



## **Chapter XVIII**

# **Ford Mondeo: A Model T World Car?<sup>1</sup>**

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### **EXECUTIVE SUMMARY**

*This case weighs the advantages and disadvantages of going global. Ford presented its 1993 Mondeo model, sold as Mystique and Contour in North America, as a “world car”. It tried to build a single model for all markets globally to optimize scale of production. This required strong involvement from suppliers and heavy usage of new information technology. The case discusses the difficulties that needed to be overcome as well as the gains that Ford expected from the project. New technology allowed Ford to overcome most of the difficulties it had faced in earlier attempts to produce a world car. IT was flanked by major organization changes within Ford. Globalization did not spell obvious success though. While Ford may in the end have succeeded in building an almost global car, it did not necessarily build a car that was competitive in various markets. The Mondeo project resulted in an overhaul of the entire organization under the header of Ford 2000. This program put a heavy emphasis on globalization although it perhaps focused too little on international cooperation and too much on centralization. In terms of Ford’s own history, the Mondeo experience may not be called a new Model T, but does represent an important step in Ford’s transformation as a global firm.*

### **BACKGROUND**

An important stream of work in the area of international management (Prahalad & Doz, 1987; Bartlett & Ghoshal, 1989) is concerned with the location paradox: should an internationalizing firm be responsive to local circumstances or go for global integration? On the one hand global integration presents interesting business perspectives, because firms can offer a single product worldwide and use a very uniform way of organizing and producing based on standardized technology. On the other hand there are usually diverse demands being made on multinational corporations (MNCs) by their local

customers, host governments or other parties. Managing the location paradox always requires balancing between the local and global perspectives.

In the most basic terms, the advantages of being global are that firms obtain advantages of scale. Imagine if there was really only one global market for a firm, for example if customers demanded precisely the same car everywhere. A firm could build one huge factory from which it could supply the entire world, one marketing center, one R&D unit and so on. The costs per unit of production would be minimal. In reality we, of course, do not have such markets, but there are certain products that benefit from being produced by international firms. Coca-Cola is a global brand and benefits from global advertising. However, the taste of the beverage varies regionally.

Given that most products are not global, surely there are advantages to being local as well. These are best summarized as “being in touch” with the environment. Firms that operate locally can quicker or better react on customers, deal with local partners and governments and so on. An haute cuisine restaurant usually serves a local custom base and operates locally. Table 1 provides an overview of the advantages of being local and those of being global, as they were conceived by Prahalad and Doz (1986) in their work on the integration-responsiveness grid. All tables can be found in the Appendix.

Because local and global are two countervailing forces, there will always be a tension between the two. Even for fairly global companies, there is a need to act locally (consider what actions Coca-Cola needed to take when people in Belgium got sick due to drinking it) and no local company can completely ignore the forces of internationalization. However, the consequences of this tension for management policy may not be stable over time. Depending on the extent to which firms can unite the global and the local, they are more or less successful in becoming a “transnational” firm (Bartlett & Ghoshal, 1989). Transnational firms are able to manage the local and the global simultaneously and are thus believed to be able to achieve superior performance. In this light it is interesting to investigate further the consequences of introducing new information technology to a multinational firm. Information technology is thought to be one of the key drivers of globalization. Is IT indeed the stepping stone towards becoming a more global firm? Or, alternatively, does IT simply allow a firm to manage the tensions between the global and the local better, without changing the balance between the two?

This framework will be applied to the case of the Ford Mondeo,<sup>2</sup> a car introduced by Ford in 1993 as a “world car”. Ford Motor Company barely needs any introduction. It is of course known as one of the world’s premier manufacturers of automobiles. Its cars have been sold all over the world for many decades now. Table 2 describes some of Ford’s key financial data. A world car is a single car that is sold in different parts of the world, although slight variations may be made to the model. The following three questions will guide the analysis and discussion of this case:

1. *What were the advantages of going global with its Mondeo for Ford and what barriers did it face to do so?*

Obviously Ford must have thought there were important advantages attached to producing the first-ever world car. These globalization advantages will be discussed in the case in order to get an idea of the strategic motives behind this decision. On the other hand the automobile industry has always faced local constraints, for example in terms

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