# FORD'S SAVIOR?

By David Kiley

Photograph by Ethan Hill

**When Alan Mulally took the job of Ford CEO 30 months ago, he was a car industry novice. But his retooling of the automaker has put it miles ahead of the rest of the Detroit pack**

Almost 30 months after Alan R. Mulally left Boeing to become chief executive of Ford Motor, it's still easy to peg him as an industry outsider. Talking to Wall Street analysts in November, Mulally described the debut of the tiny, fuel-sipping Ford Ka at the "Paris Air Show" when he meant the "Paris Motor Show." Earlier this year, Mulally showed how he'd tried to stop appending an airplane doodle to his signature, but struggled to ink a car instead. "Rats. I still haven't got the car down," he said, in the "aw shucks" Kansas delivery that has become as familiar in Detroit as his off-the-rack blazers and shirts.

Outsider CEOs have a decidedly varied track record. Some bring in their own people and impose a jarring management philosophy on a corporate culture, as Robert Nardelli did at Home Depot with such mixed results that the board pushed him out. Some are unsuited to running an unfamiliar business. Former S.C. Johnson CEO William Perez's 13-month stint at Nike comes to mind. Others tread more softly and succeed, like Eric Schmidt, the former Novell guy who runs Google. Mulally arguably falls into the latter category. Since arriving he has left most of the team he inherited in place and quieted talk that an aerospace guy couldn't run an automaker.

Of course, Ford remains a very sick company. It lost $14.8 billion in 2008, the most in its 105-year history, and burned through $21.2 billion, or 61%, of its cash hoard. Tanking car sales have made scrap metal of Mulally's 2006 vow to make money this year, and he acknowledges that the best he can hope for is to break even in 2011.

But the man who chose Mulally, Chairman William Clay Ford Jr., says his CEO's progress in shaking up a calcified culture has thus far kept Ford independent and away from the U.S. Treasury's loan window. Under Mulally, decision-making is more transparent, once-fractious divisions are working together, and cars of better quality are moving faster from design studio to showroom. John Casesa, whose Casesa Shapiro consulting firm advises the industry, is impressed, too. "The speed with which Mulally has transformed Ford into a more nimble and healthy operation has been one of the more impressive jobs I've

seen," he says. "It probably would have been game over for Ford already but for the changes he has brought."

That Mulally, 63, is the only Big Three CEO who hasn't begged Washington for money is evidence that Ford is better positioned than General Motors and Chrysler to survive and even prosper. So is the fact that *Consumer Reports* this month recommended 70% of Ford's vehicles, vs. 19% of GM's and none of Chrysler's. The danger is that forces beyond Mulally's control will wash away the progress he has made so far. Mulally, whose optimism can verge on corny, won't countenance negativity. "It's the toughest environment I've ever seen," he says. " But we will make it through if we stick to the plan."

### A HISTORY OF "ORGAN REJECTION"

When Mulally was tapped as Ford CEO in the spring of 2006, reaction inside the company ranged from suspicion to outrage . What did an airplane guy know about the car business ? "There were lots of raised eyebrows," recalls Bill Ford. The management team was particularly rattled, especially those who were hoping to fill the job themselves. One by one they stoppedby Ford's office to ask him what the heck he was doing. Ford told them the company needed fresh perspective.

No one understood the travails of running the automaker better than Henry Ford's great-grandson. The company was bureaucratic and hostile to new ideas. And below the C-suite, it hadn't yet sunk in that Ford was fighting for its life. The chairman also knew his company had a history of "organ rejection," or spurning outsiders. He had watched executives from outside arrive at Ford only to be isolated and even hazed. He resolved to give Mulally all the help and advice he needed.

Even before Mulally accepted the job, the two men had candid exchanges about Ford's problems. One time, at Ford's Ann Arbor home, Mulally wanted to know why the company had allowed forays into luxury makes such as Jaguar, Land Rover, and Aston Martin to distract it from the Ford brand. Bill Ford told Mulally it was worse than that: Executives had come to view working on Ford, rather than the luxe brands, as a "career problem." Mulally's biggest challenge, Ford said, would be breaking down silos, specifically the operating regions around the world—Europe, Asia, South America, and Australia—that were more interested in defending their turf than working together. It was a culture, Ford explained, where one's career had come to mean more than the company.

**MULALLY'S IMMEDIATE REACTION TO THE COMPANY'S PRACTICE OF SHUFFLING EXECUTIVES BETWEEN JOBS EVERY FEW YEARS: "THAT DOESN'T WORK FOR ME"**

If Ford had one key insight to share, it was this: "Ford," he told Mulally, "is a place where they wait for the leader to tell them what to do." His point was that Ford staffers below the top echelon weren't sufficiently involved in decision-making. That resonated with Mulally. At Boeing, he hadn't always been the most inclusive manager—until then-CEO Phil Condit told Mulally he needed to broaden his view to running an entire company rather than just a division and hooked him up with executive coach Marshall Goldsmith.

Goldsmith's team interviewed some 25 of Mulally's subordinates and peers to pinpoint what needed work. Mulally got high marks for coordinating Boeing's global supply chain and hitting production targets. But he was criticized for leaving too much of his team out of the loop. Mulally, they said, needed to check in more often to let his reports know if they were headed in the right direction. Mulally included more people in the decision-making process—and asked that they be coached as well. "It would be far less effective for this process to be just about me," he says. "I wasn't going to succeed if my team didn't succeed."

By the time Mulally took Ford's helm, he had met with every senior staffer and asked a trunkful of questions. "Alan said there was a lot he didn't know, but that he was a quick study" says Ford. But once he settled in, Mulally began providing the answers, meeting with employees in groups ranging from 25 to several hundred. No speeches. Just off-the-cuff remarks followed by 45 minutes or so of Q&A.

### MEETINGS ABOUT MEETINGS

Mulally told employees Ford's existing turnaround blueprint was essentially sound. Besides dramatically reducing head count and closing factories, the "Way Forward Plan" called for Ford to modernize plants so they could handle multiple models rather than just one. A second piece of the plan was more controversial: a switch to vehicles that could be sold in several markets. This required a centralization that was anathema to the divisions around the world—fiefdoms used to developing cars themselves. This was the part of the plan that Mulally wanted to accelerate. Some executives sought meetings with Bill Ford to complain. "I didn't permit it," he says.

Mulally knew that to get his way, he would have to change Ford's culture. In the coming months, Ford employees would hear him say, over and over: "That doesn't work for me." This included Ford's penchant for cycling executives into new jobs every few years. The idea was to groom well-rounded managers. But no one was in a job long enough to make a difference or feel accountable. In the five years before Mulally

**Bill** Ford **warned** Mulallythat unifying **far-flung** divisions **would** take a struggle

Fonte deste artigo

arrived, executive Mark Fields ran the Mazda Motor affiliate, Ford Europe, the luxury Premier Auto Group, and the North and South American businesses. "I'm going into my fourth year in the same job," says Fields, still president of the Americas. "I've never had such consistency of purpose before."

Another thing that had to change: a culture that "loved to meet," as Bill Ford puts it. Managers commonly held "pre-meetings," where they schemed how to get their stories straight for higher-ups. It was a classic CYA maneuver and antithetical to problem-solving. Mulally had seen this kind of thing before when he was running engineering at Boeing's commercial plane division. In 1997, Boeing took a $2.7 billion charge when commercial suffered a communications breakdown and failed to match production to rising demand; two assembly lines closed down for a month. When Mulally became CEO of the commercial plane division in 1999, he kicked off a new era of radical transparency that made it harder to hide problems.

He took that philosophy to Ford. As at Boeing, Mulally was determined to have a constant stream of data that would give his team a weekly snapshot of Ford's global operations and hold executives' performance up against profit targets. Constantly updated numbers—later validated by pre-earnings quarterly audits—would make it impossible for executives to hide unpleasant truths. But that wasn't the only objective. "Information should never be used as a weapon on a team," says Mulally. Rather, the numbers would help executives anticipate problems and tweak strategy accordingly.

The heart of Mulally's data operation is located in the Taurus and Continental rooms (named after the cars). They are beige and white spaces, about 10 foot by 20, down a flight of stairs from his I2th-floor office. The walls are covered with color-coded tables, bar charts, and line graphs. They represent what's going on in every corner of Ford's operation—China, Russia, South America, FordMotor Credit, and so forth. Divisions that aren't living up to profit projections on a given week are red. Those that are hitting their numbers are green. Yellow means the results could go either way at the next meeting.

When Mulally first instituted the weekly Business Plan Re-

view system, it was viewed not only as a pain in the neck but also like playing poker with all your cards showing. James Farley, a former Toyota hand Mulally hired as his chief global marketing executive, had his own reasons to be uncomfortable. In 22 years at Toyota, Farley had experienced uninterrupted growth. So it was a blow when his key metric, market share, turned red last September. GM was heavily discounting its pickups, making it tough for Ford to clear out its 2008 trucks before an all-new F-Series arrived in October. "I arn my market share," Farley recalls. "So I didn't like it one bit."

But when he saw how Mulally used the data, he became a believer. The team agreed to delay the launch of the F-Series truck by about six weeks, dial down fourth-quarter production by 40%, and focus on clearing out the' 08 trucks that had piled up when gas prices soared last summer. The team swallowed hard because delaying the new F-Series, Ford's biggest moneymaker, would worsen already dismal year end losses. But, says Farley, "we had total consensus that it was the right thing to do."

In November, Mulally decided that the dire business conditions, and Ford's new ability to react to rapidly changing circumstances, warranted daily meetings with the global team. Insiders say these led Ford to strike a new deal with the union on retiree health care before GM and Chrysler, and helped it price discounts and boost market share four months in a row.

Mulally **is** counting on Kuzakto **develop** cars that **sell-** without discounts

## COHERENCE AND COOPERATION

Two and a half years after taking the reins at Ford, Mulally certainly can't point to the conventional measure of corporate success: profits. So what has he achieved so far?

Within three months of his arrival, Mulally sold Wall Street on a $23 billion recapitalization, one that Ford had been working on but about which investors had been lukewarm before Mulally's arrival. That has meant the difference between death and just being sick. Because he had no loyalty to Ford's luxury brands, Mulally overrode internal opposition and sold Jaguar, Land Rover, and Aston Martin before buyers became scarce.

Mulally has imposed discipline on a company that veered from one strategy to the next. Brands such as Lincoln and Mercury changed their positioning every year. Today the plan, hashed over with dealers who have been given more say, is locked: Lincoln will focus on premium sedans and SUVs, while Mercury will sell premium small cars and crossovers.

Now that Ford's far-flung fiefdoms are starting to collaborate, a once wasteful and balkanized vehicle development system is beginning to cohere. To make sure it all runs smoothly, Mulally tapped a Ford veteran, Derrick Kuzak, as his global car development chief, a first for Ford. Kuzak has pushed his people to improve interiors, sold management on small gas-sipping engines that won't cost consumers as much as hybrids, and created huge cost savings by making sure SUVs and trucks share more parts. "He has the confidence of management and people working for him, so he gets the right projects through and the wrong ones stopped," says design consultant Jim Hall of 2953 Analytics. Kuzak's big test comes next year, when the U.S. starts getting the same acclaimed Ford vehicles sold in Europe, rather than the dumbed-down versions of the past.

Ultimately, it's the cars that Mulally will be judged on.

Mulally, in part, has staked his reputation on the 2010 Taurus sedan. When he became CEO, the Taurus name had been relegated to the museum of dead brands. Ford had so botched successors to America's best-selling car of the 1980s that it had decided it was a lost cause. Mulally saw things differently. He believed the Taurus name had value and before long challenged his team to deliver a new car in 24 months using the existing platform but with a whole new look.

The Taurus that will roll into showrooms this summer looks nothing like the old model, which Mujally compared to "a deflated football," Sleek and chiseled like Ford's European sedans, it already has wowed critics. The question is whether $35,ooo for a fully loaded model will fly in a recession. After all, the previous incarnation sold for a discounted 16 grand.

Before the downturn upended many assumptions, Team Mulally figured Americans would buy 14.5 million cars this year and that Ford would sell 15% of them. Now, as it idles factories and contemplates more employee buyouts, Ford has cut its estimate to a worst-case 10.5 million. JPMorgan analyst Himanshu Patel believes Mulally may have to tap a $13 billion government credit line by Christmas. That wouldn't be fatal—but it would be a setback for the outsider who has fought so hard to distance Ford from its Detroit rivals. | BW |

BUSINESSWEEK.COM | To see some of the vehicles Mulally hopes will improve Ford's business, watch a video report at businessweek.com/go/09/ford

KILEY, Davir. Ford´s Savior. **Business Week**, New York, p. 30-34, 16 March. 2009.