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Ford's Renaissance Man

The CEO's obsession with Power Point slides seems odd. But with Toyota under fire and Ford on the verge of overtaking GM in sales, it's nothing to laugh at.

By PAUL INGRASSIA

Dearborn, Mich.

It's a typical February scene in suburban Detroit. Snow is falling for the third straight day, and the accumulation is visible from the panoramic view of Ford Motor Co.'s executive suite. Consumer-confidence numbers—the best predictor of car sales—are plunging. In Washington, Toyota officials are getting a congressional grilling that might offer Ford a temporary boost, but also threatens new burdensome government regulations for all auto makers.

Yet Alan Mulally, Ford's president and chief executive officer, is exuding ebullience over, of all things, PowerPoint slides.

"How cool is that?" asks Mr. Mulally, pointing to slides showing rows and rows of numbers. "And look right here, see, take a look at this one," he exhorts, clearly relishing a slide of color-coded charts depicting the status of key projects that looks like a scrambled Monopoly board. Another slide shows overlapping ovals that depict the configuration of corporate alliances in the global car business. (It looks sort of like tadpole eggs.)

Mr. Mulally and his team of 16 top executives review 300 such slides in each weekly BPR, or Business Planning Review, which lasts just over two hours. No one is allowed to whisper private comments to the person sitting next to him or her; Mr. Mulally insists that everyone pays close attention to each person's presentation. "If you aren't comfortable with that you might be more comfortable leaving the company," Mr. Mulally says, with a friendly but pointed tone.

To a visitor, these slide shows sound mind-numbing. But the CEO is excited about them for good reason.

When Mr. Mulally, an engineer by training, arrived from Boeing three-and-a-half years ago Ford seemed on death's door. It suffered a $12.6 billion loss in 2006, when industry-wide car sales were strong. But last year Ford became the only U.S. car company to avoid bankruptcy, and actually posted a $2.7 billion profit. After plunging below $2 a share a year ago the company's stock has surged six-fold: It's now bumping $12.

Ford also has begun regaining market share after years of decline. It's even possible that when auto makers report their February U.S.

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sales this coming week, Ford might top General Motors for the first time in more than 80 years (except when GM workers were on strike).

"I've seen some data saying that it might be so," says Mr. Mulally. "But we won't know until we know."

Ford's recent success is already amazing considering the prior half-dozen years of near-fatal decline. If it continues, Mr. Mulally will be credited with one of the great turnarounds in corporate history. His method has been to simplify, relentlessly and systematically, a business that had grown way too complicated and costly to be managed effectively.

"Improve Focus, Simplify Operations," reads one of Mr. Mulally's many charts, which he repeats like a sacred mantra. Soon after his arrival Ford began shedding brands—Jaguar, Land Rover and Aston Martin among them—that the company couldn't afford to support. Volvo will be next to go. Meanwhile, the core Ford brand got an investment infusion to replace aging cars and revive a model lineup that had been heavily tilted toward gas-guzzling trucks.

In the process, Ford cut its number of global platforms, or chassis, to eight from more than 20, and the number of nameplates to 25 from 97. Each platform and model involves hundreds of millions of dollars of engineering costs, which translated to billions of losses because Ford couldn't sell enough of each model.

Besides revamping the product line Mr. Mulally has overhauled the often-contentious culture in Ford's executive suite. Most of his appointees are company veterans, but they're the sort of people who typically got overlooked when style seemed to count more than substance, as it often did at Ford.

Product-development chief Derrick Kuzak, for example, got none of the charisma gene that was bestowed upon the flamboyant Bob Lutz, who held the same job at GM for most of the past decade. But Mr. Kuzak is methodically implementing the "One Ford" strategy of developing cars in a single region (say Europe, or North America) and selling them globally, instead of developing slightly different cars in each region at enormous extra cost.

The first fruit of his efforts, the subcompact Fiesta, was engineered in Europe and will hit American shores this summer. Next year will bring a new version of a slightly larger car, the compact Focus, also engineered in Europe and designed as a global car from the start.

"It's back to Henry Ford's original vision, isn't that cool?" gushes Mr. Mulally, reaching for—you guessed it—yet another chart. "It's all about producing products people want," he adds. "Our goal is PGA."

That has nothing to do with golf, he quickly explains, but means "Profitable Growth for All." Mr. Mulally's alphabet-soup acronyms and PowerPoint slides seem to resonate around his far-flung empire: Internal surveys show 87% of Ford employees believe the company is on the right track. President Barack Obama would love numbers like that.

Ford also has gotten big boosts from the missteps of its major rivals. GM, in contrast to Ford, insisted on keeping all of its eight brands until the government forced it to shed four of them last year in bankruptcy.

Right now Ford is getting an unexpected assist from Toyota. The Japanese company's legendary quality has been slipping below Ford's for the past few years, according to Consumer Reports magazine. And this was before the furor over sudden, unintended acceleration erupted last month.

Mr. Mulally has passed the word that Ford employees shouldn't gloat about Toyota's woes—though after decades of being trounced by Toyota many Ford people are having trouble

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following that directive. Mr. Mulally's assessment: "We're all disappointed to hear more and more about the way this has been handled" by Toyota. "I'm not judging here, but I am saying it hasn't been efficiently or effectively handled. Hopefully they will learn from this."

When the Toyota controversy broke, Mr. Mulally says his company re-examined the accelerator pedals on all of its vehicles world-wide. Company engineers found that a Ford commercial van made in China had pedal-linkage design that seemed similar to Toyota's, and stopped production of the van for a few days until tests showed that the Ford pedals were safe.

"That was a proof point for our corporate culture," he says. "Proof point"—another favorite Mulally-ism.

"It's too early to tell" whether the Toyota crisis will produce new regulatory requirements for all car companies, Mr. Mulally adds, though he clearly hopes it won't. "We institute 70% of our recalls ourselves," he explains. "It's a very good process."

Despite Toyota's troubles, Mr. Mulally still lists the company at the top of the competitors he respects (and perhaps fears) the most, along with Volkswagen, Honda and Korea's Hyundai. "I have tremendous respect for those four or five," he says, before quickly catching himself and adding: "And GM, of course." It seems like an afterthought, and Chrysler doesn't even get a mention.

Asked to comment specifically on both crosstown rivals, Mr. Mulally refuses to take the bait. "I love the Ford plan," he says. "I *looooove* the Ford plan."

Still, for all its post-bankruptcy struggles, GM does lead Ford in some key areas, including luxury cars, where Cadillac outsells Lincoln by more than 30%. While Cadillac has found a styling theme (crisp, sharp edges), Lincoln is struggling. The front end of the Lincoln MKT sport-utility vehicle, for instance, looks like the prow of an ancient Athenian warship.

"Where we take Lincoln longer term is a legitimate question," Mr. Mulally says. He notes that Ford has expanded the Lincoln lineup, which was down to just a couple models a few years ago, but acknowledges there's much more to be done. "What's next? We'll have more to say on that over the next year or so."

General Motors also has a stronger presence than Ford in Asia, though Ford has now targeted the region for growth, and GM has only about half of Ford's debt, thanks to last year's government bailout and bankruptcy. And Ford's major Japanese competitors are virtually debt-free.

But Ford, despite paying down some $10 billion of debt last year, still has junk-bond ratings thanks to a massive "home improvement loan" the company took out to finance its turnaround shortly after Mr. Mulally arrived. Ford faces upwards of $1.5 billion in interest payments this year—money that otherwise could go to reviving Lincoln or building new factories.

"We're disadvantaged a little bit," Mr. Mulally acknowledges, adding that the company is beginning to repair its balance sheet, and that it has enough cash to fund its product plans. "Would I trade that problem to have gone through bankruptcy [to reduce the company's debt]? No way. All of our stakeholders have benefited because we didn't go through bankruptcy." He's undoubtedly right. Ford's image and its sales have gotten a boost from staying out of Chapter 11, in contrast to GM and Chrysler.

Another problem area is labor. Last fall Ford workers overwhelmingly rejected contract amendments that included a no-strike pledge until 2015 and further reductions in inefficient work rules—even though the senior leaders of the United Auto Workers union strongly endorsed the changes.

Mr. Mulally professes to be unfazed. By overhauling health-care benefits to UAW members and retirees and getting lower-tier wages for new union hires, he explains, Ford has slashed its wages-and-benefits for hourly workers to $50 an hour from $75. He adds that Ford already has made significant progress in eliminating featherbedding work rules.

The "proof point," Mr.Mulally says, is that Ford is starting to produce small cars instead of SUVs and pickup trucks in some of its U.S. factories—because the company can make small cars profitably in America for the first time in many years. Labor "isn't a competitive

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disadvantage for us," Mr. Mulally maintains. "Everything that we've put in place has served us well." Still, the recent rejection of the contract amendments serves as a warning that worker attitudes might harden as the auto industry's crisis passes.

On Aug. 4, Mr. Mulally turns 65, the typical retirement age for executives in Detroit. Ford has no formal retirement policy for its top people, but Chairman Bill Ford Jr., a scion of the founding family, has said in jest that he hopes Mr. Mulally will remain CEO for a couple more decades. That obviously won't happen, but Mr. Mulally says "I have no plans to leave," though he won't say how long he plans to stay at Ford.

He relaxes by playing tennis and golf (he's very competitive in both), spending time with Nicki, his wife of 40 years, and their five children, and by reading. No Renaissance man, despite the renaissance he's leading at Ford, Mr. Mulally favors business books instead of history or fiction. He recently finished "Mojo: How to Get It, How to Keep It, How to Get It Back if You Lose It," by Marshall Goldsmith.

But mostly Mr. Mulally seems to like working, and given Ford's recent results, it's easy to understand why. "I love hanging out with skilled and motivated people," he says. "There is no reason that America can't compete in a global economy, and I love being one small proof point in that."

Mr. Ingrassia, a Pulitzer Prize-winning former Detroit bureau chief for this newspaper, is the author, most recently, of "Crash Course: the American Automobile Industry's Road from Glory to Disaster," published by Random House last month.

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