OLD ECONOMY MESHES WITH NEW ON OTHER SIDE OF THE ATLANTIC

The UK has been light on corporate news recently, but there has been plenty of action on the other side of the Atlantic.

In the US, we have seen major management changes, intriguing takeover bids, and the continuing impact of technological change on the way we do things in the twenty first century.

First, leadership changes at some of America's biggest companies, which illustrate the dangers once the share price starts to sag.

On May 22, Mark Fields was replaced as CEO of Ford Motor Company by Jim Hackett, who had been until recently head of the driverless car division.

Mark Fields has only headed the company since 2014, but in that time the share price has fallen by 37%. While Ford made successive record profits in 2015 and 2016, in the first quarter of 2017 profits halved, and the company is seen as falling behind the likes of Tesla. At $60bn, Tesla's market capitalisation is now bigger than any of the established US car makers, despite the company manufacturing 100,000 cars per annum (compare Ford's 6.4m global car production, and General Motors' 10m).

Tesla is making great strides with its new Model 3 electric car, which aims to have mass market appeal and has a 200 mile range, and which has forward orders of 400,000 despite not being finished. The Model 3 is priced at $35,000, cheaper than Tesla's Model S and Model X cars, which are aimed at the higher end.

Estimates for autonomous car sales are 10m by 2020, from some sources, with electric cars possibly at 3.5-4m (the high cost battery is the problem here); small in the context, but this number will surely grow as issues of regulation, insurance and novelty are overcome. By 2040 Bloomberg estimates that 41m electric cars could be sold, or 35% of the market.

Ford is making some progress in electric cars (it currently sells 560,000 per annum) and in autonomous cars, and is aiming to have its first driverless car by 2021. It is investing a massive $4.5bn in electric cars, and $1bn in driverless over the next few years, but the pace is seen as too slow.

In the opinion of some shareholders, the fear is that at some point Ford could be supplanted in the way that Nokia, Blackberry and Motorola were by Apple, or Walmart, Target, and other retailers have been by Amazon. The remit for Jim Hackett will be more centralised control to drive that renewal process forward - faster.

The problems at Ford are manifold – the US may be past peak sales of 17.5m units in 2016, second hand car prices are falling, and there is evidence of sub-prime credit delinquency. Ford has played a good game driving auto sales through cheap credit, but has it just brought sales forward from the future?

One gleam of hope is that Ford was ranked top for autonomous production by one recent study, with the Top 6 contenders all traditional manufacturers, ahead of Google's Waymo and Tesla itself.

Mr Fields' replacement came despite his apparent good relations with newly elected President, Donald Trump, important for Ford, given the scope for relaxation of expensive climate emission restrictions. The shots of the affable Fields backslapping Mr Trump already seem a distant memory.

Another 'old economy' company feeling the pressure of a Brave New Technological World, a falling share price and skittish shareholders is the mighty General Electric, the one remaining constituent of the Dow Jones Industrial index.

On August 1st CEO Jeffrey Immelt, who has led the company for 16 years, is standing aside for John Flannery, a GE lifer who has previously spent time at GE Capital, and as head of GE Healthcare.

Immelt stays on as chairman until December 31st, but Flannery will assume both roles from then.

Jeff Immelt has overseen huge changes at GE, a winding down of the finance business GE Capital, the sale of broadcaster NBC, spin-off of the Synchrony Financial consumer finance business, the acquisition of shale oil assets and then last year the merger of these with Baker Hughes, the acquisition of Alstom's power business, and a gradual expansion of the aviation and industrial sales.

But, once again, the share price is down about 40% from when Mr Immelt took over in 2001, and in the year to date is down by 11%. In recent years it has significantly lagged the peers against which it is normally benchmarked – United Technologies and Honeywell.

Activist shareholder Trian Partners acquired a $2bn stake in GE in 2015, and had been hoping the share price would be $40 by the end of 2017. It currently stands at $27.

GE too has invested huge amounts in digital – mainly in respect of the automation of manufacturing and the Internet of Things – but this has yet to pay off.

Meanwhile, new economy stocks continue to make the agenda. On June 16th we had the headline-grabbing news that Amazon would acquire Whole Foods, a high-end health food retailer with 430 stores, mainly in the US.

This was astonishing, given Amazon has achieved its stunning sales record to date by entering new markets and compounding organic growth. The immediate impact on competitors was seismic, with double digit falls in the share prices of rivals, and ripple effects on the supermarket sector in the UK, even though Whole Foods only has nine stores here.

The all-cash deal is the biggest ever for Amazon, and represents a big move into 'Bricks and Clicks', rather than just straight e-commerce.

So, much to chew over on the corporate front. Much change, and much evidence of future change.

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