

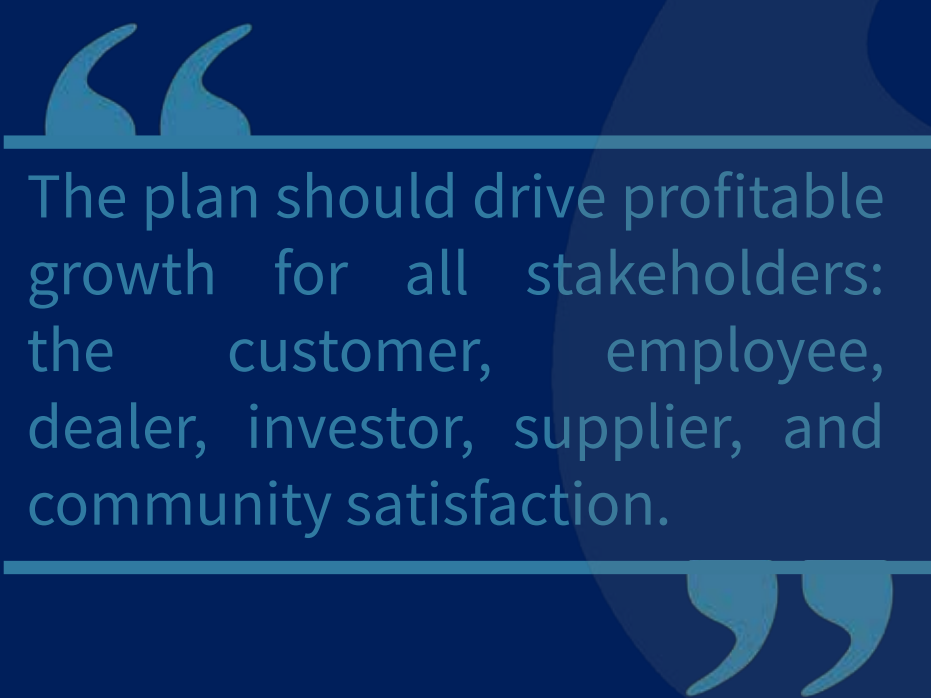


WINNING MANAGEMENT SYSTEM

Alan Mulally


Former President & CEO, Ford Motor Company

“Everyone needs to know the plan.”



The plan should drive profitable growth for all stakeholders: the customer, employee, dealer, investor, supplier, and community satisfaction.

“Expected behaviors create the culture, and there is zero tolerance for violating the behaviors.”



“If you don’t have an environment where people feel comfortable to share with you what the issues are, then you’re not going to know. Love people up. Create a safe environment.”

“Working Together” Principles & Practices

People First

You need to believe in people. If you don't, it's not going to work out well. Success only happens with talented people who understand the vision and strategy and work together.

Everyone Is Included

On all teams, everyone is represented. For Boeing, this means: the customers, the traveling public, the airline, the distribution channel, the suppliers, the investors, the bankers, the people who fly the airplanes, the lessors, etc. Everyone needs to be in the plan and to be represented by the leadership team members.

Compelling Vision, Comprehensive Strategy & Relentless Implementation

It's important to have a vision. The comprehensive strategy goes back to the Baring Management System. The relentless implementation plan is where you meet regularly, have a plan, review the plan, and have a safe environment where people can share problems and choose to work together to turn the reds to yellows to greens.

Clear Performance Goals

The plan should drive profitable growth for all (PGA) stakeholders. Profits = Revenues X Margins. To increase revenues, make products and services that people want, value, and pay for. To improve margins, improve quality and productivity. The stock will follow, and everyone will be happy. Get rid of fancy terms. Mobilizing people requires them to understand those two things: revenues and margins.

One Plan

When you have hundreds of thousands of people working together on something, they need to understand what the real plan is.

Facts and Data

Opinions matter, but we really need to see the

facts and data. They are very important.

Everyone Knows the Plan, the Status & Special Attention Areas

Everyone needs to know all of this. There are very few companies who believe in this. If you don't have the reds identified, then you are just managing a secret and don't know what's going on.

A Positive, “Find-a-Way” Attitude

You can't just do this on the dark side.

Respect, Listen, Help & Appreciate Each Other

If you don't have an environment where people feel comfortable to share issues with you, then you're not going to know. Love people up. Create a safe environment.

Emotional Resilience — Trust the Process

If you're the CEO and you look like you're in trouble or think it's over, the whole organization will agree with you, and it's over for them too. There's always a way, and there's always a better plan. The most important thing as the CEO is to keep your emotional resilience. People have asked me how I sleep at night leading Boeing or Ford. I sleep well because the whole organization – the entire team – knows the plan, status and special attention areas. The most important thing I do is get some sleep so that I can be a great positive leader the next day.

Have Fun — Enjoy the Journey & Each Other

For me, there is nothing more fun than creating a commercial airplane that gets people around the world, where we can find out that we have more in common with each other than are different from each other.

An important corollary is to never have humor at anyone's expense. People won't share issues with you and take the risk of being vulnerable if they think they will be the victim.

When “Working Together” is Violated

Expected behaviors create the culture. Be clear about the behaviors ahead of time, and have zero tolerance for violating them. For those with low “working together behaviors”, I’ve said during succession planning, “We’re going to help you any way we can, and if you’re not making movement in our eyes, then you are deciding to move on. You have 2 periods to show movement.” Around 80% of the time, people will move into the light if you’re serious about it with zero tolerance for violations.



Ford’s Turnaround Story

Re-organizing and Building Trust

Ford was losing money: \$17 billion for the year. There were a lot of smart people, but we needed a different vision, strategy and plan. There was also a culture of fear, intimidation and top-down control.

We did thorough performance management reviews, 360’s, and employee surveys. Then we selected business unit leaders from around the world to have P&L responsibilities in different geographies. It was really easy. You just looked at the data, and it told you who was hot, who was not, and who people believed in.

We set up a simple matrix-type organization. We selected leaders from all around the world and got all 16 of them in a room. Of course, they didn’t know how to talk to each other and were competing with each other. We met weekly and gave each leader 5-10 minutes to show his or her plan 5 years out. We agreed on a vision. We agreed on a strategy to achieve it.

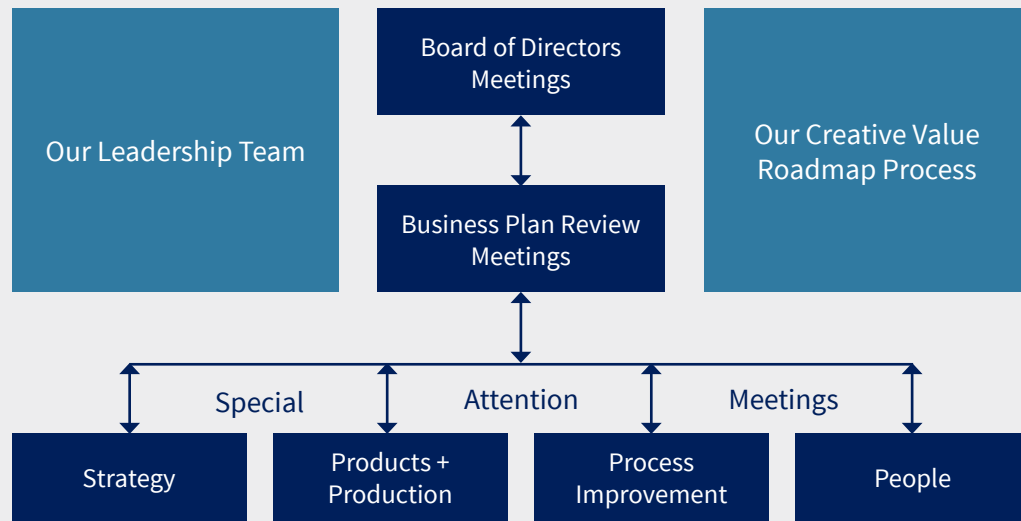
We reviewed the statuses with reds, yellows, and greens. Everyone started out showing greens. Showing a red was beyond their wildest imagination, because at Ford they would have disappeared. I shared them that it’s a good thing to bring up problems, and that we’re going to love you up and work together to bring

the reds to the yellows to the greens. Several weeks later, there were some reds. That was the breakthrough we needed. I realized at that moment that whatever happened to us, if we followed this process of updating the strategy, vision and plan, and going through the Business Plan Review process, we were going to be able to handle anything that came at us and adapt.

You know the rest of the story. Ford is the No. 1 brand in U.S., the No. 1 and No. 2 brand now in the E.U., and the fastest growing in Russia, Asia Pacific and China. Customers and investors are happy: 1,837% stock appreciation and 5.6% yield on dividend alone. The bankers are happy too; we repaid the loan. Maybe the most important stakeholders are the employees. How people feel about the company is really important, because all you have are their hearts and minds. Do they understand the plan? Do they think you’re going in the right direction? Are they being appreciated and valued?

Generally, the average percent positive that employees feel about the company, where it’s going, and their work is 30% to 40%. That means 60% to 70% of employees are going to work to make a salary, not to build a cathedral. I propose to you: that is the biggest source of wealth creation that we can tap into.

Our Governance Process



All key elements of the business are reviewed together by the leadership team in our governance forums. The key point is that you know what's going on and that you're working on issues and making decisions together.

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Board of Directors Meetings

The board and the CEO need to be aligned. We meet with the board 6 times a year and go through everything in the BPR.

If you have your Profitable Growth for All plan and you're doing what the board wants you to do, you have real alignment.

of all the leadership team members around the world. This accelerates behaviors; no one is going to act like a jerk when someone's watching you. At the end of the meeting, we go around the room and ask the guests what they think, and it can make the leadership team's eyes water. That positivity then spreads throughout the company.

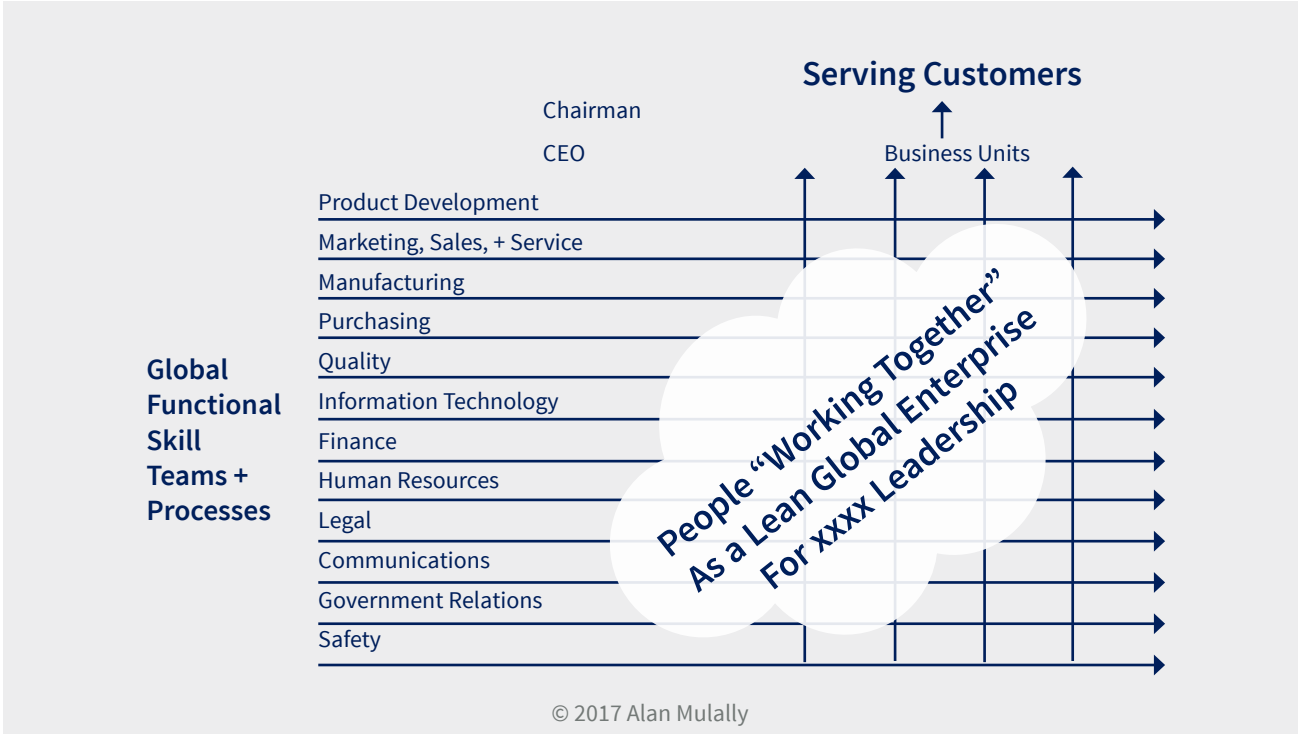
Special Attention Meetings

Anything that comes out of the Business Plan Review (BPR) that is a red or yellow or that needs special attention automatically drops in into 1 of 4 Special Attention Meetings. A team leader in charge of these 4 areas makes up the agenda and meets every week, sequenced out during the 1st, 2nd, 3rd and 4th week of the month.

Business Plan Review (BPR) Meetings

Every leadership team member will invite a guest from the factory floor, engineering, manufacturing, etc. Guests sit around the outside of the room, while you see the screens

Our Leadership Team



Here's the organizational chart I've used at Boeing and Ford. If you're in a global company, there's really no other way to operate. (For Boeing, business units were based on plane models. For Ford, they were based on geography.) The business units have P&L responsibility.

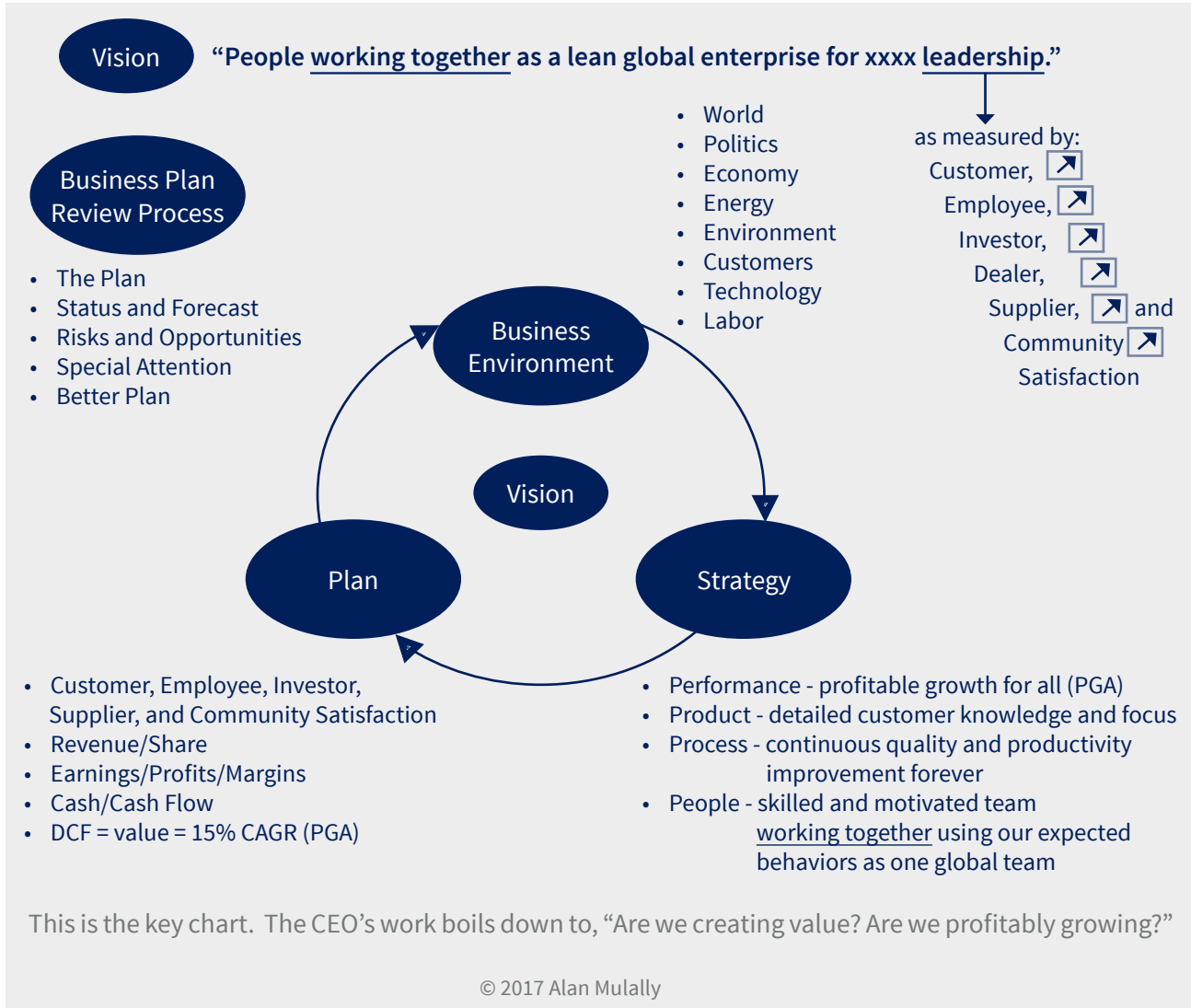
The skills teams go across business units. There is not a discipline or a function that is left out. You might think that functions like HR and IT don't need to be on the team, but some of the most profound input in the plan has come from them.

As the CEO, I'm facilitating this meeting. I'm not telling everyone what to do. I might have a suggestion, but I'll be careful about how I say it because even if I ask a question, that can start a whole new work stream.

People will take care of action items on their own because the color-coding makes gaps apparent.

People are not working for me. They are working for the team, and they'd never let each other down. You need to trust the process.

Our Creating Value Roadmap Process



Vision

It’s important to have a compelling vision.

People Working Together

You can see the people working together, with all the measures on the right hand side. It’s important for measures to go up for all of them.

Business Environment

We look at the business environment every week. Everyone on the team has one chart that touches on that. If you do this in a regular way, you will know from everyone all about the disruption that is coming.

Strategy

The strategy is very specific, starting with the PGA, the product, the process, and the people.

Plan

The plan can’t be complicated.

Everyone needs to understand it and work together to deliver Profitable Growth for All.

Ford - Creating Value Roadmap Example

ONE FORD
ONE TEAM • ONE PLAN • ONE GOAL

ONE TEAM
People working together as a lean, global enterprise for automotive leadership, as measured by:
Customer, Employee, Dealer, Investor, Supplier, Union/Council, and Community Satisfaction

ONE PLAN

- 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

ONE GOAL
An exciting viable Ford delivering profitable growth for all

Expected Behaviors

Foster Functional and Technical Excellence

- Know and have a passion for our business and our customers
- Demonstrate and build functional and technical excellence
- Ensure process discipline
- Have a continuous improvement philosophy and practice

Own Working Together

- Believe in skilled and motivated people working together
- Include everyone; respect, listen to, help and appreciate others
- Build strong relationships; be a team player; develop ourselves and others
- Communicate clearly, concisely and candidly

Role Model Ford Values

- Show initiative, courage, integrity and good corporate citizenship
- Improve quality, safety and sustainability
- Have a can do, find a way attitude and emotional resilience
- Enjoy the journey and each other; have fun - never at others' expense

Deliver Results

- Deal positively with our business realities; develop compelling and comprehensive plans, while keeping an enterprise view
- Set high expectations and inspire others
- Make sound decisions using facts and data
- Hold ourselves and others responsible and accountable for delivering results and satisfying our customers

- Serve all markets with the FORD + Lincoln brands
- Best-In-Class Quality, Green, Safe, Smart, Value
- Complete family - small, medium, + large cars, utilities, and trucks
- Leadership Team Working Together globally using expected behaviors

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The entire Ford plan is on a card, and all 300,000 employees have this card.

We put the card in each employee's badge.

You can go to any person in the company, and they will know everything

about this and will know exactly where they are fitting into the plan.

Our Business Plan Review Process (BPR)

Meeting Format

- Meet with leadership team, every week, for 3 hours (including ½ hour introductions and feedback).

Meeting Purpose

- Review where we are on the business plan.
- Decide together what areas of the plan need special attention. (We don't work on the issues here. We just look for the colors and make sure everybody know what's going on.)

Meeting Agenda

- Introduction by CEO
- Company summary by CFO
- Business unit plan summaries by leaders
- Functional unit plan summaries by leaders
- Summary by CEO

As CEO, I show all these charts I've just showed you. I'm done in 5 minutes, and for the whole place, we know the status. Everyone also shows his or her plan and the status, risk and opportunities. Keep on schedule. My vocabulary for the whole meeting is: "on plan" ... "no change" ... "thank you" ... "OK".

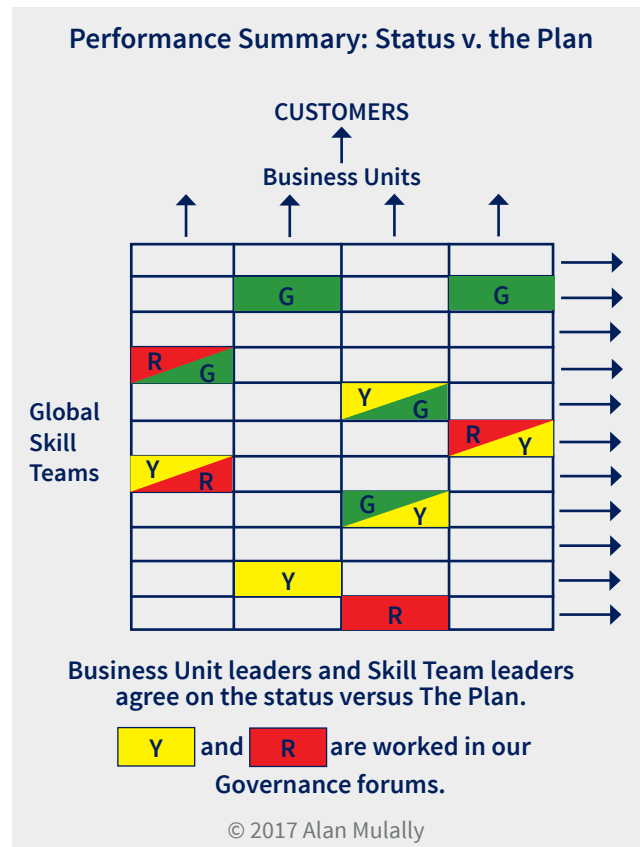
Plan Performance Measures & Summary

Measure everything you think is important. Touch on them for all the stakeholders. Once you measure, you get better and better at matching the strategy to make it happen.

The company plan and performance summary is for the next quarter, current year, and 5 years. Lightly refresh the 5-year plan quarterly and then update once a year, which can lead to teams stretching to meet goals.

A Better Plan & Expected Behaviors

You are always working on a better plan. The leader needs to have consistency of purpose and stay on the plan. The leader also reminds everyone about expected behaviors.



Status Versus the Plan

We have a system where data flows up and down the organization. Every week you're assessing how the plan is going, and you're getting an assessment not only from a P&L leader but also from a skill team leader. Leaders are working together and are agreeing on it. That means a lot for financial accounting and risk management.

It's about trusting the process. A lot of CEO's can't stand to have red. But love them up. Those reds are gems. That means that someone is telling you what the real situation is. If you see a red for a couple of quarters, it's a serious thing, and the person making the red knows it and is looking to you for guidance.

If something bad happens during the year, don't give up on the plan until you get closer to the end of the year. Up until then, it's the biggest single motivator for improving the plan. You need everyone trying to figure out how to do the plan until there's no way to do the plan.

Implementing BPR in Your Company

You get to decide the frequency, how you organize areas of special attention, and your operating rhythm. You can adjust as you go along. When doing the BPR, make an index for all your charts. You can have 50 or 100 charts that you may use throughout the year; sequence when you'd show them. For instance, once a month we would do HR charts regarding current hiring, acquisitions, departures, etc. Data for 360 or performance management would be shown every 6 months. Sometimes we would do a BPR every day for one hour during lunch. Some people I consult with do it every 2 weeks. If it's past 2 weeks, people get anxious.

Have zero tolerance for violating the roadmap process and the BPR. I've missed 5 or 6 BPRs in 47 years. You can always call on the phone. You can't stand not knowing what's going on. It's not an all-day meeting. Every leadership team member has a designated person if he or she can't be there.

I've also applied the BPR to my family. We call it a "family meeting". My kids would complain about the BPR but now every one of them is doing it, because it works for everything. BPR is really about people coming together and working together for some greater good, including for the good of the participants.

Thoughts on Leadership

Hold yourself and the team collectively responsible and accountable for:

- Your working together management system and process discipline.
- Defining a compelling vision, comprehensive strategy and relentless implementation plan to deliver profitable growth for all.
- The "working together" plan, expected behaviors, and culture.
- Having fun, enjoying the journey and each other, and feeling the wonderful satisfaction of meaningful accomplishment.

The CEO is a facilitator. The higher up you go, the more this is so, or you're going to limit your company's potential.

The real job of the CEO is to mobilize everyone around a profitable growth plan and to encourage everyone to help each other. Arrogance is poison.

No one with arrogance should be kept around, and the faster the better, because you're

destroying working together and paying a lot of money for arrogance.

The tougher a situation, the more calm you need to get and trust the process. During a crisis, you need to focus, listen, maybe ask a question to clarify, and never run your mouth. You need to know what's up and get everyone involved. In one hour, you can have everyone looking at the tsunami and knowing what it means.

There is the process of running the Business Plan Review, and then there are the expected behaviors. Both components need to be there. If someone trusts the process and puts up a red, but then you start grilling the person, humiliating him or her, and offering your suggestions that turn into work streams – what color would that person use the following week? Your behavior is so important. If someone has a problem, love them up. Demonstrate you are glad to hear about the problem.

Explicit behaviors of CEO's are all around humility, service and love. We're all on a journey of going from "I" to "we" as a person, and from going from "me" to "service". What happens when you think about "I" in the context of "we" and "me" in the context of service? You will be more dynamite and happier.

Imagine you're getting ready to die and reflecting on your life. Are you proud over who you beat the hell out of along the way? The purpose of life is to love and be loved – usually in that order.

Who you are will impact how effective you are as a leader. When you are on the leadership team, you are not only creating value but also a smart and healthy organization that touches so many people. I want to thank you for what you're doing, and I wish you all the best.

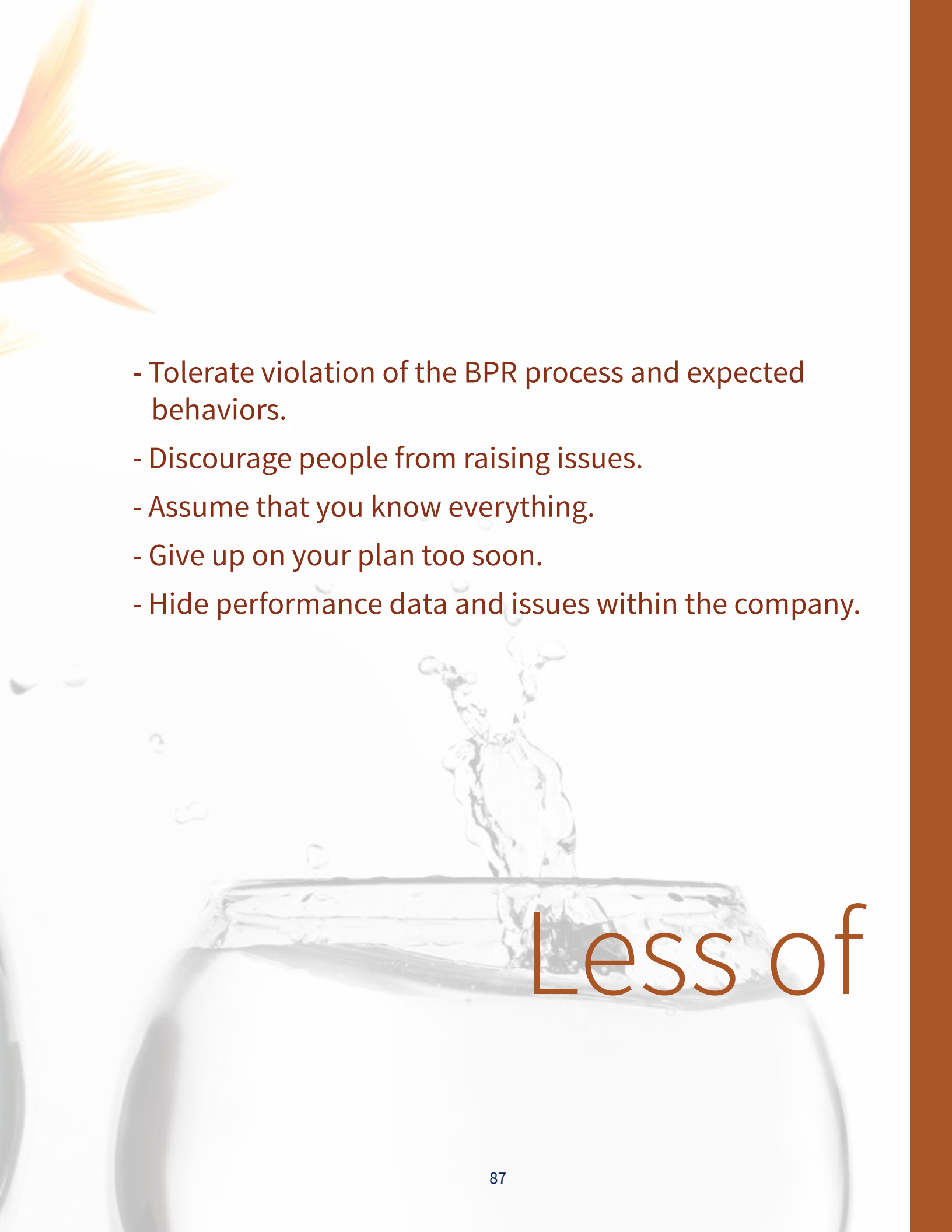


“You need to create a healthy organization in addition to a smart one.”

More of

A goldfish is visible in the upper right corner of the slide, swimming towards the left. The background is a light blue gradient, and the bottom half of the slide is dominated by a large, empty glass fishbowl.

- + Create a clear process to review status, identify issues, and make decisions.
- + Set clear performance goals and measures.
- + Have a plan. Make sure everyone knows it.
- + Always work on a better plan.
- + Represent all stakeholders on your teams.
- + Respect, listen, help, and appreciate each other.
- + Keep your emotional resilience.
- + Have fun – enjoy the journey and each other.

- 
- Tolerate violation of the BPR process and expected behaviors.
 - Discourage people from raising issues.
 - Assume that you know everything.
 - Give up on your plan too soon.
 - Hide performance data and issues within the company.

Less of



