

INNOVATION

## Ford: The Race to Innovate

by Priscila Aoki



*In the Industrial Era, the Ford name was once synonymous with automotive innovation. In a time of driverless cars and electric hybrids, how can Ford integrate new technologies and visions of the future to become a leader of innovation once again?*

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Ford was once known as the prime example of innovation; the model T gave the masses an affordable opportunity to own a car and launched the company into a century-long era of success. This innovative label has long since faded. Now, when you think of innovative, jaw-dropping technology you rarely think of the one hundred and fifteen year old car company. In an era of innovation, as automobile companies become integrated with the newest technologies, Ford must make changes to stay relevant.

In 2014, after surviving the recession under Alan Mulally's leadership, Ford hired Mark Fields to take the \$257 billion company into the future with connectivity software, electric autonomous vehicles, and a catchy slogan: "One foot in today and one foot in tomorrow." However, difficulties came as most of Fields' deals fell through due to indecision and culture clashing. At a meeting with Google co-founder Sergey Brin in Silicon Valley, Fields arrived with a fleet of Lincoln Navigators, a sharp contrast to the electric vehicles and bicycles surrounding them. According to Automotive News, the deal fell through after Fields focused more on how Wall Street would react to their coupling, rather than on the technical aspects of the partnership. Though he seemingly wanted innovation, Fields' actions left both workers and partners confused about the focus of the company. Did Ford believe in innovative technology and its necessity or were they only following the market hoping for quick profits?

In 2017, less than three years later, after a 37% drop in stock price, Ford's Board of Directors decided to replace Fields with Jim Hackett. Hackett's strategy is centered on Ford becoming fit, smart, and connected. While this sounds extremely similar to Fields' goals, Hackett actually spent years working on Ford's self-driving cars and research unit understanding and embracing innovative technology as head of Ford Smart Mobility, Ford's self-proclaimed "startup." Hackett's approach is aggressive and decisive, diving head first into electric vehicles with digital capabilities by streamlining current car models. He is willing to push for the technology rather than just think about it.

*"When Henry Ford made cheap, reliable cars, people said, 'Nah, what's wrong with a horse?' That was a huge bet he made, and it worked." –Elon Musk*

The biggest difference between the two remains that Hackett was willing to decidedly choose change, while Fields was hesitant, wavering on the importance of investing in disruptive technologies. This decisiveness has become critical to the company's goal to remain a leader in the automotive industry. As Ford Chairman Bill Ford Jr. stated "The clock speed at which our competitors are working ...requires us to make decisions at a faster pace." Hackett was already ingrained in Silicon Valley culture, believed in technological innovation and made decisive choices to back it up.

# A Kodak Moment

Under new leadership, the Ford Board must decide who they are and what services they are prioritizing as competition from Tesla, Google, and General Motors heats up. A look into Kodak's downfall illustrates the dangerous effects of ignoring the potential of disruptive technologies.

Once the king of film and making ten billion dollars in sales in 1981, Kodak now has less than \$1 billion in market capital. Contrary to popular belief, they were not blinded by their success, nor did they ignore the rise of the digital camera. In 1975, a Kodak engineer invented the first digital camera and Kodak invested billions to develop it, finally releasing it in 1995. Despite this heavy investment, Kodak executives did not believe in digital pictures. Everything they developed for the digital camera was primarily used to incentivize people to print their own images. Instead of seeing themselves as a vehicle for people to share memories, they only saw themselves as printers of film. Kodak never truly embraced digitized picture sharing and consumption. This eventually led them to declare bankruptcy in 2012 as more and more people shared their pictures digitally, flocking to sites like Facebook and Instagram as the public's desire to print film largely diminished.

## Lessons

Although Kodak had the technology and resources to change the landscape of film, they never were able to change their conception of themselves. Similarly, Fields did not share in the innovative vision of Silicon Valley and the leaders in driverless technology. Fields only saw this technology as profitable, and lost out on the perceptual shifts integrating such a technology could augur. The technology alone was not enough. Kodak saw that the digital camera would bring them profits, but never explored how to use that technology for more than increasing their printing sales. Under Hackett's leadership, Ford has a chance to invest in and be devoted to innovation.

Ford recently announced that they will be dropping all but two cars from their North American dealerships. Additionally, Ford partnered with Lyft to develop fully autonomous Ford Fusion hybrids for the ride-hailing service by 2021. With plans to bring 16 battery-electric vehicles to market by 2022, Ford seems to be embracing technology by cutting down their losses and streamlining their models. Instead of half-heartedly going about innovating, Hackett has decidedly pushed Ford towards it. Under Hackett's leadership, Ford can become a transportation provider moving beyond just being an expert in design, engineering and production. Amidst this strategy, Henry Ford's goal to provide affordable, reliable cars to the masses might still come to fruition even if the technology used is one he couldn't imagine.

More on Ford's history, Field's tenure, and the future of Ford under Hackett can be read in Berkeley Haas Professor Ernest Gundling's newest case "Disruption in Detroit: Ford, Silicon Valley, and Beyond."



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