

# Under pressure to change, Ford is reinventing itself

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Ford will roll out a major reorganization of its European operations to boost profitability

Struggling with a sagging stock price and sluggish sales, US car giant

Ford took steps to regain its footing this week with the announcement of a massive restructuring effort in Europe—even as it prepared for an imminent strategic partnership with German carmaker Volkswagen.

The iconic American brand will roll out a major reorganization of its European operations to boost profitability, including thousands of potential job cuts.

It was also poised to announce a major alliance with VW next week, as it races to catch up in autonomous and electric car technologies.

Ford, which employs 200,000 people worldwide and brought in nearly \$146 billion in revenue in 2017, has previously said it wants to cut costs by about \$25.5 billion by 2022.

According to analysts, 24,000 jobs are under threat.

Ford already stopped producing sedans and small cars to save \$11 billion in the US—and it might also scrap the Fiesta, Focus and Mondeo models in Europe, where they are popular.

Additional cost cutting could include the shuttering of underused US factories, according to Morgan Stanley analyst Adam Jonas, despite President Donald Trump's public pressure on auto makers to maintain their US workforces.

It could also hit China and Latin America, two markets where Ford is struggling, a source familiar with the plans told AFP.

In total, the cuts could save Ford \$14 billion in its international operations.

"This is not about making the business today more efficient, but

completely redesigning it," said Steve Armstrong, Ford's chief of Europe, Middle East and Africa operations.



Negotiations have been reportedly ongoing for months over a Ford-VW partnership to develop autonomous technologies

## **New Ford**

Ford's transformation push comes at a time when the automotive sector is undergoing major changes as a result of the development of new technologies—accelerated by disenchantment over diesel engines.

Autonomous and [electric vehicles](#) have been expensive to develop, and require either new factories or a complete modernization of existing ones.

Ford has been facing the same headwinds as the rest of the low-profit margin industry: trade tensions, a potential global economic slowdown, a slowing Chinese economy, Brexit in Europe, and currency fluctuations.

The rapid growth of car sharing services such as Uber and Lyft also suggests that automobile groups will have to reduce their production in the future.

Meanwhile, negotiations have been ongoing for months over a Ford-VW partnership to develop autonomous technologies, as well as commercial and electric vehicles.

The alliance is expected to be announced next week at the Detroit auto show on Tuesday, a source familiar with the matter told AFP.

"Volkswagen today is a good match. We have different geographical profiles. We both have to improve our business results," Jim Farley, Ford's head of [global markets](#), told reporters Wednesday.

## **Increasing partnerships**

Ford also plans to strengthen its partnership with the Indian car maker Mahindra.



Ford CEO Jim Hackett (R) is under pressure from financial markets

"Partnering is going to be an important part of Ford's future," Farley said.

In July, Ford created an independent company, Ford Autonomous Vehicles LLC, to contain its autonomous technologies business. It will invest \$4 billion by 2023.

The company is seeking partners in that venture, as well, while its rivals have already promised to market their first autonomous cars within the next few years.

CEO Jim Hackett, who is under pressure from financial markets, hopes the initiatives will enable Ford to almost double its operating margin to eight percent by 2020, compared to 4.4 percent in the third quarter of 2018.

Hackett took the reins in May 2017. A year later, Ford's North American sales fell 3.5 percent, while the industry as a whole rose 1.8 percent.

The company's stock lost a third of its value in one year, and its market value is only \$34 billion, far behind General Motors (\$49.6 billion) and the electric car maker Tesla (\$58.1 billion).

Hackett has promised to unveil a new Ford in the coming months, outlines of which now are becoming clear.

In North America, the company will focus on the Mustang sports car, pickup trucks, SUVs and crossovers—vehicles popular with American consumers.

In Europe, one of the most competitive automotive markets, it will prioritize commercial vehicles such as vans. The company has not ruled out leaving the continent altogether if its strategy fails, said a source.

If it does so, Ford would follow the example of GM, which left Europe in 2017 after years of losses by selling Opel-Vauxhall to Peugeot.

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