

## 18 Organizational Change and Effectiveness at Ford

01:38:11:11 --:--:--:--

- So they really call it a face

01:38:12:24 --:--:--:--

as if it had eyes  
and a mouth and a nose.

01:38:14:18 --:--:--:--

- Yes, because companies  
are identified

01:38:16:16 --:--:--:--

by their front grill  
and by the head lamps.

01:38:18:16 --:--:--:--

And it does look like a face.

01:38:21:01 --:--:--:--

- Three years ago,  
designer Earl Lucas and his team

01:38:23:11 --:--:--:--

were told  
to reinvent the Taurus,

01:38:24:26 --:--:--:--

just as the Ford Motor Company  
has set out to reinvent itself.

01:38:30:00 --:--:--:--

- Clearly we wanted  
a more expressive,

01:38:31:18 --:~:~:~:~:~

a more sculptural car.

01:38:32:24 --:~:~:~:~:~

And these early designs  
that you're seeing here,

01:38:39:19 --:~:~:~:~:~

especially I think, the face of  
the car, is awfully important."

01:38:35:29 --:~:~:~:~:~

- Look closely at the finished  
product, the 2010 Ford Taurus,

01:38:38:14 --:--:--:--  
released last month.

01:38:39:15 --:--:--:--  
You'll see the face

01:38:40:14 --:--:--:--  
of the one U.S. car company  
confident enough

01:38:41:17 --:--:--:--  
of its survival to refuse  
a government bailout,

01:38:43:17 --:--:--:--  
the one Detroit automaker  
that avoided bankruptcy.

01:38:45:23 --:--:--:--  
So what did Ford do  
that the others didn't?

01:38:47:23 --:--:--:--  
- Now, look at the DNA  
of Ford along here.

01:38:49:20 --:--:--:--  
And so, clearly, you got  
the wonderful blue oval.

01:38:49:02 --:--:--:--  
- To answer that question, meet  
Ford's cheerleader-in-chief,

01:38:51:18 --:--:--:--  
Alan Mulally,  
CEO since 2006.

01:38:52:29 --:~:~:~:~:~  
- We were losing share,

01:38:54:03 --:~:~:~:~:~  
and so we needed  
to develop a plan

01:38:55:17 --:~:~:~:~:~  
that dealt with that reality.

01:38:56:27 --:~:~:~:~:~

- Hiring Mulally was part of one of the biggest gambles

01:38:59:01 --:--:--:--  
in U.S. corporate history.

01:39:00:22 --:--:--:--  
Remember when gas prices were just starting to spike?

01:39:03:04 --:--:--:--  
When suddenly SUVs weren't selling any more?

01:39:05:07 --:--:--:--  
In 2006,  
Ford lost \$12.6 billion.

01:39:06:26 --:--:--:--  
Then-CEO Bill Ford,  
great-grandson of Henry Ford,

01:39:09:00 --:--:--:--  
knew he had  
to do something radical.

01:39:50:01 --:--:--:--  
- That's when I started to look around the country

01:39:52:05 --:--:--:--  
for somebody who had restructured

01:39:53:22 --:--:--:--  
a major corporation,  
because it had to be big.

01:39:55:26 --:~:~:~:~:~  
It couldn't be somebody who had done it on a small scale.

01:39:16:28 --:~:~:~:~:~  
There weren't many people like that in America--

01:39:18:27 --:~:~:~:~:~  
certainly were no people like that in car companies.

01:39:21:22 --:--:--:--

- Alan Mulally had restructured  
aircraft manufacturer Boeing,

01:39:26:05 --:--:--:--

and gotten it through desperate  
times after 9/11,

01:39:28:09 --:--:--:--

but he had no experience  
in the auto industry

01:39:30:04 --:--:--:--

with its entrenched culture.

01:39:31:09 --:--:--:--

On September 5, 2006,  
Bill Ford resigned as CEO.

01:39:33:19 --:--:--:--

Ford stayed on  
as executive chairman,

01:39:35:06 --:~:~:~:~:~

but Detroit was still shocked.

01:39:36:17 --:~:~:~:~:~

- It takes something for a  
person like Bill Ford

01:39:38:18 --:~:~:~:~:~

to stand up and admit this job  
is bigger than they can do.

01:39:40:27 --:~:~:~:~:~

- Bryce Hoffman, reports on Ford  
for the Detroit News.

01:39:43:07 --:~:~:~:~:~

- Naysayers out there were  
looking at kind of past examples

01:39:45:20 --:~:~:~:~:~

and saying this is not going  
to end well for Ford.

01:39:47:22 --:~:~:~:~:~

- But that was nothing compared  
to what came next:

01:39:51:12 --:--:--:--

- We mortgaged everything,  
including the blue oval.

01:40:56:18 --:--:--:--

- Ford borrowed \$23 1/2 Billion.

01:39:54:04 --:--:--:--

You had the sense that Ford  
was in a lot of trouble

01:39:56:05 --:--:--:--

but maybe GM  
and Chrysler weren't.

01:39:58:10 --:--:--:--

- I would characterize it  
a little differently.

01:40:00:15 --:--:--:--

I would say that we recognized  
our problems earlier

01:40:02:22 --:--:--:--

and jumped on them earlier.

01:40:04:02 --:--:--:--

While it looked to the outside  
that we were thrashing about,

01:40:06:15 --:--:--:--

we were actually starting  
to restructure.

01:40:08:23 --:--:--:--

- The loan bought Ford  
a three-year head start

01:40:10:19 --:~:~:~:~:~

on its Detroit rivals.

01:40:12:13 --:~:~:~:~:~

Breathing room  
to rethink everything

01:40:14:05 --:~:~:~:~:~

about how it does business,

01:40:15:15 --:~:~:~:~:~

and to make painful cuts,

01:40:16:21 --:--:--:--  
not only on the assembly line,  
but in the executive suites.

01:40:19:12 --:--:--:--  
Bill Ford had already announced  
he wouldn't take a salary

01:40:21:23 --:--:--:--  
till the company  
was profitable again.

01:40:23:16 --:--:--:--  
- If you grew up in our family,

01:40:24:26 --:--:--:--  
you would understand that being  
part of this company

01:40:27:01 --:--:--:--  
is a real privilege.

01:40:29:28 --:--:--:--  
We felt this was a really  
important part of America

01:40:32:03 --:--:--:--  
and a really important part  
of American manufacturing

01:40:34:13 --:--:--:--  
and American history,  
and it's worth preserving.

01:40:36:23 --:--:--:--  
It's very much worth  
fighting for.

01:42:08:01 --:--:--:--  
- Autoworkers helped to define  
the prosperity

01:42:10:03 --:--:--:--  
of the American middle class--

01:42:11:17 --:--:--:--  
that is, until the Japanese  
began to outsell Detroit,

01:42:13:25 --:--:--:--  
and companies like Toyota  
built non-union plants

01:42:15:26 --:--:--:--  
in the United States.

01:41:02:18 --:--:--:--  
Those high wages  
and life-long benefits

01:41:04:12 --:--:--:--  
UAW members fought so hard for

01:41:05:24 --:--:--:--  
were one big reason why Detroit  
couldn't compete,

01:41:07:25 --:--:--:--  
couldn't make a profit.

01:41:08:22 --:--:--:--  
Today, collective bargaining is  
about negotiating cutbacks--

01:41:11:10 --:--:--:--  
the UAW willingly  
joining U.S. automakers

01:41:13:05 --:--:--:--  
in their battle just  
to stay in business.

01:41:15:02 --:--:--:--  
Since 2001, Ford has shed nearly  
145,000 jobs,

01:41:17:00 --:--:--:--  
more than a third  
of its workforce.

01:41:18:16 --:--:--:--  
Since 2003, it's closed 17  
plants, with more to come.

01:41:20:27 --:--:--:--  
- Ford, if you look, when you  
start looking at Atlanta,

01:41:23:06 --:--:--:--

you look at Wixom,

01:41:24:06 --:--:--:--  
you look at Norfolk, Edison,  
Lorraine, Wayne,

01:41:26:06 --:--:--:--  
there's a lot of assembly  
plants that have closed down,

01:41:28:16 --:--:--:--  
and that's very dramatic.

01:41:29:26 --:--:--:--  
- Ron Gettelfinger is president  
of the UAW.

01:41:30:13 --:--:--:--  
- It's hard on families,  
it's hard on communities,

01:41:32:21 --:--:--:--  
it's hard on states,  
reduces the tax base,

01:41:34:19 --:--:--:--  
puts a lot of people  
in the unemployment lines.

01:41:36:21 --:--:--:--  
All those things  
are very difficult

01:41:38:09 --:--:--:--  
and very challenging for us.

01:41:39:13 --:--:--:--  
But we've stepped up.

01:41:40:19 --:~:~:~:~:~  
We tried to find a way to help  
ease the pain, if you will,

01:41:42:26 --:~:~:~:~:~  
by offering buyouts.

01:41:43:28 --:~:~:~:~:~  
- And wage concessions.

01:41:45:04 --:~:~:~:~:~



And reduced benefits.

01:41:46:10 --:--:--:--  
The union has taken over  
retiree healthcare.

01:41:48:13 --:--:--:--  
At the beginning  
of restructuring,

01:41:50:03 --:--:--:--  
Ford's labor costs were \$70  
to \$80 an hour per worker

01:41:52:11 --:--:--:--  
for combined wages,  
benefits, and retirement costs.

01:41:54:21 --:--:--:--  
Now, Ford says, they're almost  
down to Toyota's \$50 an hour.

01:41:56:13 --:--:--:--  
Of course,  
there's still the problem

01:41:58:03 --:--:--:--  
of building cars  
people want to buy,

01:41:59:22 --:--:--:--  
and making money doing it,  
especially given the recession.

01:42:01:29 --:--:--:--  
Ford's most profitable vehicles  
are still heavy-duty pickups,

01:42:04:18 --:--:--:--  
fully loaded, which according  
to some estimates,

01:42:06:23 --:--:--:--  
can make the company  
as much as \$24,000 each.

01:42:08:24 --:--:--:--  
Compare that to small cars,  
like the Focus,

01:42:10:19 --:--:--:--  
which only make hundreds.

01:42:11:29 --:--:--:--  
- I see this little card here.

01:42:13:12 --:--:--:--  
- Yes, you have  
your ONEFord Plan.

01:42:15:02 --:--:--:--  
- One team, one plan,  
one goal.

01:42:16:18 --:--:--:--  
It pretty much sums up  
CEO Alan Mullaley's strategy

01:42:18:29 --:--:--:--  
for turning Ford around.

01:42:11:24 --:--:--:--  
- The Ford Motor Company  
was more an umbrella

01:42:13:23 --:~:~:~:~:~  
for many auto companies,

01:42:15:00 --:~:~:~:~:~  
like Aston Martin and Jaguar  
and Land Rover and Volvo

01:42:17:08 --:~:~:~:~:~  
and a very strong relationship  
with Mazda.

01:42:19:09 --:~:~:~:~:~  
- There were how many different  
name plates?

01:42:19:03 --:~:~:~:~:~  
- Oh, I think 97  
different name plates.

01:42:20:25 --:~:~:~:~:~  
- Now there are fewer than 20.

01:42:22:07 --:~:~:~:~:~  
All those non-Ford brands under  
the umbrella are going or gone.

01:42:34:14 --:--:--:--  
Mark Fields, Ford's president  
for the Americas,

01:42:36:15 --:--:--:--  
predicts that 3 million people  
in the United States

01:42:38:09 --:--:--:--  
will buy small cars  
within the next three years.

01:42:40:14 --:--:--:--  
- this is the Ford Fiesta that  
we launched in Europe

01:42:42:17 --:--:--:--  
and in China over the past year.

01:42:43:23 --:--:--:--  
And we'll be launching it here  
in the U.S.

01:42:45:17 --:--:--:--  
in the first half of next year.

01:42:47:02 --:--:--:--  
- Ford is bringing models  
to America

01:42:48:25 --:--:--:--  
that were originally designed  
for Europe,

01:42:50:26 --:--:--:--  
where high-quality,  
fuel-efficient,

01:42:52:23 --:--:--:--  
even luxurious small cars  
have long been in demand.

01:42:47:13 --:--:--:--  
- The technology  
in the Fiesta,

01:42:48:26 --:--:--:--  
you couldn't find in a large car  
probably five years ago.

01:42:51:08 --:--:--:--  
The navigation system,  
the high end audio system,

01:42:53:15 --:--:--:--  
the temperature control system--

01:42:55:01 --:--:--  
all those things customers  
don't want to--

01:42:56:10 --:--:--:--  
these days, don't want  
to compromise on.

01:46:06:28 --:--:--:--  
- Ford is still losing money,

01:46:08:09 --:--:--  
although it's losing less money  
every quarter,

01:46:10:11 --:--:--:--  
and it's not losing  
as much as GM and Chrysler.

01:43:27:20 --:--:--:--  
- That's the new math of the  
American automobile industry.

01:43:31:17 --:--:--:--  
The right way to look at Ford  
is that it is doing a better job

01:43:34:02 --:--:--:--  
of navigating  
through this storm,

01:43:35:20 --:--:--:--  
and it has a better chance  
of emerging from this

01:43:37:19 --:--:--:--  
as a viable company.

01:43:38:04 --:--:--  
- And probably as the largest  
U.S. automaker--

01:43:40:02 --:--:--:--  
not as big as Toyota--

01:43:41:17 --:--:--:--  
but surviving with no government  
bailout obligations.

01:43:43:28 --:--:--:--  
Ford expects it will return  
to profitability by 2011.

01:43:48:26 --:--:--:--  
- We've struggled.

01:43:49:28 --:--:--:--  
We took on a lot of debt  
to do it.

01:43:51:13 --:--:--:--  
We hear from people all the time  
that they like the fact

01:43:53:22 --:--:--:--  
that we are digging ourselves  
out of the hole ourselves,

01:43:56:03 --:--:--:--  
and that we're doing it kind of  
the old-fashioned way.