

Ford Motor Company: Sequencing the Reset

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The choice after the reset

Ford's July 2026 results carried two messages. The company reported stronger adjusted operating earnings than a year earlier and raised its full-year outlook. Ford Model e, however, still reported a substantial quarterly loss. At the same time, a large charge from unwinding a battery joint venture weighed on GAAP results. The charge raised a strategic question that could not be settled by the income statement alone: what capabilities and commitments should Ford build next, and how quickly?

In this constructed scenario, you are advising Ford's senior strategy leadership on the next 24 months of investment sequencing. Your recommendation will shape how Ford deploys scarce engineering, manufacturing, and management attention across four connected arenas: Ford Pro and core trucks; hybrids and extended-range electric vehicles; the Universal EV Platform; and battery energy storage. The challenge is to preserve profitable customer franchises while developing a credible path to lower-cost electric vehicles and adjacent growth.

Ford has already made a major strategic reset. In December 2025 it announced that it would redirect resources toward trucks, vans, hybrids, extended-range EVs, affordable EVs, and battery energy storage. It cancelled three planned EV programs and ended production of the current-generation F-150 Lightning. The shift followed lower-than-expected EV demand, high costs, and regulatory changes, according to Ford. It also carried a cost: Ford expected about \$19.5 billion in special items, mostly in the fourth quarter of 2025. Separately, it expected about \$5.5 billion of cash effects, mostly paid in 2026 with the remainder in 2027. Those were company estimates at the time, not a single-period operating expense forecast. (1)

The reset did not mean Ford was abandoning electrification. It planned a family of smaller, more affordable EVs on a new Universal EV Platform (UEV), with the first model—a midsize pickup—scheduled to begin production in Louisville in 2027. Ford said it would expand hybrid choices and develop extended-range EVs for larger vehicles where towing and range matter. It also planned to turn Kentucky and Michigan battery assets toward a battery energy storage systems (BESS) business, targeting first shipments in 2027 and 20 GWh of annual capacity. Ford's ambition was for hybrids, extended-range EVs, and fully electric vehicles together to reach about half of global volume by 2030, compared with 17% in 2025. Each statement was a plan or target, not a realized result. (1)

A portfolio of different bets

The four arenas drew on different parts of Ford's business and required different kinds of learning.

Ford Pro and core trucks connected to established commercial and pickup customers. Ford Pro bundled vehicles with service and fleet offerings; its results were not a pure measure of software or recurring-service economics. Ford Blue included gas-powered and hybrid vehicles. These operations could provide customer relationships and cash generation, but they were also exposed to product quality, warranty costs, materials availability, tariffs, and the risk that today's successful models would not sustain their economics.

Hybrids and extended-range EVs offered customers more electrified capability while retaining fuel flexibility or adding a range-extending generator. Ford argued that choices could vary by customer use and duty cycle. They might reuse Ford's vehicle and dealer capabilities, but they could also consume engineering capacity or defer the transition to fully electric products.

UEV promised a more affordable EV architecture and a new production system. A platform could spread development and manufacturing work across models, but its economics depended on delivering common components and processes without producing a product customers did not want. Ford's first planned vehicle was still about a year away from start of production at the cutoff. Launch, cost, quality, and customer adoption therefore remained open questions.

BESS would use facilities and battery expertise intended for EV production to serve energy infrastructure and data-center demand. This could create a new business from assets no longer needed for Ford's prior battery-volume expectations. It also placed Ford in a different customer and operating system, where project sales, warranties, service, and competition could differ from automotive manufacturing. Ford's public plan disclosed capacity ambitions, not customer commitments or unit economics.

Ford also had a partnership route in Europe. It and Renault had agreed to develop two Ford-branded electric passenger vehicles using Renault's Ampere platform and to explore selected commercial-vehicle cooperation. This made the strategic choice more varied than a simple make-or-buy question: Ford could develop, partner, or combine approaches by geography and product. The public announcement did not disclose the partnership's financial returns. (2)

What the latest results did-and did not-show

Ford reported \$2.503 billion in company adjusted EBIT for the second quarter of 2026. Ford Blue contributed \$1.135 billion, Ford Pro \$1.718 billion, and Ford Model e recorded a loss of \$919 million. The Model e loss narrowed by \$410 million from the prior-year quarter. Ford Credit reported \$757 million in earnings before taxes. (3)

Exhibit 1. Segment results

U.S. dollars, millions. Ford Blue, Ford Model e, Ford Pro, and company adjusted EBIT are company-reported non-GAAP measures. Ford Credit is earnings before taxes (EBT).

Segment	Q2 2025	Q2 2026	H1 2025	H1 2026
Ford Blue	661	1,135	3,077	2,320
Ford Model e	(1,329)	(919)	(2,178)	(1,696)

Segment	Q2 2025	Q2 2026	H1 2025	H1 2026
Ford Pro	2,318	1,718	3,627	3,403
Ford Credit (EBT)	645	757	1,225	1,540
Company adjusted EBIT	2,140	2,503	3,159	5,991

Source: Ford Q2 2026 Form 10-Q. Parentheses denote losses. Ford Model e includes EVs and related services, software and, in 2026, the BESS business; the segment result does not separately disclose BESS performance. Ford Pro includes vehicle sales and fleet services.

Ford's second-quarter revenue was \$48.3 billion and net loss was \$1.327 billion. That GAAP net loss included \$4.179 billion in pre-tax special items, primarily the BOSK joint-venture disposition and EV program cancellations. The BOSK item was \$3.612 billion and largely noncash, with about \$500 million of cash expenditures. Ford said the BOSK disposition closed in May 2026; Ford acquired two Kentucky battery plants and assumed the relevant Department of Energy loan obligation for one plant. Separately, Ford recorded \$481 million in cash charges related primarily to contractual commitments for cancelled EV programs and said additional costs from those actions could reach \$2 billion pre-tax. (3)

Adjusted EBIT and GAAP net income answer different questions. Ford excludes special items from its adjusted segment measures. The charge associated with BOSK is not a proxy for a recurring production cost, but it records consequences of a prior capacity and partnership decision. Meanwhile, the Model e loss captures a broad segment whose 2026 definition includes BESS; it does not reveal whether any one new activity is succeeding.

Ford raised its 2026 adjusted EBIT guidance to \$10-11 billion, from \$8.5-10.5 billion, and adjusted free cash flow guidance to \$6-7 billion, from \$5-6 billion. It held capital expenditure guidance at \$9.5-10.5 billion. Ford expected a Model e loss of about \$4 billion, including approximately \$1 billion in incremental investment for UEV and Ford Energy, weighted toward the second half. The guidance reflected management's expectations as of July 28 and depended on assumptions about production, pricing, supply, and broader conditions. (4)

Timing and ecosystem uncertainty

Ford's investment choices depended on more than the specifications of a vehicle or a factory. Battery costs, supplier capacity, charging access, customer financing, service capability, and regulation could shape the commercial prospects of fully electric vehicles. At the same time, hybrids, extended-range vehicles, trucks, and fleet services could improve or extend the economics of existing capabilities.

Research on technology transitions suggests that the speed of substitution depends on both the barriers facing the new technology and the opportunities to improve the old one. Research on automotive electrification also points to the value of flexibility when investments preserve usable future choices, while warning that flexibility depends on stable interfaces and designs. Platform studies identify scale and product variety as potential benefits but also describe trade-offs in differentiation and production-system change. These are lenses for assessing Ford's choices, not estimates of Ford's future sales or returns. (5)

At the August 2026 cutoff, several important facts were unavailable publicly: program-level UEV economics; future plant conversion costs; BESS orders and margins; thresholds for battery-plant utilization; vehicle-specific hybrid and EV contribution; and the amount of future spending already committed contractually. Ford could not responsibly treat every announced target as a

guaranteed outcome, yet delaying too long could also leave its product and manufacturing capabilities behind customer and competitor needs.

Your assignment

Recommend how Ford should sequence its investment over the next 24 months across the four arenas. Choose what to accelerate, stage, partner, or narrow. Identify the capabilities that must be shared across businesses and those that should remain distinct.

Set measurable decision gates for the next two years. Explain what customer, product, cost, quality, partner, or operating evidence should release the next investment tranche-and what evidence should cause Ford to pause or change course. Address how your recommendation protects near-term customer franchises while positioning Ford for different rates of EV adoption.

Discussion questions

1. What strategic problem is Ford trying to solve with its 2025 reset? Which elements are linked, and which are separate bets?
2. How should Ford balance Ford Pro and core trucks, hybrids/EREVs, UEV, and BESS? What should be funded first, and why?
3. Which activities create options for Ford, and which create fixed commitments? What evidence would distinguish the two?
4. How should Ford use internal development, outside partnerships, and shared platforms by geography and product?
5. What evidence should trigger acceleration, continuation, redesign, partnership, or exit? How would your answer change if EV adoption or customer demand develops faster or slower than Ford expects?

Sources

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2. Ford and Renault Group, strategic partnership announcement, Dec. 9, 2025. [Official Ford-hosted release PDF](#).
3. Ford Motor Company, Q2 2026 Form 10-Q, filed July 29, 2026, pp. 35-39; “Electric Vehicle Market,” segment table and notes. [Link](#).
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5. Adner and Kapoor (2016), “Innovation Ecosystems and the Pace of Substitution,” *Strategic Management Journal* 37(4), 625-648; Mokudai (2020), “Strategic Flexibility in Shifting to Electrification,” *International Journal of Automotive Technology and Management* 20(2), 137-155; Lampón, Cabanelas and Delgado (2023), “Modular Electric Vehicle Platforms,” *Sustainable Development* 31(1), 26-38. Full references and access notes appear in the research dossier.