roads was over 12 years, with domestic nameplate vehicles 3.6 years older than foreign ones. Partly due to this, replacement demand was forecasted to stay fairly flat. Any increase in sales would be aided by an improvement in the general economic situation, reduced gasoline prices, and lower interest rates for car loans. However, sales in U.S. markets had not belonged only to U.S. manufacturers for some time.

In the United States, Ford’s market share had dropped over time—from almost 25 percent in 1999 to 14.4 percent in 2018, with major blows to market share in the light-vehicle segment. Going into 2019, Ford claimed the third spot in the U.S. market, just behind Toyota. Originally dominated by the “Big 3” Detroit-based car companies—Ford, General Motors, and Fiat/Chrysler—competition in the United States had intensified since the 1980s, when Japanese carmakers began gaining a foothold in the market. To counter the problem of being viewed as foreign, Japanese companies Nissan, Toyota, and Honda had set up production facilities in the United States and thus gained acceptance from American consumers. Production quality and lean production were judged to be the major weapons that Japanese carmakers used to gain an advantage over American carmakers. Starting in 2003, because of innovative production processes that yielded better quality for American consumers, Toyota vehicles had unquestionably become “a better value proposition” than Detroit’s products.

The global marketplace for automobiles was uncertain for all manufacturers, and each geographical segment had its issues. Both North American and European auto sales were subject to political uncertainty, due to policy shifts in government, and Brexit issues in the UK. The Chinese and larger Asian market was still growing, although starting to slow, especially with questions of tariffs looming for U.S. manufacturers. For Ford, tariffs had cost more than \$750 million in 2018. Eastern European economic concerns, especially in Russia, made this a difficult area to manage. South American government regulations and currency fluctuations impacted growth there.

The need for a global strategy was driving all major auto manufacturers to reduce the number of vehicle platforms, while simultaneously adding models in response to consumer preferences. In addition, partnering with local producers and manufacturers made it easier to deal with local barriers to entry, as long as these relationships could be mutually managed. Although the increased complexity raised costs, this more flexible approach allowed for improved product commonality and increased volume. As components could be shared between cars and platforms, this also reduced the number of suppliers. Ford had reduced its supplier base from 1,150 to 750.³⁹ Although seemingly a positive, this could also prove costly if a major supplier

had a problem, as had occurred with Japanese air bag manufacturer Takata. Although many other manufacturers were similarly affected, Ford had had to recall 850,000 vehicles for airbag problems, at a cost of \$500 million.

Ford Motor Company was the sixth-largest automobile manufacturer in the world, but like all others who produced a multi-vehicle lineup, Ford was facing considerable uncertainty. Global markets were hard to predict and countries were increasing regulatory requirements for safety and environmental impact. All vehicles were seeing an increase in the amount of on-board technology that required a shift in both engineering and manufacturing priorities. Worldwide manufacturers were making design changes that allowed more lean production and consolidation of suppliers, and consumers were changing how they purchased vehicles and rethinking what they wanted from the transportation experience overall.

Several market shifts in the overall landscape were occurring: the interest, worldwide, in electric or alternative-fuelled vehicles; the development of autonomously controlled cars that were also personally connected to a user who might not be the driver; and the reduction in demand for actual automobile ownership in favour of rental or on-demand transportation options. Ford had teamed up with Motivate, the global leader in bike-sharing to include the FordPass mobility network in the Ford GoBike commuting transportation option. Through its innovation and research centers, Ford was also developing strategies in fleet and data management, route and journey planning, and telematics, using artificial intelligence and robotics, all in an effort to help solve congestion and help move people more efficiently in urban environments. This move by both global auto companies was seen as “a strategically defensive move to share vehicle architecture-related expenses in an attempt to offset the intensifying competitive pressures and escalating costs facing the auto industry over the next decade.” These shifts created opportunities but also challenges for entrenched car manufacturers.

As had most U.S. automobile manufacturers, Ford under Hackett had taken steps to remove sedans from the auto lineup, and invest in retooling to support SUVs and trucks. In 2019, Hackett was also proceeding with an \$11 billion global restructuring effort in an attempt to reposition Ford for success once again, but at this point the industry was forcing all manufacturers to ask some basic questions: “Do people want to own their cars or share them? Drive them or have them driven?” Ford and other global automobile companies were betting on the “mobility” trend to bring new products and services to a depressed market, but how might this really work? Henry Ford had the initial vision of disruption in personal transportation. Would the 21st century version of Ford Motor Company be as successful?

Adopted from Dess, G., McNamara, G., Eisner, A., & Lee, SH. (2021). Strategic management: text and cases, 10th Edn. McGraw-Hill, New York. p C277-C288.

Question 1

Critically analyse the challenges Ford is currently facing in the automobile market.

(20 marks)

Question 2

Using the Ansoff's product-market matrix, evaluate the strategic direction of Ford from 2017 onwards.

(20 marks)

END OF PART A

PART B : STRUCTURED-TYPE QUESTIONS (60 MARKS)

INSTRUCTION(S) : Answer all **THREE (3)** questions. Write your answers in the Answer Booklet(s) provided.

Question 1

You have just been appointed as the Strategic Planning Manager by a multinational retail chain with more than 1,000 employees across South East Asia. The company has asked you to prepare a report outlining the use of Balanced Scorecard in strategy mapping.

Prepare the report.

(20 marks)

Question 2

Critically discuss how managers can create value by establishing important relationships among the value-chain activities both within their firm and between the firm and its customers and suppliers.

(20 marks)

Question 3

Organisation structures can have major implications for organisational priorities and interactions in the marketplace. Structures therefore need careful alignment with strategy.

Explain **FIVE (5)** main organisational structural types in terms of their strengths and weaknesses.

(20 marks)

END OF QUESTION PAPER