

Case Study Questions

Case Study - 1

Ford Motors, an American company, is one of the world's largest automobile manufacturers with production spread over 26 countries of the world. Ford Motors came to India in 1995 and spent Rs. 1700 crore to set up a large plant near Chennai. This was done in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks. By the year 2004, Ford Motors was selling 27,000 cars in the Indian markets, while 24,000 cars were exported from India to South Africa, Mexico and Brazil. The company wants to develop Ford India as a component supplying base for its other plants across the globe.

Question 1: Would you say Ford Motors is a MNC? Why?

Question 2: What is foreign investment? How much did Ford Motors invest in India?

Question 3: By setting up their production plants in India, MNCs such as Ford Motors tap the advantage not only of the large markets that countries such as India provide, but also the lower costs of production. Explain the statement.

Question 4: Why do you think the company wants to develop India as a base for manufacturing car components for its global operations? Discuss the following factors

(a) Cost of labour and other resources in India

(b) The presence of several local manufacturers who supply autoparts to Ford Motors

(c) Closeness to a large number of buyers in India and China

Solution:

1) Ford Motors has production facilities spread over 26 countries of the world. Hence, it can be termed an MNC

2) The investment which comes from abroad is called foreign investment. Ford Motors had invested Rs. 1700 crore.

3) The cost of labour is cheaper in India; compared to the developed countries. This means that an MNC can save lot of money on wages and salaries by setting up production plants in India. This helps in lowering the cost of production. India itself is a large market with sizeable population of middle class and upper class and hence provides a big market for many products lowering the cost of production. India itself is a large market with sizeable population of middle class and upper class and hence provides a big market for many products.

4) a) Wages and salaries are much lower in India compared to in developed countries. Moreover, raw materials and power is also cheaper. This is a definite advantage which India offers as a production base.

b) There are many companies which manufacture various auto-parts; like Sundaram Fasteners. Because of their lower cost of operation, these companies supply various parts at less price than price in the developed countries

c) India and China together comprise about 30% of the world population and thus they provide a huge market for various companies. Making a production base in India provides easy access to these two markets.

Source – KVS Raipur Question Bank