

# Alan R. Mulally is AW&ST's Person of the Year

Michael Mecham and Anthony L. Velocci, Jr. (Dearborn, Mich.) January 01, 2007



Credit: TOM WOJNOWSKI

Not many executives are called upon to play a pivotal role in saving one American icon, let alone two. Alan Mulally has been, first as the leader of Boeing Commercial Airplanes and, now, as chief executive of Ford Motor Co.

He amusingly recalls his mother's reaction to his sudden corporate move here in September: "But Alan, you're an airplane guy."

However, the move made sense to many who know him, including former Boeing Vice President Walt Gillette, who recalled the young Alan who joined Boeing in 1969 fresh out of the University of Kansas as inquisitive, enthusiastic and especially good at organizing work groups.

"He enjoys a challenge," says Gillette, who retired earlier this year after bringing his own expertise in large-scale integrated systems to the task of fulfilling Mulally's vision of global manufacturing partnerships for the 787.

No one at Boeing would dispute Mulally's love of a challenge, but the move to Ford was a stunner. And he took some ribbing for it, especially from Scott Carson, whom Mulally tapped in 2004 to rejuvenate Boeing's sales. "I'm a car guy," says Carson, who is now president and CEO of Boeing Commercial Airplanes (BCA). "I love fast cars. I have a Ford Mustang with a big supercharger on it--a Shelby Cobra. So Alan asks, 'What kind of car is that?'

"That's a Ford, Alan."

From the time he arrived in Seattle, Alan R. Mulally's ambition kept him on the fast track of [Boeing's](#) new aircraft programs. The now-61-year-old aeronautical engineer had been chief executive of BCA for just six months when the Sept. 11 attacks cast a pall over airplane sales prospects in 2001. But even as he downsized [Boeing's](#) employment, facilities and product mix, Mulally was overseeing the update of two models and introduction of the 21st century's first big airplane success story. His zeal for management--the relentless focus on planning, production and embracing everyone as a team member--has gone well beyond the disciplines of lean manufacturing and continuous product improvement. Mulally made [Boeing's](#) vision a global enterprise and, in the process, has set standards for industrial relations in the aviation industry that are widely admired. And for that, he is Aviation Week's 2006 Person of the Year.

Long accustomed to dominating commercial aviation, [Boeing](#) saw its customary sales lead slip away in 1999. The company recaptured it in 2000, but then lost it to Airbus until last year, when [Boeing's](#) advance across its whole product range was accompanied by an Airbus retreat in all but the single-aisle market.

As it merged with McDonnell Douglas in 1997, [Boeing](#) abandoned a market-share strategy to focus on producing airplanes that were sales successes. Mulally quickly whittled down [Boeing's](#) lineup, eliminating the poor sellers from the McDonnell Douglas stable, but also pulling the plug on some of [Boeing's](#) best-known aircraft that were past their prime.

As a result, [Boeing](#) now has three main aircraft families, the 737, 777 and upcoming 787. Each distinguished itself this past year: the 737 by introducing the -900ER--a long-range, growth version--to counter Airbus's A321; the 777 by dominating sales in the heavy-lift portion of the mid-size market segment, and the 787 by posting an order book so strong it has forced Airbus to abandon a me-too response and completely

revamp its competitor, the A350.

Most recently, [Boeing](#) added the 747-8, the third-generation of the world's first widebody, launched in a passenger version in December with Lufthansa's order for 20. That venerable aircraft's evolution illustrates a cold-eyed truth at [Boeing](#). It knows when to move on.

"You want to be the one that kills your cash cow," explains Gillette. "You never want somebody else to do it." The 747 had been [Boeing's](#) cash cow for three decades. But the company shuffled the second-generation 747-400 off center stage after the Mulally-led 777 family became a more economical and competitive option.

Eleven years after its entry into service, the 777 recorded its 600th delivery last month, a milestone it reached faster than any other twin-aisle aircraft.

As Airbus emphasized seating size, [Boeing](#) concentrated on the middle market. It was willing to wait 10 years for advances in engine technology to build a third-generation 747 for the ultra-large market. Powered by the General Electric GEnx, the 747-8 isn't going to change the world the way the original did. But for Mulally, that was OK. [Boeing](#) expects to find profits in the 747-8, but regards sales of 450-plus-seat aircraft as only a niche market.

However, Mulally's leadership has meant more to [Boeing](#) than just finding the right product mix. He helped it weather two crises. The first was of [Boeing's](#) own making--its disastrous production ramp-up in the late 1990s that broke its supply chain. The second was beyond the company's control--the 9/11 terrorist attacks that wracked the airline industry.

He is a man of maxims, so much so that a colleague once strung enough of them together to make a 20-min. speech. But there is a purpose, says Gillette. In hard times, Mulally admonishes: "It's not over 'til its over. Never panic." When trouble arises, he emphasizes keeping the vision in sight: "Find a way." Another favorite: "There is no status quo, it's always changing--you have to keep your eyes wide open."

With keen foresight, Mulally was the most forceful executive to advocate that [Boeing](#) plunge into the digital revolution. Other industries were gaining headway with electronic collaboration in the late 1980s, but [Boeing](#) was the only one making products requiring four million parts. The company has embraced the digital and Internet revolutions so thoroughly that it is now a model of global enterprise in heavy manufacturing.

The Mulally-led transformation is so remarkable that the term "original equipment manufacturer" is now outdated; "original equipment supplier" is more apt. [Boeing's](#) reliance on suppliers for major assemblies can be traced to the 747 program. But they worked to [Boeing](#) specifications. Today's collaborators are helping to write the specs.

"Everybody has an image of a great aircraft designer who comes up with a brilliant concept all by himself and the end product is a new airplane," mused former [Boeing](#) CEO Philip Condit, who initiated the 777 revolution with Mulally as its chief engineer. "But the way it really works . . . is that many people play an important part in that process. Alan's legacy is his inspirational leadership to get a lot of people to accomplish the very complex job of designing and building a new aircraft. And, as our friends in Toulouse found out, if everybody isn't working together you're not going to get the desired result."

There's that phrase again: Working Together. Condit introduced it, but it is most closely associated with Mulally.

"I first remember Alan when he took over the [777] program and started this 'Working Together,'" says Chuck Chadwell, former head of commercial engines at General Electric, who led the effort that resulted in the GE90 being named sole source on the 777-300ER/-200LR and assured that the CFM56 remained sole source on the 737 Next Generation. "Lots of those things tend to be a slogan-of-the-month. In Alan's case, he said 'That's a better way to go.' He's a good product guy. He was looking for the best solution for the program. Treating suppliers like they're the enemy may not get you the best product out the door."

The Working Together mantra went far beyond suppliers. Just as important was what it did within [Boeing](#). Engineers and production people no longer worked in isolation. They were put on teams to ensure that the 777's design was one that lent itself to efficient manufacturing, too.

The fault lines of [Boeing's](#) old business practices first appeared to Mulally when he managed 7J7 engineering. [Boeing](#) expected that the airplane, an early collaboration with the Japanese, would excite the industry as an "efficient" 150-seat replacement for the 727. But airlines simply weren't interested. "There was a little bit of a complacent attitude toward customer requirements in those days," recalls Tom Captain, a senior partner at consultant Deloitte Touche, who has followed [Boeing](#) for 26 years.

Says Mulally, "That's when we decided that if we were going to compete, we needed everybody" to work together. [Boeing's](#) command-and-control style was on the way out.

In his trademark Thursday business plan reviews, issues were characterized as "green," "yellow" or "red." Mulally insisted on rapt attention to the speaker. Every contribution was to be heard, all problems were to be aired.

This insistence on transparency applies to suppliers as well. Mulally made James McNerney, who, in 2005, would become his boss as CEO and chairman of [Boeing](#), pledge to reveal any problems with the GE90 when McNerney headed GE's engine division.

Mention engines and Mulally spins stories. "At one point on the 777, every engine on our 'stoplight charts' was 'red.' They were blowing up," he says. "Well, you gotta find a way. So it's risky, but it's measured risk-taking. It's thoughtful and it's manageable."

He also insists that people not feel threatened for pointing out glitches. "I'm not the problem. I've got a problem," he says. "You have to make it safe to be 'red' or 'yellow.' The minute you intimidate somebody, [or] make it personal, then what color is it going to be next week? 'Green.' Green because we're human beings and we're not going to be victims and we're not going to be abused."

Rockwell Collins Chairman and CEO Clay Jones testifies to the power of that management strategy. In 1995, after Jones had just become Collins's general manager, he met Mulally for the first time. Its 777 program had cost overruns and its components were behind schedule. "We probably deserved to be roughed up a bit," he says.

"But he didn't beat me up. He was appreciative of my candor and incredibly encouraging."

Heartened, Jones told his employees, "Hey, if we do better these people will give us a chance to get back in their good graces."

Says Jones, the [Boeing](#) experience helped transform Rockwell Collins, allowing it to capture a major piece of the 787's development program.

From his perspective, [Boeing](#) was just getting started with the 777. "I think the 777 is when Boeing began talking about Working Together, and the 787 is when Boeing really put [that idea] into action," Jones says. The 787 is "without question the best [commercial] development program I have been associated with in my 11 years at Rockwell Collins."

Following airline suggestions, [Boeing](#) made hundreds of design changes to the 777. Some were practical--large overhead bins--and others drew a laugh. The Japanese complained about the "big bang," which turned out to have nothing to do with astrophysics. It was the sound of toilet seats dropping, which annoyed passengers. [Boeing](#) introduced hydraulically damped seats to quiet things down.

On the 787, [Boeing](#) has pared its supplier base, but integrated the winners more thoroughly into its design and development program. This move represents a major transition for commercial aircraft production, but it's one that seemed a bit fuzzy at first. "The requirements weren't clearly defined," says Hamilton Sundstrand President Dave Hess. "They were very high-level, general requirements. So there was a lot of uncertainty in our bid with respect to the investment required, the cost of things."

He knew the airplane was likely to be a defining enterprise for [Boeing](#) and all who joined it. But his board needed a clear assessment of the risk the company faced.

Hess was attending a fund-raiser at Seattle's Museum of Flight when, as the evening wound down, he found himself with a few minutes alone with Mulally. "We were both standing there in our tuxedos and we kind of drifted on to the 787," he recalls. Hess expressed his unease. "Alan kind of looked me in the eye and said, 'Trust me.'"

"Knowing Alan, and the whole Working Together philosophy and the [Boeing](#) culture, I really listened and took that to heart. It was clearly a factor in our discussion on our final offer and bid."

Hamilton Sundstrand was among the first systems suppliers to become a risk-sharing partner on the new jet and the project has become the largest in its history. So large, that the company built a power integration laboratory in Rockford, Ill., to handle systems integration testing for its equipment and that of other team members.

Boeing's regular supplier-council meetings provide a forum for airing emerging issues. Hess cannot imagine wanting to go back to a top-down OEM-supplier relationship with Boeing.

Mulally's Working Together vision includes "profitable growth" for employees, but the company's workers don't always see it that way. The machinists struck in 2005, emerging with a contract that President Mark Blondin of Machinists Union District 751 characterizes as a major victory. Some things still rankle, though. Boeing's warning that 787 production might leave the Seattle area if others made a better bid was viewed as a direct and unnecessary threat to labor, especially since Boeing was laying off workers in the post-9/11 airline slump.

At the Society of Professional Engineering Employees in America, which represents Boeing's technical and engineering workers, Executive Director Charles Bofferding recalls Mulally as a "charismatic and focused" team leader. But, like the machinists, he says there's an instinctive anti-union feeling at Boeing. He believes that it's centered at the company's Chicago headquarters more than in Seattle.

Employment at Boeing Commercial Airplanes reached 96,200 in the summer of 2001. The terrorist attacks brought massive layoffs. Employment didn't plummet immediately, but by September 2004 it was down to 50,577. However, better times are bringing some workers back. As of last November, BCA had 56,034 employees.

When Boeing and McDonnell Douglas merged in 1997, Mulally was named president of Boeing Information, Space & Defense Systems with the assignment of merging the two company's space and defense businesses. But a year later, he was back, this time as president of BCA, which was in crisis over delivery problems with its 737 program. The task, which ultimately introduced lean manufacturing to BCA, absorbed the majority of Mulally's time for several years.


Says Carson, "He turned around an industry that was foundering in 1998."

Now Chairman Bill Ford has asked him to do the same in Michigan. Mulally said he couldn't resist this plea because, like Boeing, Ford is an industrial icon that's "so important to so many people around the world and I have a chance to use everything I've learned and everything I've done to help turn it around. I found myself becoming more and more excited.

"I don't think one bit about whether it can be done or not," he adds. "I'm focusing on how to do it, to turn it around, to find a way to do it. And if it can't be done, then the assets will go to somebody else. And they should, it's business."

His mother now tells reporters, "Alan's a car man."

Credit: TOM WOJNOWSKI

Mulallydescends a 777-300ER's stairs at the Paris air show in 2005 behind then-Airbus CEO Noel Forgeard (bottom right) among other Airbus executives. One of Airbus's biggest challenges is countering the 777 family's success. (Credit: BOEING)

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