"Change or Die" A Tall Order

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DETROIT – "Change or die" is the mantra of Mark Fields, the Ford Motor Co. president who crafted the automaker's latest restructuring plan. But with Asian competitors seemingly a step ahead in introducing models that consumers want and a powerful union that will fight to protect jobs and benefits, some question how much Ford and other U.S. automakers can really change.

Ford announced a plan Monday to cut up to 30,000 jobs and close 14 plants in North America by 2012. The plan echoed General Motors Corp.'s restructuring effort announced in November, which will cut 30,000 jobs and close 12 North American plants by 2008.

AdvertisementGM's shares fell after analysts said its plan didn't go far enough. Ford's shares rose, but several analysts were unconvinced the plan will make the company's North American division profitable by 2008, as promised.

"Ford's restructuring plan was widely anticipated, but was more vague and protracted than we expected, which is disappointing," Goldman Sachs analyst Robert Barry said in a note to investors. "We also see sizable North American share loss continuing, weighing on earnings and offsetting many restructuring benefits."

GM and Ford announced the plans as their combined U.S. market share fell to an unprecedented low of 43 percent in 2005, down from 52 percent five years earlier. By contrast, Asian brands enjoyed a surge and now control nearly 37 percent of the U.S. market.

So far, there's little indication that's changing. Sales of GM and Ford vehicles were down 25 percent in the first two weeks of January, while Toyota Motor Corp., Honda Motor Co., Nissan Motor Co. and Hyundai Motor Co. all enjoyed gains, according to the Power Information Network, a division of J.D. Power and Associates. Last week, Toyota was named the brand with the most loyal U.S. consumers by R.L. Polk & Co., an automotive data firm. Ford had gotten the award for nine years before that.

The losses are taking a huge financial toll. Ford said Monday in lost $1.6 billion in its North American operations in 2005, and GM is expected to announce an even larger loss Thursday.

GM and Ford say they're going to the very core of their businesses to turn things around. They're vowing to work more closely with suppliers to cut costs, a tactic borrowed from Japanese rivals. They expect to save billions in development costs by sharing components globally and making plants more flexible, and they're promising to rely less on costly incentives.

"At both companies, they're very much attacking the culture of the organization," said David Cole, chairman of the Center for Automotive Research in Ann Arbor. "I think they've got real possibilities."

Ford says it's taking on a topdown corporate culture that has stifled innovation. It's developing an appeals process to make sure employees' ideas are heard even if they're rejected by a manager, and it will judge employees on innovative thinking in performance reviews. On Tuesday, it cut four positions from its staff of 53 corporate officers.

"We're going to be a big company that thinks like a small company," Ford Chairman and CEO Bill Ford told employees Monday.

But some analysts express doubts. Most of the plant closures and job cuts Ford and GM are planning must be negotiated with the United Auto Workers in 2007, when the automakers and the UAW draft a new contract. While UAW membership has declined in recent years, the union still represents 1.1 million people and wields considerable power. A strike against GM in 1998 cost the automaker more than $2 billion.

The UAW did agree to cut GM's and Ford's costs last year by requiring autoworkers and retirees to pay more for their health care. But those provisions passed on very close votes.

"Union negotiations will play a critical role in the plan's success, and even with the health care concessions, it is not clear that a sense of urgency and shared pain exists at the UAW," said Craig Hutson, an auto analyst at the corporate bond research firm Gimme Credit.

Others aren't sure GM and Ford will be able to attract consumers despite new vehicles. GM has put lower sticker prices on most of its vehicles and is retooling its marketing. Ford plans to make more distinction between its Ford, Lincoln and Mercury brands and will stress its American heritage.

James McTevia, a Detroit-area restructuring consultant, says it's unclear Ford's tactic will work.

"I don't know what Ford is going to be able to do to convince the domestic auto buyer that 'Made in America' is a significant factor when they're buying an automobile," McTevia said. "The competition out there has been building in America for a long period of time."

In fact, this week Toyota announced it will step up its participation in the all-American NASCAR racing circuit in 2007, adding a Toyota Camry to the lineup.