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The Turnaround at Ford Motor Company

Sentiments at the Ford Motor Company's 2012 annual meeting were unusually enthusiastic, and for good reason. After years of financial struggles and uncertainty about the future, the company had regained profitability. As the annual meeting came to a close, shareholders reflected the ebullient mood with praise for the company's leadership: "You fellows are doing a tremendous job!" commended a shareholder from Arizona. "Your governance has just been an example," agreed a fellow shareholder from New Jersey. "I want to thank you for your hiring of Mr. Mulally. Believe me, you did the right thing, because he saved Ford Motor."[1]

The turnaround of Ford, a leading U.S. auto manufacturer headquartered in Dearborn, Michigan, with operations around the world, was one of the biggest Wall Street successes of the decade. Ford was a globally-recognized company and brand; from the development of the revolutionary Model T in 1908 to the recent release of the redesigned 2012 Ford Focus (see **Exhibit 1**), the company's blue oval logo symbolized over a century of American innovation. When Ford had teetered on the edge of bankruptcy in 2005, many feared the loss of an American icon. Today, everyone agreed that, had it not been for CEO Alan Mulally's heroic turnaround efforts, that fear might have become reality (see **Exhibits 2-4**).

Now that the storm had settled and that Ford had regained its momentum, it was time to look towards the future. In 2012, Mulally would celebrate his 67th birthday. Though he claimed no retirement timetable existed, Mulally had already accomplished remarkable feats at aerospace giant Boeing and was entering the final stage of a distinguished career. And so, while Ford's leadership and shareholders took a moment to celebrate the company's structural and cultural transformation, the inevitable whispers reverberating around the auto industry asked: "Will Ford survive without Alan Mulally?"

Company Background

The Ford Motor Company was founded in 1903 by Henry Ford, an engineer who designed and built some of the world's first automobiles. In 1913, Ford introduced the first moving assembly line and began producing cars faster and more cheaply than previously possible, making car ownership accessible to the masses. Ford factories provided steady jobs that paid remarkably high wages of $5 an hour ($120 today) and were credited with contributing to the growth of America's middle class.[2]

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Henry Ford was known for his fair but exacting leadership. He was thought to create a thriving and dynamic work environment, but also to test employee reactions facing great stress.[3] Above all, he demanded full control and credit for the company's accomplishments. Though he briefly retired in 1919 and bestowed the presidency on his son Edsel Ford, Henry continued to make essential company decisions and eventually resumed leadership when Edsel died in 1943.[4] Following a series of strokes, the aging Henry Ford was eventually forced to relinquish part of his decision-making control to a group of senior advisors led by engineer Charles Sorensen. When Sorensen garnered great publicity for his wartime initiatives, Ford became resentful and forced his resignation.[5] In 1945, Ford finally retired and, at his recommendation, the company elected his grandson Lieutenant Henry Ford II to take the helm.[6]

As Henry Ford II assumed leadership and World War II came to an end, Ford Motor Company entered decades of growth: Ford became a publicly traded company in 1956 and expanded its overseas operations, first launched more than 40 years earlier.[7] Despite industry-wide struggles following the 1973 international oil crisis, Ford – along with U.S. competitors General Motors and Chrysler – continued to maintain profitability, withstanding the rise of overseas competition. Its development of the world's bestselling sport utility vehicle, the Explorer (1990) fueled organic growth, and Ford also grew through acquiring brands Aston Martin (1987) and Jaguar (1989), along with part of Mazda (1992).[8]

Despite this appearance of successful growth, industry analysts were nervous about U.S. auto manufacturers' inexperience with instituting large reforms. As the U.S. companies' international market share shrank, they continued to bear extensive costs associated with large factories, workforce, and dealership networks.[9] Wall Street was particularly concerned with Ford and its autocratic culture: much like his grandfather, Henry Ford II led with an iron fist and anxiously guarded the presidency, reshuffling executive positions whenever he felt threatened. Some reports even indicated Ford's use of wiretaps to record employee conversations, creating an atmosphere of mistrust and fear within the company.[10]

When Henry Ford II retired in 1980, Philip Caldwell became the first non-Ford to take over the company, giving rise to a succession of several non-family leaders. By the end of the 1990s, however, after nearly two decades of disputes between these leaders and the Ford family, the family endeavored to reinstate a Ford heir to lead the company. The top choice: 41-year-old William (Bill) Clay Ford, a graduate of Princeton University and Massachusetts Institute of Technology. After graduation, Bill enthusiastically served a variety of positions at Ford, from product planning analyst to head of Ford Switzerland. In 1999, however, he was considered too inexperienced to lead the entire company. As a solution, Ford's board of directors divided the position of chairman-CEO into separate entities; Bill would take over as chairman, and the position of CEO would go to Jacques Nasser, former European VP of Ford Automotive Operations.[11]

Signs of Trouble

While the pairing was intended to complement Bill Ford's passion with Nasser's experience, the two men differed in fundamental ways. Ford enjoyed mingling with factory workers, insisted on driving himself to work, and was an ardent environmentalist. Meanwhile, Nasser's rise from a poor immigrant childhood had fostered high-class taste, fiscal stringency, and a steely, unflinching character.[12]

CEO Jacques Nasser

As Nasser took over the role of CEO, his financial discipline seemed to vanish. He modeled his strategy on that of General Electric, which had recently shifted its focus from appliances to financial services. Nasser believed Ford would similarly benefit from building a "house of brands,"[13] and began a large acquisition process that included taking over a chain of auto repair shops, investing in deals with Microsoft, Hewlett-Packard, and Yahoo!, and creating a Ford luxury segment by purchasing Land Rover and Volvo.[14]

Within the company headquarters, Nasser's exacting personality began to take its toll. He was known for intolerance of opposition, to which he would simply raise his hand and reply, "If you don't agree with it, I've got somebody from HR who will work out your retirement."[15] He instituted a new performance evaluation system that rated employees based on complex metrics little understood by the employees themselves. Many managers resigned and general morale suffered. Soon, Ford's declining product quality, design flaws, and unprecedented delays further threatened morale. In addition, a series of accidents in 2000 involving Ford Explorers with defective Firestone tires damaged the company's safety reputation. Ford's finances suffered and its credit rating was downgraded.[16]

CEO Bill Ford

Alarmed that Nasser was rapidly dismantling the company, Bill Ford appealed to his family and the board directors to dismiss Nasser and permit him take over as CEO. He received their approval and, on October 30, 2001, took full control of Ford Motor. Immediately, he worked to eliminate the company's financial troubles by closing five factories, eliminating 21,000 jobs, and cutting ostentatious spending by executives.[17] He also increased product spending, pushed for quality improvements, and attempted to remedy the stifling internal culture of mistrust.

Unfortunately, Ford's best efforts were up against a series of sizable challenges. The September 11, 2001, terrorist attacks on New York City had greatly damaged the U.S. economy, a strain that was resoundingly felt throughout the auto industry. In addition, the industry faced fierce competition from overseas carmakers, who benefited from cheap labor and were gaining notice for their quality and design improvements. In comparison, Ford's products were beginning to look "boring and uncompetitive."[18] By 2006, Japanese carmaker Toyota was threatening to displace Ford from its second-place position in terms of U.S. sales.[19]

In addition, Ford was struggling to maintain its historically positive relationship with the United Auto Workers (UAW), the union that had represented its labor force for over 60 years. As Ford worked to downsize nearly 40,000 extraneous factory workers, the UAW mounted costly strikes at company factories and headquarters, protesting to safeguard jobs, retiree benefits[a], and jobs bank programs.[20] Meanwhile, Ford's leading suppliers were equally frustrated with the company's constant delays and last-minute design changes, rating it the one of the worst automakers to do business with.[21] Its dealers echoed the sentiment, resenting that Ford's lack of innovative products left their showrooms dismally uninspiring.

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[a] Retiree benefits programs guaranteed employees lifetime benefits, while jobs bank programs provided laid-off workers both wages and benefits while they awaited new employment. As a result, U.S. worker costs were nearly $15 an hour higher than that of their foreign counterparts (source: NPR.org).

The Next CEO?

With all of these widespread challenges, Bill Ford quickly realized that he desperately needed assistance. Many executives had exited the company, leaving him with too many additional responsibilities. This time, however, he was determined to look outside of the company for someone with a fresh perspective and a character untouched by Ford's toxic culture. In 2003, Ford's director of human resources began suggesting candidates, many of whom worked for competitors. Unfortunately, these candidates were either reluctant to take on Ford's mounting problems or requested too much immediate control. In 2005, Ford was still looking for a match.[22]

In the meantime, Bill Ford decided to attempt a restructuring of the company's North American business, which was struggling more than its overseas operations, and appointed rising star Mark Fields to spearhead the transformation. Fields, who had previously headed Ford of Europe, developed a program he called "The Way Forward," which aimed to cut $6 billion in material costs and reduce manufacturing capacity by 26%.[23] This meant closing idle plants, eliminating nearly 30,000 factory jobs, and reducing the number of platforms[b] upon which Ford cars were built. Fields also insisted that Ford's production meet actual demand.

"The Way Forward" was a good start, but its centerpiece was a massive cost-cutting effort that depended on the stability of all external factors. Unfortunately, oil prices continued to rise, matched by a rapid increase in the cost of raw materials. Fields was also constrained by his inability to execute changes overseas – a result of Ford's fragmented global organization – and he received superficial support at home from executives more fearful for their jobs than for the health of the company.[24] By 2006, the internal forecasts seemed bleak for Ford: the company's debt was considered "junk," its stock was priced at $8.39, having dropped more than 50% since 2004 when it was priced at $17.34, and it anticipated a $17 billion loss in profit.[25] When the board of directors asked Bill Ford to consider looking into bankruptcy, he knew the company needed a true metamorphosis. The person he had in mind was Alan Mulally.

Alan Mulally

In 2006, Alan Mulally had been best known for his transformation of the American aerospace corporation, Boeing. After a difficult blow following the 2001 terrorist attacks, the airline industry suffered from steep financial losses and necessary downsizing. Rather than follow suit, Mulally took the opportunity to change Boeing into a leaner, more profitable company. His strategy centered on the successful introduction of the Boeing 777 and – most importantly – on the institution a new policy of collaboration and transparency, which he called Working Together.[26] Through this initiative, top leaders were required to meet each week to discuss progress and expose roadblocks.

When Mulally received Bill Ford's invitation to take over the suffering automaker, he initially wavered at the thought of leaving Boeing. The task of reviving such a large corporation, let alone in a completely different industry, was incredibly daunting. If he accepted the job at Ford and failed, no one would remember his legacy at Boeing. But he realized that Ford had great potential; what it lacked was a leader who could guide and inspire its people.[27] After weeks of deliberation and countless meetings with Ford executives, Mulally agreed to bring his turnaround experience to Dearborn, Michigan.

[b] In the auto industry, a platform was the basic structure upon which a vehicle was constructed. Platforms were often shared between distinct models and brands, increasing the efficiency with which cars were designed and built. (Source: ask.cars.com).

The transition was predictably bumpy. Mulally's energetic, jovial personality was a conspicuous departure from the "tough guy" culture of the auto industry. A native Kansan, Mulally resembled an older version of Richie Cunningham, the wholesome protagonist on the television sitcom, *Happy Days*.[28] The *Seattle Times* called him "Mr. Nice Guy."[29] His speech was interspersed with words like "neat," "cool," and "absolutely!"[30] (See **Exhibit 5**). Many at Ford resented the presence of an industry outsider, believing that Mulally's appointment reflected Bill Ford's lack of confidence in his current team. More importantly, they soon found out that Mulally's plans extended far beyond the usual cost cutting and business restructuring.

"One Ford"

Mulally got to work immediately, taking out a $23.6 billion loan – for which the company mortgaged most of its assets – and laying the groundwork for a vision that would refocus the brand and bring employees together.[31] He called his plan "One Ford," and it could be distilled down to four simply-worded points:

1. Aggressively restructure to operate profitably at the current demand and changing model mix.

2. Accelerate development of new products our customers want and value.

3. Finance our plan and improve our balance sheet.

4. Work together effectively as one team.[32]

Mulally would emphasize these points repeatedly in meetings and speeches. The plan was informed by his interviews of Ford insiders, including the board, conducted well before his first day on the job, conversations with professionals in the automobile industry, finance and consulting, and "what I learned during my nearly 40 years at Boeing."[33] The plan was summarized on two sides of a single card, which was given to every employee and business partner (See **Exhibit 6**). The card described a set of expected behaviors for employees, using the acronym FORD: "Foster functional and technical excellence," "Own working together," "Role model Ford values," and "Deliver results." By widely distributing these throughout the company, Mulally intended to spread the word that changes were underway at Ford.[34]

Mulally's vision for Ford was "People working together as a lean global enterprise for automotive leadership." Mulally kept these words written on an old Ford advertisement from 1925, titled, "Opening the Highways to All Mankind", which exhibited Henry Ford's vision to produce cars with value for the masses.[35]

Getting Back to Ford

Mulally believed that Ford had strayed from its identity. For customers to once again believe in the "Blue Oval," the company needed to simplify and refocus the company's product offerings. To this end, Mulally planned a slow divestiture of brands other than Ford (Aston Martin, Mercury, Jaguar, Land Rover, and Volvo), making Ford the only top auto company to rely on one single brand. In a later interview, Mulally reflected,

> The company had to have focus. 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. It was a question of 'What did Ford stand for? What do people think of when they see Ford's blue oval? Do they think of us as a house of brands, or do

they understand that they're going to get a complete family of best-in-class vehicles that are also affordable?'[36]

He also directed an increase in Ford's vehicle class selection, a strategic response to the growing U.S. consumer interest in smaller Asian cars. Ford products would once again reflect what customers *really* wanted: fuel efficiency, safety, reduced emissions, and exciting designs.[37]

On the production side, Mulally mandated an increase in Ford's manufacturing productivity, which was trailing behind that of its Asian competitors, like Toyota and Mazda. Considering their system of "continually improving the quality, putting the variations into the product line that people want and doing it with minimum resources and minimum time", Mulally said that this "is absolutely where we want to go. If you look at Ford, it's the antithesis."[38] For example, a customer buying a 2007 Ford Mustang V-6 Deluxe model could choose from 16,000 different combinations of colors, upholstery, and features.[39] Maintaining all those alternative offerings put a great strain on Ford's factories, designers, engineers, and suppliers, in addition to hindering achieving economies of scale. Mulally advised the sales and marketing teams to keep the most popular alternatives; by the launch of the next version of the Mustang, the number of buildable combinations was reduced to just 200.[40]

To maximize Ford's global assets and resources, Mulally instructed the design and engineering teams to increase international product development using more common parts and vehicle platforms across national boundaries.[41] Before Mulally's arrival, Ford was simultaneously developing two distinctly different designs: one in North America that focused on chunky, chrome-heavy designs and another in Europe that highlighted curves and fluid shapes. At Mulally's suggestion to "pick one," Derrick Kuzak, Ford's new global product development chief, decided on the fluid design.[42] Centering on a common design streamlined the production process and illuminated Ford's brand, consistent with Mulally vision that a Ford would be instantly recognizable as a Ford anywhere in the world.[43]

Instituting Transparency & Accountability

In addition to these sweeping changes on the ground, Mulally needed to battle the politics plaguing the top of the corporate ladder. The best place to start was to eliminate the countless executive meetings that paralyzed his calendar, lasting for hours and providing very little value. To his dismay, he found that these meetings painted a confusing picture of where Ford actually stood, as executives presented different data and metrics for different audiences. In addition, executives were unable to answer his probing questions without guidance from their subordinates. What this company needed, Mulally believed, was knowledge, transparency, and honesty, not meetings showcasing only the superficial aspects of the business.[44]

Mulally promptly restructured the meeting format, instituting a strategy that had succeeded during the Boeing turnaround: a once-a-week, global business plan review (BPR) with mandatory attendance for the leaders of Ford's four global profit centers and for its 12 functional heads. The main motivation for BPRs was to present Ford's worldwide executives with *one* cohesive, comprehensive picture of the company's status. All attending executives were expected to deliver succinct status reports related to the overarching turnaround strategy; any issues necessitating special attention would be discussed in a separate special attention review (SAR) session immediately afterwards.[45]

During the first BPR, Mulally introduced ground rules and norms such as, "people first", "everyone is included", "facts and data", "respect, listen, help, and appreciate each other", and "have fun… enjoy the journey and each other."[46] In addition, executives, rather than their subordinates, would be responsible for their own presentations. They should know their area inside and out, Mulally reminded them. He said to the group, "You're welcome to bring guests but they won't be allowed to speak or answer questions. If you don't know the answer to something, that's okay, because we'll all be here again next week. And I *know* you will know it then."[47] Underlying these rules were a few additional specifics: no side discussions, no jokes at another's expense, and no Blackberrys. The rule on Blackberrys proved to be particularly onerous for the executive team, as most carried them and were often glued to them during meetings. This was disrespectful to whomever was speaking, Mulally told them.

Another purpose of BPRs was issue surfacing. To this end, Mulally instituted a very simple system: color-coding. From now on, all information was to be displayed either in green, yellow, or red, indicating whether goals were on track (green), improving (yellow), or stalled (red). This system ensured that no issue went unnoticed. In addition, slides would be presented as a series of straightforward tables, charts, and graphs, encouraging greater efficiency and accuracy in delivering important information. "The data sets you free," Mulally told the team with a smile.[48] By emphasizing reality and dealing with it, Mulally believed, the company could finally start actively managing problems rather than frantically managing secrets.[49] "Can you imagine the accountability? You come to the table and you were red on the launch of something last week, and you say to the rest of the team, 'I'm really sorry, I was really busy last week," Mulally exclaimed in a later interview. "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."[50]

Streamlining the Leadership Structure

Believing that former CEO Bill Ford had been too sheltered from his team, Mulally mandated that senior executives and heads of global functions report directly to him, cutting out intermediate levels of bureaucracy such as the chief-of-staff role. The new, simplified leadership structure consisted of heads of the company's profit centers (plus Ford Credit) and Ford's 12 functional areas, including heads of communication and technology, who had been never been part of the leadership team.[51]

He similarly reorganized the global company’s structure, which had previously featured unclear leadership streams across business units and functional areas. Mulally instituted a matrix structure where business leaders relayed information to *both* the regional unit and the global organization, allowing for more comprehensive knowledge at all levels of the company.[52]

Explaining the importance of corporate realignment in an email to all employees, Mulally wrote, "Working together to make the most of our global talent and resources is critical to our success. I know I can count on you to join me in supporting the leadership team during this transition. This is a great company. This is a terrific team. We have the right leaders. Together, we can do this!"[53]

Engaging Frontline Employees

In addition to increasing communication at the top, Mulally proactively incorporated himself into the work on the ground. He traded the executive dining room for the employee cafeteria, using his lunch breaks for conversations with accountants and sales analysts. Mulally visited dealerships and posed as a car salesman, hoping to gain a better understanding of the dealer experience. He also visited Ford factories and chatted with workers, asking for their honest feedback and suggestions on process improvement. Each month, he ensured that employees received a Ford progress report containing detailed updates on the state of the company. Employees who previously did not have an outlet to upward-communicate about inefficiencies in their departments or shortcomings in Ford's business strategy now had somebody who was willing to listen. Mulally was inundated with emails but personally answered every message, often dotting his responses with smiley faces.[54]

Everything Mulally did seemed utterly unorthodox in an industry that celebrated power and privilege. Nonetheless, Mulally took his role as "cheerleader in chief" seriously.[55] In an all-employee email just two weeks after joining Ford, Mulally wrote, "It wouldn't take anyone very long to realize that Ford people are winners by nature. … As demoralizing as a slide down may be, the ride back is infinitely more exhilarating. … Everyone loves a comeback story. Let's work together to write the best one ever."[56]

Overcoming Challenges

As expected, Mulally's One Ford program initially faced strong opposition – both from within and outside the company.

Where's the Red?

Though Mulally had emphasized that BPRs and his color-coding system were key to Ford's progress ("*You're* not red, the *issue* is red!" he would say), many executives feared it was simply a ploy to root out failure.[57] For over a month since instituting the BPRs in September, all the charts remained a cheerful green, despite Ford's expected $17 billion loss. Disappointed, Mulally stopped a meeting in late October abruptly, saying, "We're going to lose billions of dollars this year. Is there anything that's *not* going well here?"[58]

The following week, Mark Fields courageously revealed, through a series of red slides, that an upcoming launch of the new Ford Edge was badly sidetracked. The Edge was going to be Ford's next "big thing." Production had already begun at the company's factory in Oakville, Ontario, but a test driver reported a grinding noise coming from the suspension and the technicians were unable to figure out what was causing the problem. The launch would need to be delayed. The room fell silent as participants held their breath, anticipating Mulally's negative reaction. To their surprise, Mulally began to clap, thrilled that someone finally spoke up with a problem. "Mark, this is great visibility. Who can help Mark with this?" he asked the room.[59]

After overcoming their initial shock, Ford executives volunteered their expertise, sharing prior experience with similar issues. Bennie Fowler, Ford's quality chief, said he had seen a similar problem in another launch completed six months ago and that he would send some of his quality experts to Oakville. Tony Brown, Ford's vice president in charge of purchasing, said he would contact suppliers and ask them to check their components. Joe Hinrichs, head of manufacturing, offered to send manufacturing engineers who would be able to fix the problem once it was identified. This entire exchange took 12 seconds.[60] With everyone offering ideas and solutions, the problem was resolved and the Ford Edge began shipping in early December.

When the team reconvened the following week, however, Fields was still the only one with charts splattered with red. The rest came with green charts, some surprised to see Fields at the meeting, having expected him to be dismissed from his job later, behind the scenes. Eventually, when they understood that Fields did not suffer any negative consequences for sharing bad news, they started to share slides covered in red and yellow. Surfacing inefficiencies, they realized, was actually possible. BPR-style sessions began spreading throughout Ford departments, presenting a contrast from the company's long-standing culture of fear. As for those unable to see the value in the weekly ritual, Mulally believed they would simply self-select out.

United Auto Workers

In spite of Mulally's energetic employee communication strategy, over half of Ford workers were highly pessimistic about the company's future, claiming that they were "not buying into Mulally's revolution."[61] Most critically, they feared that Mulally would incorporate his Boeing job-cut strategy at Ford and had reacted unfavorably to a recent layoff announcement. To make matters worse, Ford had recently disclosed that Mulally's four-month bonus totaled $18.5 million, prompting an outcry throughout the factory floors.[62]

Gaining worker trust and cooperation was critical. Unlike his experience in the aerospace industry, Mulally needed UAW cooperation to institute meaningful changes at Ford. Factory closings, for example, necessitated UAW approval. In addition, factory contracts stipulated that workers could only fulfill duties explicitly outlined in their job description – an obstacle for Ford's transition to flexible manufacturing. Ford desperately needed a more competitive cost structure, but couldn't extricate itself from expensive retiree benefits and jobs bank programs. Mulally needed to convince the UAW that this system was unsustainable – and that if Ford failed, they would *all* lose their jobs and benefits.

Mulally once again relied on communication and data. During his negotiation meetings with UAW leadership, he provided key metrics for each of the company's factories (quality, safety, and productivity) in comparison to those of main competitors. These data clearly implied that Ford's deficiencies would soon force Mulally to transfer jobs to Mexico, a course of action he genuinely wished to avoid.[63] With the UAW's help, he explained, Ford could create solutions beneficial for everyone. While workers were troubled by their limited options, they were nonetheless grateful for this unprecedented level of insight and access to data. The UAW leaders agreed to modify buyout packages, restructure retiree benefits, and modify the jobs bank program.[c]

Economic Crisis

As Mulally's One Ford vision took shape, the United States was witnessing the rapid unraveling of the subprime mortgage market, which in 2008 caused dangerous ripples throughout the country's economy. The crisis particularly harmed the auto industry, as customers approached large financial investments with a more conservative attitude. In addition, many potential buyers were unable to obtain necessary loans. For Ford, it was a renewed time of crisis.

Most concerning to Mulally, both General Motors and Chrysler announced that their struggling finances were pushing them towards bankruptcy. Due to the industry's inherently interdependent nature, either company's failure would harm Ford. All three auto companies procured parts from the same suppliers; if either General Motors or Chrysler were to fail, these suppliers would lose one third of their revenue and also be at risk of bankruptcy.[64] In December 2008, Mulally testified before the U.S. Congress to request bailouts for Ford's competitors, a move he hoped would save the ailing industry. After much deliberation, the measure was approved, and, in January 2009, General Motors and Chrysler received $24.9 billion in operating funds.[65]

Though many deemed the bailout an unfair advantage for Ford's competitors, Mulally believed it placed Ford in an advantageous position. Throughout the crisis, Ford singularly maintained its vigorous investments in new product development, following through on its plan to design cars that customers truly wanted. The company also boosted its investments in quality improvements,

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[c] Under the new agreement, retiree health benefits were transferred to a trust managed by the UAW.

instituting a global computer system throughout its factories that closely tracked quality issues and permitted their immediate resolution.[66]

Perhaps more importantly, Mulally's appeal on Capitol Hill had invigorated customers, who were humbled by the company's sacrifice and thankful for its refusal to partake in the bailout. The sentiment resonated throughout Ford dealerships, which witnessed a surge in customer visits, and on Wall Street, where shares of Ford stock increased for the first time in years.

Back on Track

By 2012, the Ford Motor Company was cautiously celebrating a victorious rise back to the top. Customers were increasingly purchasing Ford products, and sales were on a healthy rise. Ford products were once again gaining recognition; global market research company J.D. Power ranked the Ford F-150 one of the highest quality cars of 2011, and U.S. News ranked the Ford Fiesta, Focus, Fusion, and Taurus among the best 2012 models.[67] Meanwhile, the U.S. Environmental Protection Agency certified the 2012 Ford Fusion Electric as the most fuel-efficient five-passenger vehicle in America.[68]

In addition to these external accomplishments, Mulally also rejoiced at the company's internal transformation. For the first time in the automaker's history, all senior executives were working together as a team, offering ideas as well as personnel and resources to help one another. They no longer tried to conceal the true extent of problems or blame them on others, but routinely presented data and collectively brainstormed solutions. Moreover, Mulally's inclusive and data-driven approach trickled down to lower levels of the company: every department now held its own weekly BPRs. Employees felt more positive; executives referred to their coworkers as "The Team," and the UAW agreed to a four-year contract with Ford. Mulally's approach of truth and reality had permeated the company from the top down, and had enabled Ford's remarkable turnaround. Jim Cramer, host of CNBC's *Mad Money* praised Mulally as, "the greatest turnaround artist of all time – not *our* time, *all* time. The guy has already worked his turnaround magic at Boeing, and now at Ford he's taken a laggard and turned it into an industry leader!"[69]

Despite these great successes, however, the company still had large hurdles to overcome: the 2008 domestic financial crisis had translated into massive turmoil overseas, and General Motors had once again regained its position as the world's largest automaker.[70] In addition, Ford needed to continue propelling its production of innovative, high-quality products. Could Ford keep its momentum now that the storm had settled? And what would happen to Ford after Mulally's eventual departure? Could the cultural changes outlast the cultural figure?

Exhibit 1 Ford's Model T (1908) and Ford Focus (2013)

Source: Model T Ford, https://upload.wikimedia.org/wikipedia/commons/a/a5/Model_T_Ford_%2832460978%29.jpg, accessed April 2021. Licensed under Creative Commons Attribution-Share Alike 2.0 Generic license.

Source: 2013 Ford Focus, https://upload.wikimedia.org/wikipedia/commons/f/f3/2013_Ford_Focus_%28LW_II%29_Sport_hatchback_%282015-07-24%29_01.jpg, accessed April 2021. OSX, Public domain, via Wikimedia Commons

Exhibit 2 Ford Motor Company Income Statement, 2000-2011 ($ millions)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenue	136,264	128,954	118,308	146,277	172,455	160,123	177,089	171,652	164,196	163,420	162,412	170,064
Cost of Goods Sold	113,345	104,451	100,016	127,103	142,587	148,869	144,944	135,856	129,821	125,137	129,159	126,120
Gross Profit	22,919	24,503	18,292	19,174	29,868	11,254	32,145	35,796	34,375	38,283	33,253	43,944
SG&A Expense	11,578	11,909	13,258	21,430	21,169	19,180	24,652	23,903	23,902	25,150	-	-
Income Before Taxes	8,681	7,149	3,026	(14,404)	(3,746)	(15,051)	1,996	4,853	1,370	953	(7,584)	8,234
Income Taxes	(11,541)	592	69	63	(1,294)	(2,646)	(512)	937	135	302	(2,151)	2,705
Net Income After Taxes	20,222	6,557	2,957	(14,467)	(2,452)	(12,405)	2,508	3,916	1,235	651	(5,433)	5,529
Total Net Income	20,213	6,561	2,717	(14,672)	(2,723)	(12,613)	2,024	3,487	495	(980)	(5,453)	3,467

Source: Casewriter, based on Ford Motor Company Annual Reports 2000-2011.

Exhibit 3 Ford Motor Company Cash Flow Statement, 2000-2011 ($ millions)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Cash and Cash Equivalents at the Beginning of the Year	14,805	20,894	22,049	35,283	28,896	28,406	22,831	23,208	12,221	7,197	4,851	4,381
Net Cash Provided in Operating Activities	9,784	11,477	16,042	(179)	17,074	9,609	21,674	24,514	20,195	18,633	22,764	33,764
Net Cash Provided by Investing Activities	(3,041)	6,908	6,469	(3,143)	(6,483)	(24,864)	7,457	(14,851)	(6,325)	(3,620)	(17,169)	(36,151)
Net Cash Provided by Financing Activities	(4,241)	(24,421)	(22,959)	(9,104)	(5,242)	15,273	(20,651)	(9,865)	(5,132)	(10,333)	(2,976)	3.771
Net Increase/Decrease in Cash and Cash Equivalents	2,343	(6,089)	(608)	(13,234)	6,389	484	7,989	303	9,549	5,053	2,367	470
Cash and Cash Equivalents	17,148	14,805	21,441	22,049	35,283	28,894	31,499	23,511	21,770	12,250	7,218	4,851

Source: Casewriter, based on Ford Motor Company Annual Reports 2000-2011.

Exhibit 4 Ford Motor Company Balance Sheet, 2000-2011 ($ millions)

Assets	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Cash	17,148	14,805	21,441	22,049	35,283	28,894	31,499	23,511	21,770	12,250	7,218	4,851
Net Receivables	78,541	77,458	84,583	99,557	117,263	114,645	114,497	116,720	113,614	99,095	116,608	134,073
Inventories Assets	5,901	5,917	5,450	8,618	10,121	11,578	10,271	10,766	9,181	6,980	6,191	7,514
Other Current Assets	31,456	32,440	38,657	17,411	49,423	57,552	39,563	51,494	62,415	75,944	79,128	65,844
Total Current Assets	133,046	130,620	150,131	147,635	212,090	212,669	195,830	202,491	206,980	194,269	209,145	212,282
Net Fixed Assets	22,371	23,179	24,778	28,565	36,239	38,505	40,707	44,551	43,598	37,935	33,121	37,508
Other Noncurrent Assets	22,931	10,888	19,941	42,128	30,935	27,380	32,939	45,612	54,016	57,153	34,277	34,631
Total Assets ($ Million)	178,348	164,687	194,850	218,328	279,264	278,554	269,476	292,654	304,594	289,357	276,543	284,421
Liabilities												
Current Liabilities												
Accounts Payable	17,724	16,362	14,594	14,772	20,832	23,549	22,813	21,489	20,420	18,981	23,349	24,383
Short-Term Debt	17,629	15,456	17,714	21,759	28,275	27,676	33,313	66,433	60,053	42,086	46,579	66,669
Other Current Liabilities	15,003	17,065	18,465	32,395	27,672	28,995	28,733	33,573	32,171	27,644	23,990	23,515
Total Current Liabilities	50,356	48,883	50,773	68,926	76,779	80,220	84,859	121,495	112,644	88,711	93,918	114,567
Long-Term Debt	82,060	88,733	115,373	132,929	140,255	144,373	121,019	106,540	119,751	120,136	120,758	98,887
Other Noncurrent Liabilities	30,861	27,713	35,219	33,784	56,602	57,426	50,641	48,574	60,548	74,920	54,081	52,357
Total Liabilities	163,277	165,329	201,365	235,639	273,636	282,019	256,519	276,609	292,943	283,767	268,757	265,811
Shareholder's Equity												
Total Equity	15,071	(642)	(6,515)	(17,311)	5,628	(3,465)	12,957	16,045	11,651	5,590	7,786	18,610
Shares Outstanding	3,816	3,778	3,337	2,412	2,195	1,908	1,908	1,908	1,908	1,908	1,908	1,908

Source: Casewriter, based on Ford Motor Company Annual Reports 2000-2011.

Exhibit 5 Alan Mulally: A Departure from Ford's "Tough Guy" Culture

Source: FMC-UAW agreement, https://commons.wikimedia.org/wiki/File:FMC-UAW_agreement,_2007.jpg, accessed April 2021. Licensed under Creative Commons Attribution-Share Alike 2.0 Generic license.

Exhibit 6 One Ford: One Team, One Plan, One Goal

To reinforce his vision of a unified One Ford program, Mulally created business cards with the program's values displayed on the front and expected behaviors on the back. He distributed these throughout the company, intent on spreading the word that changes were underway at Ford.

Source: One Ford Strategy, https://www.slideshare.net/scottmonty/one-ford-strategy/1, accessed April 2021. Licensed under Creative Commons Attribution 4.0 International (CC BY 4.0) license.

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