



# Value Creation Architectures and Competitive Advantage: Lessons from the European Automobile Industry

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In this presentation you will learn about the different causes and effects, and how the automobile industry evolved during the industrial revolution.

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**Works Cited:**

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**The Impact of Resources Availability**

- 1. The Case Solutions.com
- 2. The Case Solutions.com
- 3. The Case Solutions.com
- 4. The Case Solutions.com

**The Impact on Michigan and American Society**

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- 4. The Case Solutions.com

**The Development of an Industrial Work Force**

- 1. The Case Solutions.com
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- 4. The Case Solutions.com

**Domestic and International Migrations**

- 1. The Case Solutions.com
- 2. The Case Solutions.com
- 3. The Case Solutions.com
- 4. The Case Solutions.com

**Entrepreneurial Decision Making by Henry Ford and Others**

- 1. The Case Solutions.com
- 2. The Case Solutions.com
- 3. The Case Solutions.com
- 4. The Case Solutions.com

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## The Impact of Resources Availability

### What resources were important to the automobile industry? TheCaseSolutions.com

- To manufacture a car a great deal of parts and resources are needed.

These vital resources include:

- The extraction of iron ore, limestone, petroleum, copper, lead, and other rare minerals. These resources were used to produce steel, aluminum, plastics, glass, rubbers, and other products needed for the car to be manufactured.
- High steel from the blast furnaces, blast furnaces and blast furnaces (blast furnaces).
- 50% of the car's cost comes from resources: making steel, aluminum, 50% of that cost comes from the purchase of natural gas. Other resources during this time include: iron, copper, zinc, oil, and coal.

### How did the availability of resources contribute to the rise of the industry?

In 1910, few cars were produced from the small firms in the gas, steam, and electric businesses. When large companies took over in the 1920's the business bloomed. The availability of resources seemed endless. In the 1910's the resources were barely touched, compared to the demand of the resources in the 1920's. With all of the resources and the sudden demand for automobile the industry sky rocketed. 98% of the world's cars were being produced in America during the 1920's!

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### How did the use of these resources have a negative impact on the areas from which they were taken?

In the 1920's there were 5.3 million cars on the roads. That number was only growing each hour. It became a concern to historian Mark Foster. A third of the environmental damage was being created before the car was even driven. It was calculated that one car could produce 29 tons of waste, and the air would have 1,207 million cubic yards of pollution. In fact, 40% of the world's cars were found in the United States during the 1940's. Extraction of metals uses a ton of energy, and has environmental consequences. Automotive plants released sulfuric acid into the air. Paint shops polluted the water while trying to reduce solvent contamination. Transportation vehicles also heavily polluted the environment.

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## What resources were important to the automobile industry? TheCaseSolutions.com

- To manufacture a car a great deal of parts and resources are needed.

These vital resources include:

- The extraction of iron ore, bauxite, petroleum, copper, lead, and other raw materials. (These resources were need to process steel,aluminum, plastics, glass, rubber, and other products needed for the car to manufactured.
- Iron, steel, lead (for batteries), aluminum and platinum (exhaust fume control).
- 75% of the car's cost comes from resources dealing with electricity. 15% of that cost comes from the purchase of natural gas. Other resources dealing with electricity were propane, steam, oil, and coal.

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## **How did the use of these resources have a negative impact on the areas from which they were taken?**

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# Entrepreneurial Decision Making by Henry Ford and Others

## What types of decisions did Henry Ford and others in the automobile industry make that helped with the transformation of the industry?

In the early 1900's the automobile was a luxury item only known to the wealthy. Henry Ford had a vision to create a car that the "common man" would be able to afford. To achieve this dream of his he decided to create a simple car that was sturdy, but not luxurious. Even though this car's price was by far less expensive, it was still not affordable by all. To achieve this dream he decided to start over, and create a whole new process in which the automobile was manufactured.

## What consequences did it have on the industry?

After applying these new principals, testing them over the years, and making adjustments, Ford was able to produce cars at a record breaking time starting in 1913. He was able to lower the price of the car, and maintain a healthy profit in return. The workers pay was raised to five dollars. As a result from the pay raise, the workers were able to buy their own Ford T Models. These principals were so successful that they were adopted in many different industries, and changed the customs of the nation.

## What made those decisions possible?

Ford and his associates started from scratch and investigated how other industries created their products in hopes to find a solution to produce the car for less, and lower the selling price. After evaluating other industries, he created a four principal system to lower the price.

The Four Principals:  
- interchangeable parts  
- continuous flow  
- division on labor  
- reduce wasted effort



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# Domestic and International Migrations

## Where did the automobile industry begin?

The automobile industry exploded in Detroit Michigan. Before the automobile industry took off it was a diverse manufacturing base. With manufacturing buildings stationed on the side of the river for transportation benefits, products such as chemicals, stoves, tobacco, and metal working were sold. However not one business dominated the others. Once the automobile industry introduced in Detroit, in the next 30 years it took off. When the automobile industry was on top, many business started to support the industry by supplying parts, tools, and machinery. Detroit was the perfect location for the industry. It was in the center of America's Industrial Heartland. Supplies and out going goods were able to be transported by water or rail. Soon Detroit was opening up numerous plants, and the business grew even more.

## What impact did the Migration have on Michigan?

With thousands of workers coming to Detroit looking for a job in the Automobile industry the population increased exponentially. The different cultures were exploding out of Detroit. When WWI hit, many immigration restriction laws were put into place. This almost stopped all immigration from southern and eastern Europe. At this time workers were desperately needed for a still growing industry. With migration stopped, African Americans were given the jobs. This changed Michigan due to the racism that was present in the industry. However even though they were given the jobs, they were only given the most dangerous jobs. This included body painting because of the toxic fumes they were breathing in, and working in the foundry, due to the unbearable temperatures and molten steel creating accidents.

## What migrations occurred due to the growth in the automobile industry?

### Domestic Migrations

When the automobile industry grew rapidly, it attracted workers from other parts of the country. Many of these workers came from the Midwest and South. They were looking for better jobs and higher wages. This led to a large influx of workers into Detroit, which helped the industry grow even faster.

### International Migrations

Thousands of workers came to Detroit from other countries, particularly from Italy, Poland, and Russia. These workers were needed to fill the jobs in the automobile industry. They brought with them different cultures and languages, which made the industry more diverse. This diversity helped the industry to grow and succeed.

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