Nine Things I Learned from Alan Mulally

Bryce G. Hoffman

In the summer of 2010, I decided to take a year off from my job as a journalist with The Detroit News to write a book about one of the most amazing comebacks in business history: the turnaround of Ford Motor Company. As the Ford beat reporter for the News, I had covered every twist and turn of that epic drama. I knew that this story was about much more than saving a car company. It was a roadmap for changing cultures.

When Alan Mulally arrived in Dearborn in September 2006, he knew little about the automobile industry. However, he had already figured out how to take a dysfunctional organization that was being ripped apart by managerial infighting and turn it into a model of collaboration and efficiency. Mulally had proven that at the Boeing Company, where he was credited with saving the commercial aircraft division from a series of catastrophes ranging from the Asian financial crisis of the late 1990s to the terrorist attacks of September 11, 2001, that had cost Boeing most of its business. But Mulally's biggest accomplishment in Seattle was saving Boeing from itself. Now Bill Ford Jr. was asking him to do the same thing with Ford.

It was a daunting task. Ford—the company that put the world on wheels—was on the verge of bankruptcy. For decades, it had been fighting a losing battle against foreign automakers that not only made better cars, but also did so more efficiently and at substantially lower cost.

While Toyota Motor Corporation and Honda Motor Company were booking record profits, Ford was about to announce a $12.6 billion loss—the biggest in its century-long history. Yet Ford's most serious competition was inside the company itself.

The automaker's global divisions had become warring factions as executives fought for supremacy in what had become one of the most cutthroat, careerist cultures in the business world. Executives made decisions not on the basis of what was best for the customer or even Ford's bottom line, but by what would make them look good and their rivals look bad. This attitude extended right down to the factory floor, where union bosses jealously guarded the high wages and gold-plated benefits they had won for their members in better times.

Alan Mulally arrived in Dearborn like a Kansas cyclone, ripping through Ford's dark-paneled corridors like a twister through a trailer park. He would take a sledgehammer to the automaker's ossified silos, force long-time adversaries to kiss and make-up and challenge Ford's most cherished delusions. Over the next three years, he would also make Ford the most profitable automaker in the world. Mulally would do it as the rest of the American automobile industry fell apart in the face of the worst economic crisis since the Great Depression. And he would do it without taking a government bailout.

I chronicle those events in my new book, *American Icon: Alan Mulally and the Fight to Save Ford Motor Company*. During the year I spent researching and writing this book, I spent many hours sitting across the table from Mulally in his corner office on the twelfth floor of Ford's world headquarters. I learned a lot about how to change cultures and streamline organizations, and I believe these principles will prove as valuable to your organization as they have to Ford.

1 | HAVE A CLEAR, COMPELLING VISION THAT INFORMS EVERYTHING YOU DO.

You have to know what you are and what you are trying to achieve. Before Alan Mulally was hired, Ford had lost its way. Instead of acting, it was reacting. It was making cars that nobody wanted to buy because union contracts prohibited layoffs. Its vehicles were boring because bean-counters undermined the work of designers and engineers.

Mulally knew that every organization needs a clear and compelling vision. At Boeing, it was all about shrinking the world and bringing cultures together through jet transportation. When Mulally arrived in Dearborn, one of his first priorities was identifying Ford's value proposition. He found it in the company's archives, in an old Saturday Evening Post ad from 1925 in which Henry Ford outlined his own vision for the company: "Opening the highways for all mankind."

Mulally had that ad blown up and mounted on his wall. He passed out copies to each of Ford's top executives. And he made sure that all future product decisions would be weighed against that promise. It might sound hokey, but he was dead serious—and it made a real difference on where Ford focused its R&D investment.

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Instead of concentrating on hybrids and battery powered motors, Ford's first priority became the EcoBoost engine. This game-changing motor combined turbo-charging and direct fuel-injection to give V-6 engines the power of a big, gas-guzzling V-8 and sippy four-bangers the power of a V-6. Why? Because it was cheaper and meant far more customers could enjoy the benefits of fuel-saving technology. EcoBoost technology would only add a few hundred bucks to the price of a car or truck, while a hybrid powertrain would add thousands of dollars to the sticker price. Ford did the math and figured out that it would only take a couple of years for the average customer to recoup that added cost, compared to nearly a decade for a hybrid.

Ford's decision to bet big on EcoBoost was all about democratizing fuel-saving technology—a twenty-first century realization of "Opening the highways for all mankind."

Find your organization's pole star and let it guide all of your decisions.

2 | HAVE A PLAN, KEEP IT SIMPLE AND STICK TO IT

This might seem obvious, but this was downright revolutionary at Ford. Sure, the automaker had plans. In fact, it was infamous for rolling out a new one every six months or so. They all had catchy names: "Back to Basics," "The Way Forward" and "The Way Forward Acceleration." Mulally didn't care what his plan was called. He was more interested in making sure that it was simple, straightforward and religiously adhered to by the entire organization.

After he had dissected Ford's financials, diagnosed its disease and formulated a cure, Mulally reduced his entire turnaround strategy to four simple, easy-to-understand points:

- Aggressively restructure to operate profitably at the current demand and changing model mix
- Accelerate development of new products our customers want and value
- Finance our plan and improve our balance sheet
- Work together effectively as one team

Mulally had these four bullet points printed on wallet cards and distributed to every Ford employee. He opened every weekly meeting by reviewing them. He recited them in every speech, in ever town hall meeting, in every press conference.

After six months, those of us who followed the company had gotten sick of hearing about them. During a one-on-one interview after the New York auto show in the spring of 2007, I actually confronted Mulally about this. I told him the Wall Street analysts I talked to were growing impatient. I told him they were tired of hearing about these same four points.

> “*Find your organization’s pole star and let it guide all of your decisions.*

“But, Bryce, we’re still working on this plan,” he replied incredulously. “Until we achieve these goals, why would we need another one?”

Even in the depths of the economic crisis that did in Ford’s cross-town rivals, Mulally steadfastly refused to budge from this plan. His CFO insisted on cutting spending on new products to preserve what was left of Ford’s cash reserves. Mulally said no.

There was no point in preserving cash if the company had no future, and without better cars and trucks, it had none. That did not mean that near-term targets were not tweaked to account for the changing business realities, but it did mean the overarching goals of the plan remained unchanged.

Too many organizations try to change course when the going gets tough. But as Henry Ford once said, “It is failure that is easy. Success is always hard.” So resist the temptation to scrap your plan at the first sign of trouble. Find a way to make it work.

3 | BE WORKING ON A BETTER PLAN

When you are in the middle of an existential crisis, as Ford was when Mulally arrived in 2006, it is hard to think about anything other than staying alive. Yet even as Mulally insisted on staying true to his original turnaround plan, he pushed himself and his executive team to develop what he called “the better plan” that would guide the company once its survival had been assured.

During his first visit to Ford’s European headquarters in Cologne in 2007, Mulally was impressed as he listened to a presentation by the company’s regional executives. While Ford’s North American business was falling apart, Ford of Europe was making incredible products, selling them at a good margin and increasing its market share. Mulally congratulated them on their progress, then stunned them by asking, “What’s you better plan?”

The European executives were not entirely sure what Mulally meant by that. He explained that they needed to keep improving the business and not be satisfied with the success they had already achieved. They needed to keep raising their targets in order to stay ahead of the competition.

A Japanese executive once told me, “Your country has invented so many things, then failed to improve upon them. My country has invented nothing. But once we embrace something, we never cease to make it better.”

Adopt the same approach to your enterprise. Always be working on your better plan.

4 | WORK TOGETHER

The Ford that Mulally inherited was notorious for its sharp-elbowed corporate politics and boardroom backstabbing. The company’s culture had become so caustic that every good idea and smart initiative was stillborn; executives were too focused on preserving their own fiefdoms to worry much about the overall success of the company. Before he arrived in Dearborn, high-level meetings were arenas for mortal combat. Executives would enter them looking for weak points in each other’s armor, ready to jam in a shiv. This made it impossible to have an honest discussion about the company’s many challenges, because any time an executive admitted they had a problem, their rivals would pounce.

But Mulally had zero tolerance for that sort of nonsense. He imposed strict ground rules that prohibited jokes at each other's expense, and he encouraged cooperation by tying each executive's performance rating to the success of the organization as a whole. He made everyone see that they were on the same team and that, by playing together as a team, they could win.

Mulally's own leadership style reflected this. He was a coach, not a king. While he relished the spotlight that came from Ford's amazing resurgence, he was constantly pulling other executives into with him. In his weekly meetings, he urged Ford's senior leaders to offer each other help. He asked for solutions, rather imposing them.

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5 | INCLUDE EVERYONE

Mulally's "Working Together" philosophy did not stop at the office door; it extended to all of Ford's stakeholders. He applied this same principle to the company's dealings with its suppliers, dealers and even the United Auto Workers. His message to each group was simple: We are in this together, and if you help us succeed we will make sure you share in our success.

In 2007, Mulally held a secret meeting with UAW President Ron Gettelfinger in which outlined his turnaround plan for Ford. He told the union boss that he would bring production back to the United States if Gettelfinger would agree to major concessions that would allow Ford to build vehicles profitably in this country. The result was a watershed contract that fundamentally changed the rules of the game the UAW had been playing with Ford for decades and went a long way toward closing the company's labor cost gap with foreign automakers.

The union agreed to this because it could see that this would bring back jobs. During the financial meltdown of 2008 and 2009, Mulally also won important concessions from bondholders by convincing them that taking a haircut on their notes was far better than seeing them turned into worthless paper. In the end, most of them made more money off those bonds than they ever expected. At the same time, Mulally approved a plan to dramatically reduce the number of suppliers Ford did business with, but negotiated deeper, more lucrative contracts with those that made the cut. As a result, Ford went from having the lowest supplier satisfaction rating in the industry to the best. And he worked similar magic with Ford's dealers, convincing weaker franchise owners to sell their stores to stronger ones that could afford to invest in the customer experience.

In each of these cases, he got key constituents to make important changes for the benefit of Ford by showing them how those changes would benefit their own organizations. Think of all the different players you rely on and show them how they can become more successful by contributing the success of your enterprise.

6 | BIGGER IS NOT NECESSARILY BETTER

Though Detroit's "Big Three" had been ceding market share to their Japanese rivals for decades, General Motors, Ford and Chrysler were all obsessed with recapturing that lost business. When Mulally took over at Ford, he put an end to that. He pointed out that some of the most profitable automakers in the world were also some of the smallest. Think BMW. He told his team that what really mattered was figuring out how to make money at their current volume.

In Ford's case, that meant cutting production to match the real demand for the company's cars and trucks. It also meant making those vehicles so competitive that they could command a premium price. By taking out excess capacity and increasing margins, Mulally was able to deliver record profits at a time when automobile sales were at historically low levels.

As Ford was figuring this out that bigger is not always better, Toyota was forgetting that important lesson. When I interviewed Akio Toyoda in 1999, he told me that his family had never wanted Toyota to be the biggest car company in the world, only the most respected. Toyota had certainly achieved that goal, but as Detroit's automakers began to slide toward bankruptcy, the Japanese juggernaut saw an opening and decided to take it. Toyota began cutting corners and ramping up production with uncharacteristic haste in an effort to become the world's number one automaker. It passed GM, but ended up destroying its once-bulletproof reputation for quality in the process.

So don't worry about being the biggest; worry about being the best.

7 | THE DATA WILL SET YOU FREE

This is actually one of Mulally's favorite sayings, and it has a lot to do with how he overcame Ford's entrenched corporate culture.

An engineer by training, Mulally believed that everything could be quantified, measured and reduced to a set of data. That data could then be displayed using PowerPoint slides. And when it was, all the explanations and obfuscations evaporated, because the numbers did not lie. Or if they did, that soon became apparent.

Mulally's management system, which he developed at Boeing, set clear and measurable goals for every aspect of the business. Each executive was required track their division or department's progress against those plan goals and present it at a weekly "Business Plan Review" meeting. The data was presented without explanation or excuses. It was also color-coded. Anything that was on plan was green, anything that was off plan was red and anything that was in danger of becoming red was highlighted in yellow.

Any issues identified in these sessions would be dealt with in a follow-up meeting known as a "Special Attention Review." Here, discussion was allowed—but not recriminations or personal attacks. Mulally would say, "So-and-so has a problem, but he isn't the problem. Who can help him fix it?" But this weekly return to the numbers also allowed him to enforce accountability.

Before he arrived in Dearborn, executives rarely looked at the entire enterprise in a single sitting. As a result, different sets of data were used for different occasions. If an executive wanted to win approval for a new product program from the finance folks, he would inflate the sales projections to make it look like a better bet. But he might offer more realistic numbers to the production managers so that they did not overbuild. And because the production guys and the finance guys rarely met and compared notes, there was little chance of getting caught.

All that changed with Mulally's data-driven approach and weekly meetings.

“There’s nowhere to hide,” he told me. “It’s all right there for everyone to see.”

And because it was all there for everyone to see, each executive now had a complete and up-to-date picture of how every facet of the business was functioning.

Several executives complained early on that what they were responsible could not be measured or reduced to a set of PowerPoint slides. Mulally proved them wrong. If you look at your own organization and translate it into a set of measurables, you will have a much clearer picture of where the problems and opportunities lie. You will also have a powerful tool that will allow you to make sure that everyone is doing their part to make your enterprise succeed.

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8 | FEAR NOT

Even in the depths of the financial crisis that sent Ford's cross-town rivals into bankruptcy, Mulally showed up at work every morning with a big grin on his face. No one in the company ever saw it fade. One executive asked him how he could be so relentlessly upbeat when the world was crashing down around them.

"Because we have a plan," Mulally said with a smile.

"Is our plan still going to work?" the worried man asked.

"Of course," Mulally said.

"But what if it doesn't?"

"I said it's going to be okay."

"Well, what does that mean?"

"It means that we are doing everything we can to look at the world the way it is, and modify our plan as required. So, whatever happens, we'll have given it our very, very best," Mulally said. "You don't have to go home and worry. You don't have to stay up at night. You're not isolated. You're not by yourself. We're going to come back together in the business plan review and get it right."

Every organization encounters crises. The question is not how to avoid them but how to survive them. If you have done all of the things I mentioned above, you should already know the answer. It should simply be a matter of adjusting your plan to deal with the circumstances. But you have to believe in your plan and the ability of your people to execute it, and you have to stay true to your vision. You cannot give in to fear.

9 | BE RELENTLESS

All of the above may sound warm and fuzzy, but it's not. It requires relentless execution. This is where leadership really becomes important. You have to wield the proverbial iron fist in a velvet glove. You cannot tolerate bovine scatology. You need to challenge every assumption, stress test every element of your plan and keep a laser focus on your goals.

"What I have learned is the power of a compelling vision, a comprehensive strategy, a relentless implementation process, and talented people working together based on those commitments," Mulally told me during our last interview for this book. "You've got to trust the process. You need to trust and nurture your emotional resilience," he said. "Do you have a point of view about the future? Check. Is it still the right vision today? Check. Do you have a comprehensive plan to deliver that? Check. **If you get skilled and motivated people working together through this process, you're going to figure it out. But you've got to trust it."**

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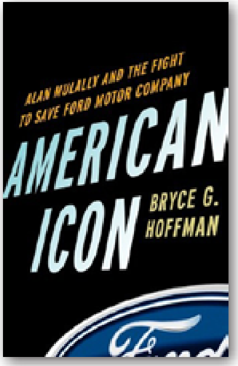

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ABOUT THE AUTHOR | Bryce G. Hoffman is an award-winning journalist who has covered the auto industry, both in the United States and around the world, since 1998. He began covering Ford Motor Company for the *Detroit News* in 2005. That beat gave him a front-row seat for many of the events chronicled in *American Icon*. Hoffman has been honored by the Society of American Business Editors and Writers, the Society of Professional Journalists, the Associated Press, and others for his coverage of Ford and is one of the world's foremost authorities on the automaker. He lives in Grand Blanc, Michigan.

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