

# Case Study

## Regaining Organizational Health and Vitality

### *Ford Motor Company's Positive Adaption to the Challenges of the Automotive Industry Crisis*

Chris Emmons, Ph.D.

Leaders struggle to keep their organizations alive in rapidly changing environments. This struggle to adapt and survive—the old notion of the survival of the fittest—was clearly illustrated by the players in the automotive industry during the 2008–2010 automotive industry crisis. Ford Motor Company's turnaround is an epic tale of going from the brink of bankruptcy to becoming one of the world's most profitable automakers. Under CEO Alan Mulally, the leadership team captured the value of organizational health. The Ford story offers several examples of leaders learning from relationships and informal knowledge-sharing. By applying these same learning techniques, leaders in any industry can recognize and seize opportunities to improve and sustain superior performance for their organization.

The ability of an organization to regain vitality and deliver superior performance after an industry crisis is the essence of resilience and organizational health. Organizations adapt and survive over the long term by building capacities for resilience and delivery. The concluding chapter of *American Icon* (Hoffman, 2012) described Ford Motor Company as a symbol of American resilience and hypothesized that the Mulally approach of working together and the weekly business plan review was portable to all types of organizations.

The Mulally approach, illustrated through the Ford Motor Company (FMC) story, demonstrates the power of learning from relationships and informal knowledge-sharing. These learning techniques allowed FMC leaders to develop resilience, deliver superior financial and operating performance, and regain organizational health.

The work of De Smet, Schaninger, and Smith (2014) indicates organizational health is determined by an organization's "ability to align around a clear vision, strategy, and culture; to execute with excellence; and to renew the organization's focus over time by responding to market trends." Alan Mulally incorporated all three determinants of organizational health into the



One Ford plan. Mulally began writing this plan after his initial interview with Bill Ford during the plane ride home from Detroit to Seattle on July 30, 2006.

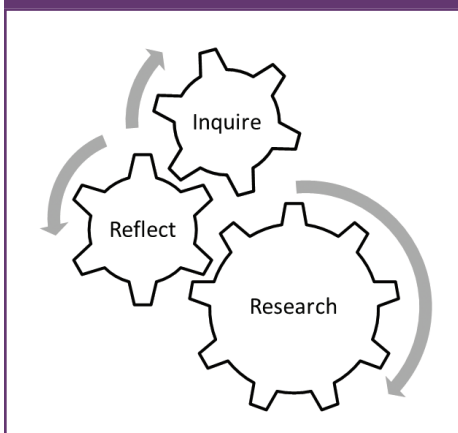
Using a blank piece of notebook paper, Mulally jotted down several words and phrases: performance, product, process, people, leadership counts, too much capacity, downward pricing pressure, great competitors, auto culture, and key financial metrics. Mulally's stream of consciousness began with his goal to make the world's best cars with profitable growth for all. To this day, the goal of One Ford remains "an exciting viable Ford delivering profitable growth for all."

How could Mulally so quickly and accurately define a goal that stands the test of time? After only one meeting, how could Mulally outline the foundation for a plan that delivered superior performance over the long-term and incorporated all three determinants of organizational health? Because Mulally knew the right questions to ask during his initial meeting with Bill Ford.

## Asking the Right Questions

Anyone who interviews for a new job understands the value of learning as much as possible about the challenges facing the organization prior to the initial meeting. Some realize asking good questions during the interview builds on their understanding of the organization and its challenges. Yet few show the level of discipline illustrated by Mulally. Asking the right questions involves three interrelated actions: conducting research, posing inquiries, and reflection (see Exhibit 1).

EXHIBIT 1. FRAMEWORK FOR ASKING THE RIGHT QUESTIONS



Hoffman's 2012 portrayal of Alan Mulally included multiple examples of this executive conducting research, asking questions, and reflecting. When FMC board member John Thornton called Mulally to tell him that Bill Ford wanted to talk to him about running the company, Mulally's first action upon hanging up the telephone was to rally his family. His children searched the Internet and forwarded information about the company and the Ford family to their father. Mulally also conducted his own research to learn everything that he could about FMC and the automotive industry.

During Mulally's initial meeting with Bill Ford, Mulally asked a number of intense questions, including inquiries into the rationale for so many brands, the strength of the dealer network, and why global assets weren't leveraged.

After the meeting, Mulally demonstrated reflection by sitting down at the desk in his hotel room and jotting down concepts from the discussion on a blank piece of paper—about Bill Ford, his home and family, the opportunity at Ford Motor Company, as well as the challenges presented. This process of jotting down concepts and taking time to think allowed Mulally to consider whether moving forward was the right decision for him, which propelled Mulally to the next set of 'right' questions. Was there enough money left to save FMC? Was there enough time for him to make a difference? (Hoffman, 2012)

In this example, research and reflection were primarily individual activities. However, the research would not be accurate or complete without successful inquiry. Not only did Mulally have to be prepared to probe deeper, but Bill Ford also had to be willing and able to answer questions about the challenges FMC faced. This is the essence of a knowledge-sharing relationship.

## Knowledge-Sharing Relationships

Knowledge is an important factor for organizational health. *Knowledge sharing* is a significant tool for building capacities for resilience and the delivery of superior performance. Noted knowledge management authority Larry Prusak argues the key to prosperous organizations is knowledge shared through relationships.

Yet, the emphasis in the phrase knowledge sharing is often on the formal *methods* of sharing knowledge, particularly technological approaches such as stored documents and sponsored networking platforms. The knowledge-sharing literature has predominately focused on the *ability* to share knowledge via technical approaches (Wang & Noe, 2010) with limited consideration of the *inclination* to share knowledge via relationships. Even so, the literature suggests that the technical ability to share knowledge is either diminished or enhanced by the inclination to share knowledge.

Knowledge-sharing relationships are interpersonal relationships defined by the ability and the inclination to share knowledge relevant to organizational performance improvement initiatives. The emphasis in the phrase knowledge-sharing relationships is on *relationships* and the informal nature of the knowledge sharing that occurs during dialogue and other personal connections.

Peter Senge defined dialogue as the ability of participants to think together. Thinking together requires the interactions of research, asking questions, and reflection. Senge also discussed a role for dialogue where the focus is on acting together by reaching agreement and making decisions to create the desired results. Senge claimed that teams, not individuals, are the fundamental learning unit in organizations. Comparing a team to a jazz ensemble, Senge concluded what really matters is knowing how to play together.

## Connectors and Collaborators

One type of knowledge-sharing relationship is a *connector*. Connectors identify information and people valuable for performance improvement initiatives. In the late 1980s, Mulally was chief engineer for a new jet program and then-FMC CEO Donald Petersen was a member of Boeing's board of directors. Petersen suggested Mulally study Ford's work on the Taurus. As a connector, Petersen introduced Mulally to Lew Veraldi, the leader of Team Taurus. Mulally was speaking with Ford personnel and studying FMC's successful performance improvement initiative almost two decades before he became Ford's CEO.

Team Taurus illustrates a second type of knowledge-sharing relationship, *collaborators*: individuals who think and act together on an organizational performance improvement ini-

tiative. Veraldi assembled a cross-functional team of designers, engineers, purchasing staff, marketing personnel, and representatives from manufacturing. This ensured input from the assembly line, suppliers, and dealers who knew what customers wanted. Taurus became the bestselling car in America, at nearly \$500 million under budget.

During his career at Boeing, Mulally wrote an introduction to a book on teamwork titled *Working Together* (Lewis, 2002). Mulally's introduction focused on components of relationships at work: interdependence of task and customer focus; inclusion and importance of each individual to the plan; transparency; listening; helpfulness; celebration; and enjoyment.

Mulally implemented the "Working Together" approach at Boeing. Working Together requires the leadership team to share knowledge by meeting every week to review their progress, discuss problems, and decide how to address their challenges—to think and act together—as a learning and performance unit. By 2006, Boeing's commercial jet division was on its way to record sales, revenue, and earnings. Mulally credited Working Together for these results.

Mulally's approach of working together and the weekly business plan review is similar to Senge's thinking, acting, and playing together. Mulally's approach requires the team, a learning unit, to use dialogue and personal connections to fully benefit from informal knowledge sharing and, in turn, create the desired results.

## Working Together and the Business Plan Review

Based on his belief that the leadership team decides the company's direction, Mulally dissolved the FMC strategic planning group a few months after his arrival in September 2006. As with his earlier use of the Working Together approach, Mulally turned the leadership team into a learning and performing unit. The weekly business plan review (BPR) was held on the same day at the same time. Attendance was mandatory for all senior executives. Each executive was given a set of slide templates and expected to fill in the blanks with the real data.

## Facilitators

Leaders are often *facilitators* of the interper-

sonal relationships between collaborators. As facilitator of his first business plan review with the FMC executive team, Mulally needed to share a vision for the business plan review process before he could share a vision for FMC. The BPRs were a significant change for these executives. As the executives took their places at the table, Mulally pointed out the list of 10 rules posted on the walls. He reviewed the list with the group, placing emphasis on a few points, such as no side discussions or jokes at another's expense.

After the review of the ground rules, Mulally presented his first slide with a blue oval labelled "Vision" in the center. As with the original goal of One Ford, this vision remains intact as "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" (FMC, 2014). The shared vision did not happen immediately, but Mulally was consistent, led by example, and enforced the ground rules and the process without exception. A shared vision generates the will to build capacity for resilience and deliver superior performance.

## What Matters to Leaders?

Recent research has found that the main concern of leaders is the personal impact they make on improved organizational performance (Emmons, 2013). When the FMC board asked Bill Ford to consider bankruptcy, Ford wondered, "What would Henry Ford think of his company today? What would he think of me?" And while Mulally was flattered by the opportunity to run FMC, he pondered, "Can I still make a difference, or is it too late?" During his first month, he presented his plan to transform FMC and shared the mark he intended to make. He labeled the latter "Alan's Legacy."

Mulally was well on the way to establishing his legacy during his first year. He continued to research, inquire, and reflect as well as build knowledge-sharing relationships. He met with engineers, read engineering schematics, visited the product development center, drove different vehicles, called industry experts, spoke with Ford's financial advisers, commissioned studies, and read old financial reports, white papers, and internal studies. Mulally ate in the company cafeteria and personally responded to emails. He even met with then-CEO of General Motors, Rick

Wagoner, to ask questions about business cycles, product strategy, and negotiations with the United Auto Workers and dealings with the Environmental Protection Agency.

Mulally saw FMC's inefficiencies as opportunities to consolidate and simplify. When Mulally reviewed the Way Forward acceleration plan, he noted the plan cut costs yet neglected the need to make cars consumers wanted to buy. In the automotive industry, a successful business model requires lean budgets and strong brands. At FMC, the brands had lackluster designs and poor quality.

It is not enough to recognize opportunities for consolidation, simplification, and response to customer demand. The act of clarifying the customer value proposition and profit formula is a group, rather than solo, performance. Mulally's team had to determine the best way to seize those opportunities.

Through the business plan review, the executive team began to share purpose, become

## Top 'Must-Dos'

- Learn as much as you can about your challenge. Talk to customers and employees on the front line. Seek information from a variety of sources. Eat in the company cafeteria.
- Use the framework for asking the right questions. Make inquiries based on your research. Reflect by jotting down your stream of consciousness on a pad of paper.
- Nurture relationships with connectors, collaborators, and allies. Learn and practice facilitation skills. Find mentors and serve as a mentor. Assume or assign the role of disseminator. Narrate the story of personal and organizational success.
- Turn your team into a learning and performing unit. Build capacities for resilience, organizational health, and the delivery of superior performance. Think, act, and play together to recognize and seize opportunities.
- Implement the business plan review process.

engaged, build capacity, and demonstrate leadership. They worked together to strengthen the brands with improvements in both design and quality of the products in addition to cutting costs. Just nine months after Mulally's arrival, FMC was in the black for the first time in two years.

In spite of the progress, the 2007 unraveling of the subprime mortgage market drastically reduced the availability of credit, while unemployment rates rose, and automotive sales plunged.

In March 2009, President Obama addressed the nation and acknowledged that the difficulties of the automotive industry were strongly related to the weaknesses in the economy. However, the president made it clear that the industry had not been managed well for decades. While offering support to spur automotive sales, Obama challenged the industry to once again prosper and provide opportunities. Mulally told his executives that the president's challenge was their opportunity to make history, saying, "You've spent all of your working lives waiting to make a difference. Well, now is your time. This is about the soul of American manufacturing, and you're part of the solution" (Hoffman, 2012).

Leaders who care deeply about their organizations, the work they do, and the people they influence use a process called positive adaptation to achieve their personal impact.

## The Positive Adaptation Process

Resilience is the ability of an organization to address a challenging condition by making a positive adaptation. Mulally's experiences at Boeing and during his first nine months at FMC illustrate how the interrelated actions of research, inquiry, and reflection foster the ability to ask the right questions and then recognize and seize opportunities to improve organization performance (see Exhibit 2).

To regain organizational health and deliver superior performance after the automotive industry crisis, FMC had to demonstrate resilience. Knowledge sharing and relationships are enabling conditions (Sutcliffe & Vogus, 2003) that build resiliency at an organizational level. As Mulally explained to his executive team, they needed to work on a better plan at the same time they checked progress against

the current plan. An organization learns from its early adaptations by building competencies for future adaptations, making the positive adaptation process a continuous one.

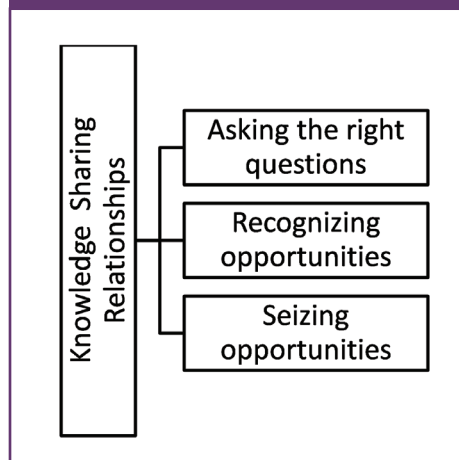
**EXHIBIT 2. MODEL OF THE POSITIVE ADAPTATION PROCESS.**



FMC learned how to make money in a down market. No other American automaker had done that before. Ford posted a profit of \$6.6 billion for 2010. It was the most money the company had made in more than 10 years. Under Mulally, the leadership team captured the value of organizational health and remains one of the world's most profitable automakers.

Successful groups function as both learning and performing units. Studying the practices of successful units offers insight into how groups recognize and seize opportunities. It is in the study of groups as learning and performing units that the value of knowledge-sharing relationships becomes most apparent. Research suggests knowledge-sharing relationships support all three stages of the positive adaptation process (see Exhibit 3).

**EXHIBIT 3. KNOWLEDGE-SHARING RELATIONSHIPS SUPPORT ALL STAGES OF POSITIVE ADAPTATION.**



## Mentors and Influencers

Beyond connectors, collaborators, and facilitators, there are several other types of knowledge-sharing relationships. A fourth type of knowledge-sharing relationship is with a *mentor*, someone who provides constructive feedback to an individual. Mentors are often higher-level executives and managers valued for their seasoned insights.

A fifth type of knowledge-sharing relationship is with an *influencer*. Similar to a mentor, an influencer provides insights and constructive feedback to an individual. The difference is that the interpersonal relationship is more limited than the close working relationships between a boss and subordinate or two peers. An influencer could be an individual briefly encountered or indirectly encountered, such as a writer or a public speaker.

When Mulally informed Jim McNerney, his boss at Boeing, that he had been offered the top job at FMC, McNerney responded with the potential that Mulally could play a large role at Boeing. Mulally decided to stay.

When Ford informed the board, John Thornton, former president of Goldman Sachs, and the board member who first suggested Mulally as a candidate, offered to call Mulally. Thornton, an influencer, appealed to Mulally on the basis of the personal impact he could make as CEO of FMC. Ford sent Joe Layman, human resource director, to Seattle. Layman, also an influencer, reminded Mulally that he did not need to wait for Boeing to expand his role; FMC provided Mulally with an immediate opportunity to run a Fortune 10 company. Mulally accepted FMC's offer.

## Allies and Disseminators

That same year, 2006, Mark Fields, Ford Americas president, had had ambitions to be CEO. Mulally's appointment was disappointing to Fields, and some reporters stoked rumors that Fields' days were numbered. When Daniel Howes of the *Detroit News* called Fields with this speculation, Fields went straight to Mulally to find out if he was being fired.

Mulally acted as Fields' *ally*, a person who stands by another individual, informing him (and later Howes) that he was a valued member of the team.

## Types of Knowledge-Sharers

**Connectors:** Identify information and people valuable for performance improvement initiatives.

**Collaborators:** Think and act together on an organizational performance improvement initiative.

**Facilitators:** Guide interpersonal relationships between collaborators to generate a learning and performing unit capable of seizing opportunities.

**Mentors:** Provide constructive feedback to an individual.

**Influencers:** Provide insights and constructive feedback to an individual, but with a more limited interpersonal relationship than a mentor.

**Allies:** Stand by an individual to support a potentially controversial idea or action required to contribute to improved organizational performance.

**Disseminators:** Spread news and information important to an organization's performance improvement opportunity.

**Narrators:** Move beyond spreading the news to telling the story of an organizational performance opportunity—a compelling message about current challenges and future successes on a personal and organizational level.

As both mentor and ally, Mulally's attention to his relationship with Fields has allowed the two men to work successfully together during the FMC's initial turnaround (2006–2007), the global economic crisis (2008–2009), and FMC's triumph of becoming the most profitable automaker in the world (2010). In July, Mulally stepped down and Fields was named the new chief executive. Both Mulally and Fields were confident the transition would be smooth, as the team and processes were already in place.

A disseminator spreads news and information important to an organization's performance improvement opportunity. After Mulally had been with FMC for a month, he sent an email to Ford's employees around the world titled *First Impressions*. In the email, Mulally complimented Ford's workers, outlined the challenges as well as the opportunities ahead, and offered a compelling message of the future changes and success: "Everyone loves a comeback story. Let's work together to write the best one ever" (*Wall Street Journal*, 2006).

During the U.S. economic crisis, Mulally went to Washington to pass on the bailout. In his speech to Congress, Mulally acknowledged the business model needed to change and that FMC had changed in the last two years. He explained, "This is the Ford story. We are more balanced. We are more efficient. We are more global. And we are really focused.... Ford is an American company, and an American icon. We are woven into the fabric of every community that relies on our cars and trucks and the jobs our com-

pany supports. The entire Ford team, from our employees to shareholders, suppliers to dealers, is absolutely committed to implementing our new business model and becoming a lean, profitable company that builds the best cars and trucks on the road for our customers. There is a lot more work to do, but we are passionate about the future of Ford" (*Detroit Free Press*, 2009).

This move distanced FMC from competitors GM and Chrysler and allowed the company to capitalize on its choice to decline the government bailout. When Mulally went to Washington to make the announcement, he was accompanied by his press aide, Ford Americas group controller, and the vice president of government and community relations, a group that had collaborated and determined together what face Ford would put forward to Congress and the public.

## Creating Opportunities

If there's anything to be learned from Ford Motor Company's positive adaption to the automotive industry crisis, it's that unlike competition, macroeconomic forces, and market dynamics, leaders truly can impact organizational health.

Baldwin (2002) described "a dance of intersections and connections between myself and other people and the opportunities we create as we cross each other's paths." Knowledge-sharing relationships and the positive adaptation process promote this dance and present opportunities. By apply-

ing these techniques, leaders in any industry can recognize and seize opportunities to improve and sustain superior performance for their organizations. **P&S**

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