



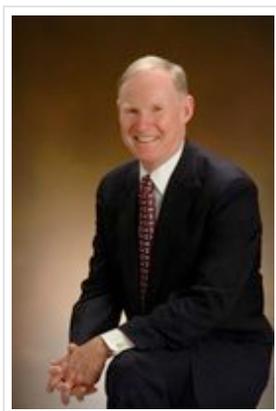
*MND Guest Commentaries & News*

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## Is There A Ford In The Future?

By Timothy D. Naegele

Things must be desperate at Ford Motor Company, or Bill Ford would not be launching a plan that he calls the "Way Forward," as a last-ditch effort to save the giant automaker that his family built. Clearly, he is taking great risks in the process, and must be saluted for his courage. Perhaps, however, he misses the big picture as to why consumers have supported Toyota and permitted its sales and profits to soar, while behemoths like Ford and General Motors have been losing money and market shares in North America.



Perhaps what really needs to be done begins with quality problems and auto recalls by Ford. Perception is everything, and recall after recall leaves the impression that some Ford cars and trucks are unsafe, and that quality is not "Job One" in Dearborn anymore. Indeed, such problems send a loud and clear signal to potential buyers that Ford vehicles may have defects in the future, and to beware of buying them.

A perfect example involves a small cruise-control switch that has caused fires even when the engines of Ford's trucks and SUVs had been turned off and, in some cases, idle for days. Yet, the company failed to recall all of its vehicles that contain such switches, and instead has sent a message that it would rather litigate than fix the problem. When that sort of response by Ford happens once, and then again and again, buyers begin to wonder whose side Ford is on.

I am a lawyer and I know how lawyers think and what litigation is all about, but fixing problems and avoiding recalls—rather than "inviting"

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litigation—seems to be a solid bet for Ford in the future. Since when have lawyers built or sold any Ford cars or trucks? Indeed, it is arguable that they have been enormous impediments to such sales; and it is time to listen carefully to consumers' needs and dreams, and get the lawyers out of the "kitchen." Ford might be well served by doing just that, and taking full responsibility for the quality and safety of its products.

Then, there's the issue of the design of Ford's cars themselves. The Taurus has seemingly been around forever, for 20 years; and even though Ford refined and updated it, the automaker seemed to stop truly innovating after the first break-through design of a Taurus appeared. Toyota was never satisfied with its products, but kept refreshing and refining its Camry, which is why it is the best-selling car in America. Ford appears to have abandoned that race years ago, for some unknown reason. Forbes' Jerry Flint quotes "[a]n ex-Ford man [as saying], 'They spend \$7 billion a year for product, and there isn't any.'"

The idea that "a smaller, more innovative [Ford Motor Company] can stir more passion among its customers" seems like star-gazing, and may simply represent some P.R. firm's decision as to how to spin the story of Ford's massive restructuring plans. When buyers decide on their car purchases, which rank second in terms of importance to their home purchases, the decision is generally not based on passion for a smaller company, but on what is the best value for the buck, pure and simple. Today's consumers have "passion" for saving money, not for keeping Ford afloat.

Then, there's the issue of Ford's cash hoard around the time when Jacques Nasser was assuming the helm of the giant automaker. Ford was flush with cash, and owned Volvo, Jaguar, Land Rover and Aston Martin; and there was even talk of Ford catching GM and becoming the largest automaker in the world. What happened? Where did the cash go, and what derailed such rosy visions? Were they merely pipedreams, and was Ford's dominance truly within reach? Nasser was unceremoniously dumped, and Bill Ford took over, and the rest is history. In his hands is Ford's future, literally, and most of us wish him well in dealing with that truly awesome responsibility.

The first car I ever had was a used Ford convertible, which my father bought when I was in high school, the summer after I turned 16. I was so proud of that car, which I owned until the radiator sprang a leak when I was taking a girlfriend back to college, and the engine block cracked, and my father bought me a brand new Ford as a replacement. The first share of stock that I purchased at about age 11 was Ford—one share, to be exact—and the first car that my wife and I bought after we were married was a new Ford Mustang.



My father sold cars built by GM before I was born, and we used to argue at the dinner table about the relative attributes of Ford brands versus GM brands, and I always defended Ford. I have been a fan of Ford since I was a kid. I believe the new Mustang is terrific if not brilliant; Lincolns are probably the best American luxury cars, and even Mercury is coming back strong; and F-series trucks . . . well, what can anyone say. However, a few years ago when it came to buying a new car, I purchased a Chevy instead of a Ford brand, and felt somewhat guilty about doing it.

I would have chosen a Toyota Camry over either, if the latest design had been available, but it wasn't. The reason for my choice of a Chevy—which in 2005 outsold the Ford division for the first time since 1986—was simple: quality, and hopefully the absence of problems. Most people who buy Toyotas (or Hondas) do so because the cars look nice and are up to date, and they are perceived as being problem-free in terms of performance and reliability. As Forbes' Flint argues, "Ford seems to be giving up its leadership and market position without putting up a good fight."

Go to Ford's Web site, and see how easy it is to get a "live" response to any problems or questions. See how long it takes for anyone to answer your e-mail message—sometimes involving weeks or months, if they answer at all. Try sending a suggestion to Bill Ford, and realize that such a notion must be considered unfathomable by whoever designed and manages Ford's Web site. Indeed, one wonders whether there are any live people behind the Web site at all.

Bill Ford can shut down all the factories he wants and lay off thousands of workers, and make the company "lean and mean," and push for "green" cars and trucks. However, until Ford gets serious about quality concerns instead of litigation, and truly "listens" to consumers and understands why they choose Toyotas over Fords, he will have missed the big picture. Plant closings and firings are like moving pieces on an enormous chessboard, instead of addressing the real issues that consumers have when they think about buying their next car or truck. Bill Ford acknowledges, "You can't cut your way to success."

There is no one who would like to see Ford survive and prosper more than yours truly. My competitive juices from earlier years—buying Fords and debating my father—still flow and probably will never go away. However, times have changed and consumers can buy Toyotas and not worry about massive recalls and the like. Lots of us are patriots, and we would love to buy cars produced by American manufacturers; however, Toyota and Honda are building many of their cars in the U.S. too, employing American workers, and they are flourishing.

Why can't that be true of Ford? To be fair, GM suffers from many of the same problems and actually may be in worse shape than Ford. What happened to the two industry giants? Perhaps they spent too much time thinking of themselves as giants, and not enough time listening to potential customers, who certainly seem to have had Toyota's ear. How does Ford earn back respect and trust, and begin producing profits again in North America? The partial answer may be that with cars like the new Mustang, hope is not lost; however, Ford must focus on things other than plant closings and firings. Neither sells cars.

Also, to be fair, both Ford and GM suffer financially from the fact that their union contracts have limited their abilities to trim manufacturing operations to match their reduced market shares. At Ford, close to 100,000 members of the United Auto Workers have to be paid regardless of whether the automaker produces a single vehicle, and Ford must continue covering health care and pension costs not only for them, but also "for twice that many UAW retirees and their dependents," according to The Detroit News.

Last but not least, Forbes' Flint observes: "Never forget the dedication of the Ford family to the company. Any bankruptcy would mean a loss of control for the family. The Fords would fight to the death to prevent the company's downfall. Think Valley Forge, Stalingrad, Verdun. Their name is on the building, and they intend for both the company and the family to survive." Let's hope they are successful. A page or two might be lifted from the playbook of Renault's CEO, Carlos Ghosn—who is also CEO of Nissan—when he seemingly turned around Nissan overnight.

*Mr. Naegele was counsel to the U.S. Senate Banking Committee, and chief of staff to former Senator Edward W. Brooke (R-Mass). He practices law in Washington, D.C. and Los Angeles with his firm, Timothy D. Naegele & Associates ([www.naegele.com](http://www.naegele.com)). Also, he served as a Captain in the U.S. Army, assigned to the Defense Intelligence Agency at the Pentagon, where he received the Joint Service Commendation Medal. Mr. Naegele is an Independent, and has written extensively over the years, with two articles appearing in the *Banking Law Journal* and the *American Banker* in 2005 (see [www.naegele.com/whats\\_new.html#articles](http://www.naegele.com/whats_new.html#articles)).*

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