u04a1 - External Analysis

Ann Klontz

Capella University

Organizational Strategy

MBA6024

Dr. Kurt Heppard

June 18, 2017

u04a1 - External Analysis

Executive Briefing Report - Ford Motor Co

Summary

This report is also directed at Mr. Casesa, Group Vice President of Corporate Strategy, and Mr. Rowley who is Vice President of Strategy ("People|Ford Media Center ," 2017). This briefing today will discuss the external factors as they apply to Ford Motor Co. Thus, there will be two types of analyses performed that will scrutinize elements that the entity should be aware of in the industry it is operating in currently. From there it will be explained in detail the primary discoveries of each analysis performed. Included will be a summary of those discoveries along with recommendations for both vice presidents of strategy that came about because of this report. This report will function as a preparatory report concerning Ford Motor’s external elements that provide a comprehension of valuable information for both Vice Presidents to utilize.

External Elements

This section will cover the elements associated with the PEST analysis as they would apply to Ford Motor Co. This is a framework that has become a favorite among entities to utilize for figuring out the environmental side. This is because it gives a simple but systematic layout to point out elements that might actually shape an entities competitive state within the perimeters of the industry (Grant & Jordan, 2015). Businesses ought to know of all they need to do thus being able to grow, this can be achieved by formulating strategies which ascertain that all the objectives and goals of the organization have been achieved. Furthermore, using some strategies like PEST analysis will ascertain that any business like Ford Motor Company, can have a competitive advantage while still being able to provide client satisfaction (Hollensen & Opresnik, 2015). The PEST analysis mainly focuses on ascertaining that Ford Motor Company can be aware of the environs, thus getting to identify all opportunities which can be utilized and the risks that have to be taken care of. All this will ascertain that the firm will analyze all the political, economic, socio-cultural, and technological elements surrounding it.

**PEST Analysis**

***Political Elements***-  Political factors largely determine the growth of a business; therefore, understanding this ascertains that the business will have an improved chance of surviving within the market. Some of the considerations which need to be made include the elections; they get to affect the business depending on how the governing body will impact the economy. Incentives are also available to help the entity to expand into foreign markets. Tools are also available such as teleconferences, and educational resources that can be attended via telephone to help the entity comprehend the market it is entering ("Federal Programs and Incentives," N.D.). Tax laws, and other items can also have an effect on how Ford Motor Co. operates in the international markets, as well as, regulations that have a say so in labor, and other aspects ("Federal Programs and Incentives ," N.D. ). Recently, there has been a new sales tax introduced into some of the states that will affect business entities, and it could affect Ford Motor’s since you are able to purchase vehicles online (Harbin, 2016).  It is therefore advisable for Ford Motor Company to be on the lookout and can understand the effects that can be experienced. With a new government, some changes which can be expected can include the tax changes, meaning that they might end up lowering or increasing, a factor that can affect the organization.

***Economic Elements*** - All of these factors get to go hand in hand, for the economic factors, all that Ford Motor Company should be keen on will be the customer levels. This is something which can affect a business as long as they are not experiencing any growth in their client levels. It will get to deal with the markets, the services being provided or the general economy. More so, the exchange rates are another factor that can affect the economy (Ward & Daniel, 2012). When they, the exchange rates, are not stable, it might end up being an effect to business. The largest concern in economic elements for Ford Motor’s is the European Union, of which Great Britain is already implementing an article to officially leave the EU (Christys & O'Brien, 2016).

***Socio-cultural Elements*** - When setting up a business, this should always be amongst the factors to consider; this gets to deal with the population of an area or their take on the products and services being provided. Getting to conduct a detailed, extensive research will ascertain that when the business is commenced, everything can go on smoothly. With a well-populated area, it will be likely for a business to make more sales and more clients. More so, dealing with the products required within the market will ascertain that the business to gets to grow thus expanding into newer markets.

***Technological Elements*** - Technology is a commodity in which most businesses are using nowadays, getting to know of the latest technology ascertains that Ford Motor Company will have a better chance of surviving within the market (Tools, PEST Analysis: Identifying Big Picture Opportunities and Threats, 2016). More so, the business will have a better chance of ascertaining that the clients can be assuaged since they have been able to attain the products or services required on time without having to look for substitutes. This therefore should always be a factor to consider at all times thus ensuring that a business can attain a positive brand image.

Porter’s Five Forces

Porter’s Five Forces can be another instrument which can work in favor of Ford Motor Company. With this, a business can understand all the forces that determine the competitive power of any situation. This therefore gives a broader scope of what to expect within the market or the services which should be provided thus ascertaining that the business does get to stand out in the long run. Furthermore, with new products, it will ascertain that a business can know how the markets will receive it, thus being able to highlight the changes that need to be made.

***Suppliers*** - This is the first of the five forces; a business requires to understand how the suppliers will rhyme with their day to day operations. In most businesses, the suppliers have the ability to drive up prices, by understanding this, an organization can work on improving their relationship with their suppliers thus getting to ascertain that they can always be able to have a unique product. More so, looking for several suppliers ascertains that the business has control over their suppliers since they can get their raw material from different places rather than one place which might end up increasing the prices. ‘There isn’t much of an effect on the entity in this area since most of its suppliers have a lessor vertical integration. This is because these suppliers don’t control sale or distribution of products to the entity, however, the entity should take into consideration other external elements that are related to its supplier’s effect on their corporation (Ferguson, 2017)’ (Klontz, 2017).

***Bargaining/Buying***- In this case, Ford Motor Company needs to work on their clients, in some markets, the buyers have the power of reducing the prices. This is a scenario which can occur when there are few, powerful buyers; they end up dictating the terms thus forcing the business to reduce their prices (Tools, Porter’s Five Forces: Assessing the Balance of Power in a Business Situation, 2016). However, this can be simply avoided by ascertaining that the products are unique, which ensures that the buyers will not have to look for substitute products. Furthermore, having different markets will increase the overall buyers thus not having to go through decreased product prices.

***Rivalry*** - In this area the entities competition is great with powerful competition such as Toyota, and others. Therefore, Ford Motors must innovate aggressively (Klontz, 2017). Ford Motor Company has to ascertain that it can have more power than the competitors. This gets to deal with knowing the available competitors, the products being provided, and the quality of the products. All this will give the business a basis to rate themselves or know how to work on their service provision. By having better products, competitive rates, and fewer competitors, a business will have a better chance of dominating the market thus never having to worry much about the competitors.

***Substitutes Threat***- Substitution comes about when the clients have found a better way of attaining the services they required from a business. This mostly happens when it comes to services which can easily be achieved manually. Furthermore, newer competitors can come up with other easier means of getting the job done thus having more power within the market. Ford Motor Company, therefore, require to ascertain that the services being provided are unique, this makes it tougher for any substitution means to be formulated thus being able to maintain power within the market.

***New Contenders*** - Getting into most markets is easy, thus having lots of businesses providing the same services and commodities. To avoid this, looking for a unique product or service is the key. More so, provision of unique commodities and services too will matter. With a few competitors within the market, a business tends to have less power, however, ascertaining that the customers are surfeited will ensure that a business will have a favorable position thus being able to retain power within the market and the clients. Protection of business secrets is another ingredient to ascertaining that there are no threats at all.

Conclusion

Both of these models end up being of advantage to a business during start-up and within the market. With the PEST analysis, a new business will be able to know all the factors to consider, the opportunities available and how to embrace them, and the threats to deal with thus being able to remain in business (Warner, 2010). With Porter’s Five Forces, a business will understand the market in deeper terms. Thus evaluating all the forces that surround a business and coming up with strategies on how to tackle each or how to ascertain that they remain unique and assuage their clients by availing them with all the products and services they would require. In conclusion, these models can be applied by the Ford Motor Company management while formulating the strategies on how to better the business and ascertain that it grows.

References

CHRISTYS, ., & O'BRIEN, Z. (2016). Europe on the brink of COLLAPSE as 'divorce' is needed to prevent economic doom. Retrieved June 16, 2017, from http://www.express.co.uk/news/world/702873/European-Union-collapse-Euro-Brexit-financial-crash-Joseph-Stiglitz

Federal Programs and Incentives . (N.D. ). Retrieved June 14, 2017, from https://www.selectusa.gov/federal\_incentives

Ferguson, E. (2017). Ford Motor Company: Five Forces Analysis (Porter's Model). Retrieved June 7, 2017, from http://panmore.com/ford-motor-company-five-forces-analysis-porters-model

Grant, R. M., & Jordan, J. (2015). *Foundations of Strategy* (2nd ed.). [Vitalsource Bookshelf Version ]. Retrieved from https://bookshelf.vitalsource.com/books/9781119001270

Harbin, C. (2016). Why a National Internet Sales Tax is a Really Bad Idea | Fortune.com. Retrieved June 16, 2017, from http://fortune.com/2016/03/13/national-internet-sales-tax-bad-idea/

Klontz, A. (2017). u04d1 Discussion Industry Influences. Retrieved June 16, 2017, from https://courserooma.capella.edu/webapps/discussionboard/do/message?action=list\_messages&forum\_id=\_594118\_1&nav=discussion\_board&conf\_id=\_152574\_1&course\_id=\_45890\_1&message\_id=\_16304570\_1#msg\_\_16304570\_1Id

The Ford Motor Company MEDIACENTER. (2017). Retrieved May 27, 2017, from https://media.ford.com/content/fordmedia/fna/us/en/people.default\_all.html

Hollensen, S., & Opresnik, M. O. (2015). *Marketing : A Relationship Perspective.* München: Franz Vahlen.

Tools, M. (2016). *PEST Analysis: Identifying Big Picture Opportunities and Threats*. Retrieved from Mindtools.com: https://www.mindtools.com/pages/article/newTMC\_09.htm

Tools, M. (2016). *Porter’s Five Forces: Assessing the Balance of Power in a Business Situation*. Retrieved from Mindtools.com: https://www.mindtools.com/pages/article/newTMC\_08.htm

Ward, J., & Daniel, E. (2012). *Benefits Management : How to Increase the Business Value of Your it Projects.* New York: John Wiley & Sons.

Warner, A. G. (2010). *Strategic analysis and choice : a structured approach by Alfred G Warner .* New York: Business Expert Press.