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Leading in the 21st century: An interview with Ford's Alan Mulally

Automaker Ford was losing billions of dollars when Alan Mulally took the wheel, in 2006. Here, he reflects on his leadership style and his efforts to turn around the organization.

When Alan Mulally was named president and CEO of Ford, in 2006, the famous American automaker was on the brink of bankruptcy. The company was preparing to post the biggest annual loss in its 103-year history—\$12.7 billion.

Seven years later, Mulally is widely seen as the man behind one of the most impressive corporate turnarounds in history. Ford has posted an annual profit every year since 2009, its stock price has rebounded, and a new corporate culture has transformed the way the organization works. In an interview with McKinsey's Rik Kirkland, Mulally reflects on his approach to leading a large global organization, the process by which Ford seeks to understand the global business context, the importance of managing your energy (and not just your time), and why he thinks "One Ford" is more than just a catchphrase.

McKinsey: *How would you describe your leadership style?*

Alan Mulally: At the most fundamental level, it is an honor to serve—at whatever type or size of organization you are privileged to lead, whether it is a for-profit or nonprofit. It is an honor to serve. Starting from that foundation, it is important to have a compelling vision and a comprehensive plan. *Positive* leadership—conveying the idea that there is always a way forward—is so important, because that is what you are here for—to figure out how to move the organization forward. Critical to doing that is reinforcing the idea that everyone is included. Everyone is part of the team and everyone's contribution is respected, so everyone should participate. When people feel accountable and included, it is more fun. It is just more rewarding to do things in a supportive environment.

Say, for example, an employee decides to stop production on a vehicle for some reason. In the past at Ford, someone would have jumped all over them: "What are you doing? How did this happen?" It is actually much more productive to say, "What can we do to help you out?" Because

if you have consistency of purpose across your entire organization and you have nurtured an environment in which people want to help each other succeed, the problem will be fixed quickly. So it is important to create a safe environment for people to have an honest dialogue, especially when things go wrong.

A big part of leadership is being authentic to who you are, thinking about what you really believe in and behaving accordingly. At Ford, we have a card with our business plan on one side and the behaviors we expect listed on the other. It is the result of 43 years of doing this.

McKinsey: *There have been major changes in the external environment during your long career. How have those affected the way you lead?*

Alan Mulally: People often say that the world is becoming more volatile and more complex, that there are exponentially more “moving parts.” The world has always been a complicated and volatile place—it is just that we now have the tools to recognize it, to try to make sense of it, and to respond to it. That can make the process of understanding the broader environment in which we operate feel more complicated. Understanding what is happening in the world has always been a critical part of doing business at Ford. It should be a critical part of doing business anywhere.

McKinsey: *How do you make sure Ford understands the larger context?*

Alan Mulally: Every week we have a Business Plan Review meeting, or BPR. Our entire global leadership team, every business leader, every functional leader, attends either remotely or in person. We talk about the worldwide business environment at that moment—things like the economy, the energy and technology sectors, global labor, government relations, demographic trends, what our competitors are doing, what is going on with our customers. Of course, we are all out there all the time as part of our jobs, going around the world. The BPR process is the foundation. It provides a fantastic window on the world—the whole team knows everything that is going on.

Then we take it a step further and discuss how those trends are likely to evolve. Looking ahead is critical. We talk about more than what our customers value right now. We talk about the forces in the world that are going to shape what they will value in the future.

Take energy, for example. While we believe petroleum is going to be around for a long time, it is going to cost more and take more time to bring to the market. So we are going to pay more for energy. Beyond that, we believe there is a social consciousness that is developing where people really want to consider alternative energy sources that are more sustainable and good for the planet. So, for every market in the world, we are pushing harder to develop vehicles that range from gasoline versions to diesel, natural gas, hybrid-electric and all-electric ones. We also see a

future for hydrogen. That technology roadmap is informed by our clear point of view about where the world is going.

McKinsey: *Tell me more about how this process translates into everyday decisions.*

Alan Mulally: As part of the BPR, we look closely at our plan in the context of the risks and opportunities presented by the current and future business environment. The BPR meeting is a kind of status check. It is both a strategic plan and a relentless implementation plan. So we look at every element of the income statement and the balance sheet. As new information emerges, we incorporate it right into the plan.

So, for example, discretionary income in the Asia-Pacific region is increasing, and many economies are reaching the takeoff stage for our industry, as new car buyers enter the market. We have used extensive data and research to determine the factors that will influence their purchasing decisions, and we have a specific plan in place to capture those consumers by providing a complete family of best-in-class vehicles. We regularly go over that data to see if anything has changed. If the facts underpinning the plan have changed, our plan has to change as well. The data tell us how we are doing, and in that sense, the data set you free, which is pretty cool.

McKinsey: *And how does the leadership style you described translate into your day-to-day work?*

Alan Mulally: The first thing a leader does is facilitate connections between the organization and the outside world. You can only grow value and profits by 10 to 12 percent a year, which is what great companies do, if you satisfy customers better than the competition. Second, leaders hold themselves and their teams accountable for deciding, “What business are we in? What is the deep consumer need we are uniquely positioned to satisfy?” And finally, leaders are responsible for trying to articulate and model a set of behaviors.

One of the biggest parts of the leader’s job is reinforcing the processes we are using to meet our goals. Again, that is where the BPR comes in. It is more than a way of asking, “How are we doing?” It is asking, “How are we doing against the plan? What are the areas that need special attention? And then all through the year, what is our plan to improve our performance in the following year?”

McKinsey: *You’re widely credited with reshaping the culture at Ford. What’s different now?*

Alan Mulally: At the heart of our culture is the One Ford plan, which is essentially our vision for the organization and its mission. And at the heart of the One Ford plan is the phrase “One Team.” Those are more than just words. We really expect our colleagues to model certain

behaviors. People here really are committed to the enterprise and to each other. They are working for more than themselves. We are a global company, so we really have to stay focused on the work. There are so many people around the world involved in our daily operations that it has to be about more than a single person—it truly has to be about the business. Some prefer to work in a different way. Ultimately, they will either adopt the Ford culture, or they will leave.

McKinsey: *Running large companies is demanding, and you've been at this game a long time. How do you maintain your mental and physical stamina?*

Alan Mulally: Everybody always talks about how you need to manage your time. You need to manage your energy as well. You first have to ask, “What gives me energy?” There can be lots of sources: your family, exercise, your spiritual well-being. Try to combine those, along with your work demands, into one integrated calendar so that everything is built into your lifestyle. You can get beyond having to tell yourself, “OK, I’m going to have my family life next year in August, on vacation.” Instead, jot down what is really important to you, see if you have allocated time for it, and adjust the calendar if necessary. In our house, we had a family meeting every week—the family BPR—where we reviewed what we needed to do and the support required to get us through the week. It is another kind of process step, and a really important one.

McKinsey: *One last question: Henry Ford had a vision. But the world, and the transportation industry, is dramatically different now. Has the Ford vision changed?*

Alan Mulally: Henry Ford understood that the desire to move—to have freedom of mobility—is enduring and universal. As economies grow, and even as human beings grow, the first thing they want to do is move. It is a powerful vision—opening up the world’s highways so that everyone can have freedom of mobility, and can access the opportunities for growth that those experiences can offer.

The vision will remain constant, while our role in realizing that vision might evolve. There are tremendous opportunities for safe and efficient transportation in the future— in rapid and public transportation, for example. So we might be part of connecting different modes of transportation—bicycles and waterways and cars and buses and subways—all as part of the vision of enabling movement and bringing people together. Ford can use technology and innovation to deliver products and services that enable that experience at the most fundamental level. That is what we do. □

Alan Mulally is president and CEO of Ford Motor Company. This interview was conducted by **Rik Kirkland**, senior managing editor of McKinsey Publishing, who is based in McKinsey’s New York office.