CHRT044

NAME:………...

READING PASSAGE

*You should spend about 20 minutes on **Questions 1-14**, which are based on Reading Passage below.*

Ford vs. GM: A Rivalry of Automobile Giants

The modern auto industry had its origin in the United States, where two automobile giants, Ford Motor Company and General Motors, became the major players in one of the greatest corporate rivalries in economic history. Henry Ford's Ford Motor Company started out quickly and enjoyed an early monopoly in car making. It became the dominant leader in production, economies of scale, and enjoyed widespread dealer networks. But before long, General Motors grew to become a formidable force in its own right. In the early 1910s, the two companies combined for more than half of the world automobile industry and were operating some of the largest factory complexes on earth. Despite their common ground in production and scale, the two firms nonetheless had significant differences in their business models and strategies.

For Ford, its enormous investment in production facilities was singular in focus as it was entirely dedicated to the manufacture of a single model, the famous Model T. The company's standardised design targeted mass markets and allowed them to keep production costs down to make a universal automobile for the 'common man'. Although this strategy proved excellent in the short term, it turned out to be extremely costly in the long term. When increased competition and lagging popularity for the Model T made it necessary for Ford to alter its product in the late 1920s, the facilities were not sufficiently equipped. Virtually every piece of equipment had to be torn down and rebuilt or replaced to facilitate the production of a different model. What's worse, Ford did not alter his manufacturing strategy. He merely replicated it to produce a new model, the Model A, to replace the Model T. In short, while Ford excelled at being an entrepreneur, he developed a reputation for being unwilling to adapt to changing market realities.

General Motors had a very different experience in the early 20th century. Although GM was second in market share in 1920, its total unit sales were less than 25 per cent of Ford's. Yet GM had an advantage that seemingly was outside the scope of the rival's founder: GM executives understood oligopolistic competition. The company's first CEO, William Durant, set out to create a large automobile company by gaining control of numerous small companies which produced either automobiles or auto parts. Durant understood that the auto market was changeable. Thus, GM created factories that made use of standardised and interchangeable parts, such as the chassis, but which allowed for the production of various body styles and car sizes. The company also introduced luxury brands to appeal to a different sector of the population who desired, and could afford, something more unique and with more class. Finally, in a major marketing breakthrough, GM introduced annual model changes, and this annual product variety was influential in convincing customers to upgrade to new models even if their older cars were still fully functional.

Durant's successor, Alfred P. Sloan, built upon the original model and put in place procedures that conveyed detailed financial and performance information from all divisions to ensure that the entire operation could maximise returns on investment. He also sought to emphasise the use of interchangeable parts across models in addition to investing resources into discovering consumer trends and market conditions. This included the collecting of all manner of consumer-demand information, such as seasonal and long-term variations in demand, buyer income levels, commodity price trends, etc., so that they could develop predictive indicators of economic trends in light of past business cycles. This plan proved effective, and it meant GM would gradually overtake Ford in the following years, allowing it to maintain a dominant position in the rivalry for half a century.

However, in the 70s and 80s, the market share held by General Motors began to erode in the face of foreign competition - from the Japanese in the budget lines and the Germans in the luxury lines - and this, in combination with GM's antagonism toward growing concerns about safety and environmental quality, gave Ford the opportunity to come back to prominence by the 1990s. Between 1975 and 2000, GM's market share plummeted from 55 to 27 per cent. Ford, though its market share did not catch up completely, fared better overall despite also experiencing challenges and setbacks. In the early 1980s, it suffered 3.3 billion dollars in losses before making a comeback mid-decade. It began to significantly cut production costs, and its new introduction for 1985, the aerodynamic Taurus, was very well received in the market. These changes, in combination with adapting to growing concerns about safety and the environment, allowed the company to remain successful.

Then came the devastating automotive industry downturn following the financial crisis of 2008, which further complicated the plight of the two industry giants. In the years leading up to the crisis, Ford had made sound decisions that helped it avoid bankruptcy. For example, Ford had eliminated one of its largest vehicles, the Excursion, in anticipation of dwindling demand for gas-guzzling SUVs. They replaced its production with more production of medium-sized vehicles, which were more marketable as gas prices soared. GM did not have such foresight and continued to rely heavily on the production of trucks and SUVs. They also had amassed financial liabilities on par with the entire national debt of Mexico. Consequently, even laying off up to 21,000 workers and getting rid of three of its brands - keeping only Buick, Cadillac, GMC, and Chevrolet intact - could not keep it from declaring bankruptcy, which it did in June of 2009. There is no doubt that were it not for the enormous, and infamous, government bailout, General Motors would have ceased to exist.

Questions 1-6

Complete the table below.

Choose ***ONE WORD AND/OR A NUMBER*** *from the passage for each answer.*

Company	Original Strategy	Achievements	Failures
Ford	totally dedicated to making just one 1	began rapidly and boasted a 2 .... in the automobile industry	once had to rebuild or replace all 3 ....
General Motors	capable of producing a range of car sizes and body 4	held a 5 .... position in the rivalry for 50 years	laid off as many as 6 .... before declaring bankruptcy

Questions 7-14

Do the following statements agree with the views of the writer in Reading Passage?

Write

YES	*if the statement agrees with the views of the writer*
NO	*if the statement contradicts the views of the writer*
NOT GIVEN	*if it is impossible to say what the writer thinks about this*

7 GM and Ford differed greatly in their business planning.

8 Ford's use of a universal design saved money in the long term.

9 Ford changed his manufacturing plan to produce the Model A.

10 GM leaders had an understanding about competition that Henry Ford lacked.

11 Durant attempted to gain control of a company owned by Ford.

12 The yearly model changes introduced by GM were highly successful.

13 GM's investment in gathering consumer information ultimately was ineffective.

14 The 1985 Taurus had the most attractive design of any Ford vehicle.

Đáp án-Dịch nghĩa-Chú giải trang 402