Six Lessons
Alan Mulally hands us a piece of paper with the points about leadership he wants to cover during our time together. The note is handwritten and, unusual for a CEO of a Fortune 10 company, he’s drawn a heart around the words Korn Ferry on the note. A heart!

You don’t think of engineers as people who draw hearts on notes and memos, and there is nothing in his 12th-floor office at Ford’s sleek Dearborn headquarters that betrays sentimentality. Engineers are tough-minded analytical types who live their lives curled up on the left side of their brains. And while Mulally is definitely familiar with the left side — bachelor’s and master’s degrees in aeronautical and astronautical engineering from the University of
Briefings Profile:
Alan Mulally

Kansas and a master’s in management from M.I.T.’s Sloan School of Management — he’s also a right-brain guy, a genuine people person.

We, but not Mulally, sometimes forget that the tools of modern companies — computers, management systems, charts, tables, spreadsheets — don’t get things done; people do, which is why his people-person style works so well.

On June 30, 2014, Mulally completed his latest “big thing,” the transformation of the Ford Motor Company from a money-losing behemoth with an iconic legacy, a patchwork of competing (some would say warring) fiefdoms, and a large, diffuse set of brands, into a globally integrated, single-team company with a smaller, more profitable and focused catalog of brands, a set of highly touted processes and 19 profitable quarters in a row. Mulally masterminded this transformation during one of the grimmest periods of global economic and automobile history, in the midst of the worst and longest financial and economic crisis since the Great Depression. Mulally, who at 68 is ginger-haired and brimming with as much energy as Saudi Arabia, Texas and North Dakota, managed the transformation by getting the best out of the people already working at Ford, not by letting them go. Weeks after he left Ford, Mulally joined the board of directors of Google Inc.

Even before Ford, Mulally’s platform was global, complex and massively capital-intensive. He spent 37 years at Boeing designing, then serving on, every one of its “bet-the-company” airliner programs. He then became lead designer, director of engineering and finally general manager for the 777 — an extremely intricate machine with 3 million parts and a global supply chain. The 777 has been the subject of documentaries, articles and business school case studies because it was the first commercial airliner to be built using computer-aided design techniques. And when he became president and chief executive officer of Boeing Commercial Airplanes, Mulally oversaw an even more difficult project — the design and development of the 787 Dreamliner, the most complex, technologically sophisticated and fuel-efficient jet airliner ever built.

And yet, Mulally draws hearts on his memos.
We met at Mulally’s office at Ford’s headquarters in Dearborn, Mich., just outside of Detroit. It was late spring as we drove through the city of 100,000, and we could not help noticing the thick, green lawns, leafy trees, and wide, uncongested streets. It was an impeccably manicured Midwestern town with a lot of charm. If Henry Ford had not located his automobile company here, it might still be prairie farmland with rows of corn and hay, and milk cows dotting the horizon. But now it is Ford country, and Ford is everywhere.

From where one of us stayed — a hotel built by Henry Ford decades ago and filled with photos from that era — you could see the company’s sprawling engineering and development center and — behind a high fence — one of its proving grounds. From where the other one of us stayed, a more modern hotel from an upscale chain, you could see the company’s headquarters and — if you looked even farther — the old River Rouge Complex. At one time, the complex had been the largest and most integrated factory in the world, with 1.5 miles of buildings. Truck- and trainloads of raw materials would enter the factory at one end, people used to say with only modest exaggeration, and shiny new Fords by the millions would come out the other end.

Mulally, whose roots are in Kansas, another earnest, corn-growing, Midwestern state, presided over the successful transformation of Ford for eight years.
Vision

Transforming a legendary company like Ford requires “vision,” Mulally told us in his intense style, sometimes touching our arms or shoulders, and always leaning in to drive home his points. But what does he mean by that well-worn word?

In another handwritten note, Mulally gave us his and William Clay “Bill” Ford’s visions for the company. The notes were surprisingly brief. Bill Ford’s vision was “Great products, strong business, better world.” Mulally’s vision was “People working together as a lean global enterprise for automotive leadership.”

But even more telling, Mulally wrote these words with precise penmanship on an old Ford advertisement titled, “Opening the Highways to All Mankind.” It ran in the Jan. 24, 1925, issue of the Saturday Evening Post, a defunct magazine from a bygone era. That message was the reason Henry Ford started the company, and by placing his and Bill Ford’s words on that sheet of paper, Mulally was demonstrating respect for the man and the sentiment that started it all. Ford was always about producing cars with value for the masses.

It also demonstrates something else. “Leadership is having a compelling vision, a comprehensive plan, relentless implementation and talented people working together,” he said. “People also want meaning. All of us want to know that we are doing great things, that we are touching a lot of people, and that what we are doing is about something bigger than ourselves. The truth is, you can only do that if you are growing, if your margins are improving, if you make products that people want and value, and you do it more efficiently with regard to time and resources than the competition,” he said. Henry Ford couldn’t have provided the average consumer with mobility, thereby changing the world, unless he made a profit. In Mulally’s view, a vision is not a hope. It is an action plan.

Lesson one: People rally around something meaningful.

Fixing Ford

When Mulally entered Ford’s blue-glass headquarters building for the first time in September 2006, the company was deteriorating rapidly. It was losing money, and some investment analysts and industry pundits wondered whether the company that was the first to harness mass production would be able to remain in business. The company’s debt was “junk,” and its stock, which had been as high as $17.34 in 2004, had fallen to $8.39 when Mulally joined, before plummeting to $1.01 in 2008, as the world plunged into the financial crisis.

On the day he joined the company, the internal forecasts were bleak. “The forecast for profits for 2006, for automotive, was for a $17 billion loss,” he told us. “And at the end of the year, we achieved that loss.”

Mulally does not believe you can achieve greatness or growth simply by cutting costs and streamlining processes. True, you can’t ignore costs and processes, and they have to be tightly managed. But what you really need is to invest in the future. He did this at Boeing, and under his leadership, the commercial airplane division regained its No. 1 sales position for large airliners.

Investment, by definition, takes money, which Ford didn’t have. Just as significantly, investment requires focus, especially in times of scarcity. In Mulally’s vocabulary, “focus” means “plan.”

As we sat around a small table in his office, which also had a view of the River Rouge Complex, Mulally explained that he had been methodically studying Ford well before his first day on the job. Part of this was interviewing dozens of Ford insiders, including the board. In addition, he interviewed professionals from the automobile industry, finance, business and consulting. Mulally created summaries of all these interviews and put them in a thick set of binders, which he kept in his office. He used the insights contained in these books, plus “what I learned during my nearly 40 years at Boeing,” to write Ford’s plan.

The plan was about numbers — as all business plans ultimately are — but it was even more about people — what else would you expect from a man who draws hearts? Specifically, it was about getting Ford’s employees — with their reputation for in-
fighting and for sharp elbows — to work together constructively and to help each other. It was about changing how people at Ford interacted.

Mulally called his plan to get people to work together across the company “One Team.” He called the goal of getting people to work together across the company’s vast global ecosystem “One Ford.” Then he set a simple goal for the company. He wanted “an exciting, viable Ford delivering profitable growth for all.”

To accomplish this, he added to the plan a set of behaviors he expected employees to follow, such as “foster functional and technical excellence,” “own working together,” “role model Ford values” and so on. Though these changes would alter the company’s culture, Mulally felt they were needed to make the company profitable over the long run.

**Lesson two:** When making big changes, you need everyone on the team.

**Operations**

Operationally, Mulally explained in his unostentatious office, the plan wiped out Ford’s old fiefdoms and created a new, simplified leadership structure made up of the heads of the company’s profit centers — its major geographies, plus Ford Credit. The leadership structure also included heads of Ford’s 12 functional areas, some of whom, like the heads of communications and technology, had never been part of the leadership. Each of these individuals, plus Mulally, Bill Ford and Mark Fields, chief operating officer and Mulally’s successor, were at the top of Ford’s One Team. With amazing economy, Mulally was able to fit the plan, and some added details, on two sides of a single card, which was given to every employee and to everyone doing business.
with the company. The plan, along with its expected behaviors, might as well have been carved in stone.

The plan began working almost immediately. It did so because Mulally connected it to operational targets dealing with profitable growth. Everything that contributed to, delayed, or cost the company profitable growth was measured, mapped and color-coded — green for projects going well and on plan, yellow for areas needing attention and red for the most urgent situations.

During our conversation, Mulally stopped, smiled slyly and invited us to “see where it all happens.”

Mulally, a compact former gymnast, is in excellent shape. We learned that when he raced us down the 12th-floor hallway to the elevator, and then into a large conference room with a massive round table suitable for Arthur and his knights. There were video screens on the walls and microphones on the table. This was a room where big things happened. It was where Mulally’s weekly business plan review and you say to the rest of the team, ‘I’m really sorry. I was really busy last week. I didn’t have time to work on that.’ The accountability and the responsibility here is to help everybody on the team turn reds into yellows and greens, and to deliver increasing earnings and increasing cash flow every year.”

There was another interesting dimension to these meetings. “We invite guests every week to sit in on the meeting in Dearborn,” Mulally said. “We introduce the guests, who sit behind the team member that invited them, and we ask them for their reflections and thoughts. The guests might be an engineer or someone from down on the factory floor. So, all this data is flowing up, but then all the results are also flowing down. It is going back and forth every week at these meetings. And at the end of the meeting, the comments you hear from the guests make your eyes water. They say, ‘My gosh, this is so big, so vast. We’re in every country. I want to contribute to the plan as soon as I get back.’ I have heard many guests say that.”

Raising money

Mulally knew Ford needed new products to survive. Its lineup was tired, in places, and some of Ford’s product decisions had been shortsighted, in Mulally’s view. Take the Ford Taurus, a car that revolutionized the automobile design process in the late 1980s when it was developed. When the car was launched, it was to almost universal acclaim and went on to become the No. 1-selling car in the United States.

But the Taurus suffered from a lack of attention inside Ford that resulted in years of uninspired designs. Initially, the Taurus blended rounded edges with sleek styling in a package that was futuristic, aerodynamic,
confident and warm. Toward the end, the Taurus resembled an oblong American football, albeit one that looked a little deflated in the middle. Sales plummeted and it became a fixture of rental fleets.

In his first week at Ford, when he was reviewing the company’s product plans, Mulally asked where the Taurus was in the lineup. He was surprised that it had been discontinued.

“Why?” he asked, dumbfounded.

“Well, we made a couple that looked like jelly beans and didn’t sell, so we stopped it,” he was told.

Mulally looked at the product team. “You guys sold nearly 7 million Taurus cars. Talk about a brand!” he said. “Why don’t you just make a new one, and get it going again? How long would it take to make a new one?” The team told him it would take four years. “How about doing it in two years? And make it the best Taurus you can. A brand like that would cost billions of dollars to create from scratch,” he told them.

From that moment forward, Mulally understood Ford’s development of new cars had to be accelerated, a capital-intensive task. In his first weeks at Ford, he understood the company would have to raise money if the automaker was to have a future. “We decided to take out a $23.6 billion home-improvement loan,” Mulally said, joking.

Given his experience at Boeing, Mulally expected that once the loan amount was determined, Ford’s finance team would be able to raise the money. “I said to the team, ‘Good luck. Let me know how it goes,’ and it got quiet. Then I said, ‘What’s wrong?’ And they said, ‘We can’t make this presentation. We can’t raise this money, because we’ve told them all this before — how Ford has a great plan.’ They said, ‘You have to do it, Alan, because you’re the only new model we have.’ So I stood up the next day and presented the plan, and 10 days later we had raised $23.6 billion, based on the strength of the plan we devised to work together.”

The decision to raise $23.6 billion before the onset of the financial crisis was prescient. With its bank account full, Ford had sufficient capital to invest, even as automobile sales collapsed around the world and the capital markets froze during the worst of the crisis and recession. Ford’s domestic rivals, G.M. and Chrysler, hadn’t raised money and were not so lucky. They were forced to go to Washington to ask the federal government for emergency loans. The government granted the request at the cost of filing for bankruptcy, forced reorganizations and the loss of each CEO’s job.

Though few industries have more entrenched rivalries than the automobile business, Mulally went to Washington to testify on behalf of bailing out his biggest competitors. He did it, he explained to us, because the death of G.M. and Chrysler would have meant the demise of the industry’s network of suppliers, which would have severely damaged Ford. The demise of these companies could have plunged the United States into depression.

Lesson four: Concentrate on the future.

Taurus Resurrection. One of Ford’s most popular vehicle nameplates throughout the 1980s and 1990s was reintroduced into the Ford lineup. Today, the sixth-generation Taurus is among the best-selling mid-size sedans and most recognizable car brand names.
When Mulally joined Ford, it had dozens of automobile brands around the world, and while not all of them were profitable, they all competed for scarce resources and management time. Buying these brands was part of a plan to create a premium group within Ford, capable of earning premium profits. Unfortunately, the costs were high and the profits never materialized. The brands — Aston Martin, Land Rover, Jaguar and Volvo, plus some other investments, such as Mazda — were an expensive drag on a company, and the decision was made to sell these assets.

Mulally did not regret selling these assets. Once more, his timing was impeccable. Ford sold Aston Martin to an investment group in 2007, and Land Rover and Jaguar to India’s Tata Motors in 2008, just before the financial debacle. The timing of Ford’s sale of Volvo to China’s Geely was not so lucky, since it didn’t happen until 2010. And, while Ford lost money on each of these deals, when measured against the cost of buying the assets in the first place, selling these companies stanch the financial bleeding and added to Ford’s cash reserves.

There was more to the decision than raising cash. “The company had to have focus,” Mulally said. “Can you imagine working on the Ford Fiesta from 8 a.m. to 8:15 a.m., then on a new Jaguar from 8:15 a.m. to 8:30 a.m.? We needed a different plan to be world-class.” Just as importantly, Mulally said, “It was a question of ‘What did Ford stand for?’ What do people think when they see Ford’s blue oval? Do they think of us as a house of brands, or do they understand that they are going to get a complete family of best-in-class vehicles that are also affordable?”

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Lesson five: You can be known for a lot of things, but you can’t be known for everything.
Lesson six: It’s always about the people.

Mulally’s method

Mulally is a leader with a method that works, especially when applied to big projects, like designing and building a new generation of airliners, or transforming a great-but-teetering automaker like Ford.

Mulally’s method is straightforward. It begins with understanding the problem and how it came about, then determining what to do about it. Next, leaders have to “pull everybody together around a compelling vision, a comprehensive strategy and a plan aimed at achieving your goals,” he said. “We developed a plan to go forward, after selecting the entire team of the leaders worldwide and also the leaders with skills needed going across the world,” he said. Once you have the people and the plan, you have to stick with both.

“After a couple of years at Ford, journalists would come in here and ask, ‘Does Alan have a new card with a new plan on it?’ My answer was always ‘No.’ Stick with what works.”

Many companies less successful than Ford, and many executives less successful than Mulally, have written bold, comprehensive plans. But what they lack is a leader who cares as deeply about people as Mulally does. What they don’t have is a leader who draws hearts on his memos and notes.