

Ford plan: Big cuts, a secret strategy

*Innovation talk to join
news of job cuts today*

Bill Ford's big challenge today is this: How can he inspire hope, even enthusiasm about the future of Ford Motor Co., as he concedes the grim reality of its present circumstances by closing plants and eliminating 25,000 jobs or more?



TOM WALSH

The chief executive's answer is a daring gamble to reinvent Ford Motor, stop its sales decline and truly differentiate future Ford cars and trucks from a crowded field of fierce competitors.

A heretofore secret program dubbed the Piquette Project is intended to spark dramatic changes in the company's products and culture. Bill Ford is expected to talk about it today as he announces the automaker's Way Forward cost-cutting plan.

That plan is expected to include the shutdown of four or five assembly plants, including Wixom, along with several parts plants. In addition, unsuccessful car and truck models will be phased out and the executive ranks pruned. That dreary news, coming so soon after a big 2002 cost-cutting plan failed to stabilize Ford's fortunes, cries out for a hopeful companion strategy to boost vehicle sales.

That's where the Piquette Project comes in.

Named after the Detroit plant where the first Model T's were designed and the moving assembly line was brainstormed nearly a century ago, the Piquette Project was

Coverage on freep.com

Ford Motor Co. is to unveil its restructuring plan at 10:30 a.m. today. Go to www.freep.com for news and updates all day, plus Mike Wendland's video podcast and a photo gallery.



Vulnerable plants

Analysts say Ford needs to close four or five of its 18 assembly plants in North America and several parts plants. These plants could be vulnerable:

- Wixom. Employs 1,567, makes Ford GT, Lincoln LS, Lincoln Town Car.
- St. Louis. Employs 1,445, makes Ford Explorer, Mercury Mountaineer SUVs.
- St. Paul, Minn. Employs 1,965, makes Ford Ranger compact pickup.
- Atlanta. Employs 2,028, makes Ford Taurus sedan.
- Cuautitlan, Mexico. Employs 900, makes Ford Superduty pickups and Ikon car sold in South America.

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launched at Bill Ford's urging last year. Its aim: to apply new concepts and principles across Ford's entire lineup of cars and trucks that set them as industry innovation leaders in the areas of environment, safety and design.

According to Jon Pepper, director of global corporate communications, Ford hopes to show breakthrough products from the Piquette Project effort by 2008, the 100th anniversary of the Model T.

One major philosophical influence on the project is a recent book, "Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant" (2005, Harvard Business School Publishing), by W. Chan Kim and Renée Mauborgne. Copies of the book are circulating briskly among Ford offices these days.

Blue oceans, the authors say, are uncontested market spaces that offer huge growth and profit potential. Bloody red oceans, conversely, are overcrowded industries where rivals merely thrash about, fighting over a shrinking profit pool.

To borrow the book's metaphor, Ford Motor has failed miserably at the red ocean strategy of scrapping for sales in the mature, no-growth U.S. vehicle market. Ford's U.S. sales topped 4 million cars and trucks in 2000, but fell to 2.95 million last year, necessitating the plant closings and deep job cuts that will be announced today in the Way Forward plan to align capacity with current sales volume.

Bill Ford knows the cost-cutting is necessary to keep the company his great-grandfather founded alive for now, but he believes radical change is necessary for it to thrive in the years ahead.

The Piquette Project now has a brainstorming room on the second floor of Ford world headquarters in Dearborn and an

eclectic team of people that includes Camilo Pardo, designer of the Ford GT; renowned architect Bill McDonough, and retired Ford manufacturing executive Jay Richardson. Tim O'Brien, a Ford vice president who previously headed the company's real estate and environmental units, is the team leader.

Like Starbucks did by creating new spaces in coffee — an example cited in "Blue Ocean Strategy" — Ford aims to create and dominate a new segment of transportation product.

What will it be?

A 100% recyclable car along the lines of the Model U concept car showed in 2003, designed for quick disassembly so its durable parts can be reused by the auto industry and its bio-based materials returned to agriculture?

Who knows what technology will enable Ford's Piquette team to do a few years from now?

But that's the general idea.

In the Jan. 30 issue of Time magazine to hit newsstands this week, Bill Ford is on the cover and the headline inside asks, "Can This Man Save the American Auto Industry?"

Ford's not asking for a role quite that quixotic, but it's clear that in the near future, Ford and General Motors Corp. can only narrow the cost advantages that foreign rivals enjoy by not having the huge retiree health care and pension costs borne by GM and Ford. Therefore, in a low-growth U.S. market populated with strong Japanese, European and Korean firms, Ford's best hope of growing again in its home country is to create something fresh that can't quickly be duplicated.

That's no slam dunk strategy, to be sure. But as he delivers his second drastic downsizing in four years, Bill Ford has seen enough of the red ocean.

He knows he must find a new way forward.

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