



# Ford Motor Company

## &

# The Economic Crisis of 2008

Tracy Gulliford, M.Ed.

### Introduction

Post- crisis communication incorporates the framework of renewal which “focuses on the provisional responses of organizational leaders to devastating disasters , such as fires and floods, and the leaders’ natural impulse to rebuild and move beyond crisis” (Ulmer, Seeger, & Sellnow, 2007, p. 131). When crisis occurs, citizens expect their leaders to provide verbal reassurance (Bostdorff, 2003). Crisis not only has connotations of threat, but opportunity as well. However, the aftermath of crisis needs to be communicated effectively and efficiently so all involved and affected understand verbal reassurance when received.

The 2008 financial crisis stemmed from a lack of corporate ethics, causing the financial services industry to crash and burn (Lewis, Kay, Kelso, & Larson, 2010). Ramifications from the financial crisis included an initial approval from congress for \$700 billion and the Federal Reserve for \$1.3 trillion in an attempt to bailout markets and institutions (Murphey, 2008). The automobile industry collapsed greatly during the financial crisis of 2008, with car sales declining at the very beginning and paving the way for what was to come. As a result of the automobile industry collapse, the government provided “subsidies to firms and direct involvement in industry restructuring plans” (Haugh, Mourougane, & Chatal, 2010, p.6). Of the major companies within the automobile industry (Chrysler, General Motors, Ford), Ford was the only one who did not accept a bailout loan during the process of renewal.

### Objectives

This study aims to answer the following question:

**RQ1:** How did the Ford Motor Company renew itself without the use of government bailouts offered after the financial crisis of 2008?

### Ford`s Discourse of Renewal

- ❖ In November of 2006 just before the financial crisis hit, Ford’s chief executive Alan R. Mullaly pitched to the nation’s biggest banks that in turn for billions of dollars of loans to re-build the company, he would mortgage all of the company’s assets.
- ❖ Mr. Mullaly explained that the loans would give Ford a cushion just in case a recession were to occur.
- ❖ In total, Ford Motor Company received a total of \$23.6 billion in loans.
- ❖ Actions taken by Ford leadership before the financial crisis were the stepping stones for their renewal and success. In 2010, Ford brought in a net income of \$6.5 million, and the yearly report for 2017 showed a net income of \$7.6 trillion.

OPERATING HIGHLIGHTS		
Revenues (a)	2011	2010
Worldwide wholesale unit volumes by automotive segment (in thousands)		
Ford North America	2,686	2,413
Ford South America	506	489
Ford Europe	1,602	1,573
Ford Asia Pacific Africa	901	838
Volvo	—	211
Total	5,695	5,524
Revenues (in millions)		
Automotive	\$ 128,168	\$ 119,280
Financial Services	8,096	9,674
Total	\$ 136,264	\$ 128,954
Financial Results (a)		
Income/(loss) before income taxes (in millions)		
Automotive	\$ 6,250	\$ 4,146
Financial Services	2,431	3,003
Total	\$ 8,681	\$ 7,149
Amounts Attributable to Ford Motor Company (a)		
Net income/(loss) (in millions)	\$ 20,213	\$ 6,561
Diluted net income/(loss) per share of Common and Class B Stock	\$ 4.94	\$ 1.66
Cash and Spending (a)		
Automotive capital expenditures		
Amount (in billions)	\$ 4.3	\$ 4.1
As a percentage of Automotive sales	3.3%	3.4%
Automotive cash at year end (in billions)		
Automotive gross cash (b)	\$ 22.9	\$ 20.5
— Cash net of Automotive debt	9.8	1.4
Shareholder Value		
Dividends declared per share	\$ 0.05	\$ —
Total shareholder returns % (c)	(36)%	68%

FINANCIAL HIGHLIGHTS		
(in billions, except for percentages)	2016	2017
Automotive Segment		
Revenue	\$141.5	\$145.7
Operating margin	6.7%	5.0%
Operating cash flow	\$ 6.4	\$ 3.9
Ford Credit		
Pre-tax profit	\$1.9	\$2.3
Total Company		
Net income attributable to Ford Motor Company	\$ 4.6	\$ 7.6
Adjusted pre-tax profit (a)	\$10.4	\$ 8.4

(a) See pages 25 and 79 of Ford's 2017 Form 10-K for definition and reconciliation to GAAP.

### General Motors and Chrysler Bailouts

- ❖ General Motors (GM) received \$17.2 billion from Obama’s administration, and \$5 billion from the departing Bush administration.
- ❖ After 42 days of bankruptcy, Chrysler accepted a \$4 billion bailout and a merger with Fiat Automobiles, creating Fiat- Chrysler Automobiles (FCA).

### Acknowledgements

Special thanks to Dr. Timothy Sellnow, Ph.D.

### Findings

- ❖ Renewal is the basis of how a company or organization handles a crisis that has occurred, rebuilding and preparing for potential risks in the future.
- ❖ From hiring Alan Mullaly, who was successful in restructuring the Boeing Corporation during their time of economic crisis, to Bill Ford announcing that he would not take a salary until the company profited again, Ford has shown the extension of renewal theory over time.
- ❖ Ford’s extended recovery process follow’s Reierson and Colleague’s (2009) characteristics of renewal, which include “provisional as opposed to strategic, prospective rather than retrospective, capitalizing on the opportunities embedded in the crisis, and renewal as a leader-based communication form” (p.114).
- ❖ The Ford Motor Company was able to respond immediately and naturally to the crisis without trying to escape blame, focused on the steps for how the company would move forward, highlighted the opportunities that presented themselves in light of the economic crisis, and held true to the ethics of its leaders and brand (Reierson et.al, 2009).

### References

- ❖ Haugh, D., A. Mourougane and O. Chatal (2010), “The Automobile Industry in and Beyond the Crisis”, OECD Economics Department Working Papers, No. 745, OECD Publishing. <http://dx.doi.org/10.1787/5kmmmp8wgc6cmq-en>
- ❖ Lewis, Victor and Kay, Kenneth D. and Kelso, Chandrika and Larson, James, Was the 2008 Financial Crisis Caused by a Lack of Corporate Ethics? (2010). Global Journal of Business Research, Vol. 4, No. 2, pp. 77-84, 2010. Available at SSRN: <https://ssrn.com/abstract=1633638>
- ❖ Murphy, J. Austin, An Analysis of the Financial Crisis of 2008: Causes and Solutions (November 4, 2008). Available at SSRN: <https://ssrn.com/abstract=1295344> or <http://dx.doi.org/10.2139/ssrn.1295344>
- ❖ Reierson, J. L., Sellnow, T. L., & Ulmer, R. R. (2009). Complexities of Crisis Renewal Over Time: Learning from the Tainted Odwalla Apple Juice Case. *Communication Studies*, 60(2), 114-129. doi:10.1080/10510970902834841



Nicholson School of  
Communication and Media

UNIVERSITY OF CENTRAL FLORIDA