

FORWARD WITH FORD

The world is watching as Bill Ford establishes a vision for Ford Motor Co. Only time will tell if his plan will succeed as one of the biggest turn-arounds in corporate history or whether the North American auto industry must look elsewhere for its redeemer.



By Carla Kalogeridis

Perhaps no automotive company in the world has a leader with a more public persona than William Clay Ford, Jr.—after all, Ford Motor Co. put wheels on the world. Yet, although everything that the company says, does and stands for is deeply personal to him, to know him better is to realize that it would be this way even if Ford Motor Co. did not bear his family name.

As chairman of the board and CEO, Bill Ford is all the things you'd expect him to be: passionate about the industry and his company, a great communicator, an ideas man. He's also humble, candid, disarming and keenly aware of the weight upon his shoulders and the impact his leadership will have—not only on thousands of Ford employees, but also on the future of the global automotive industry.

As part of his acceptance of the 2006 Automotive Industry Executive of the Year Award (see sidebar p. 17), Bill Ford agreed to an exclusive interview with AIAG's *Actionline* magazine. We met in his private office, not the board room. We talked about his fears and hopes, not company rhetoric. He gave us an hour, not a few minutes. He said, "Ask me anything," and we did.

Actionline: The Automotive Industry Executive of the Year Award that you're receiving this April has a 42-year history. It's interesting to look down the list of all the leaders who have been recognized before you.

Ford: Yes, I know. It's certainly an impressive list, and I'm proud to be included.

Actionline: What qualities make up a good leader, and what leadership quality do you think is most often underappreciated?

Ford: The most important thing a leader can do is inspire a group of people to believe in a better future. To achieve that, a leader has to be genuine, has to be believable and has to be himself. I've never been a big believer in coaching leadership because I don't think leadership can be learned. You can learn some common traits of leadership, and you can learn some things *not* to do. But in the end, everybody has to find his or her own style.

I've seen leadership styles all over the map—from people who bang the table to people who are soft-spoken to people who use humor. The common denominator is that whatever they are, they come off as genuine. People see through you very quickly if you're not. Remembering to be yourself is the most critical aspect of leadership, and it's probably the most underrated element as well.

Actionline: In the new Ford commercials where you are talking about your vision and the technologies that will get you there, we heard that there was no script—that you just started talking and let the cameras roll.

"It's one thing to lay out a path and tell people what you expect from them, but they also have expectations of the leadership—it's a two-way street."

— Bill Ford, Jr.

Ford: Well, it's only because I couldn't read the script. They don't let me read things out loud. Seriously though, I think it just sounds stilted to read a script. If you can't talk about your own company, then you're in trouble.

Actionline: Who are the leaders who have inspired you over the years?

Ford: I don't try to pattern myself after anybody because I think that would be a mistake. Of course, there are a lot of people I admire, from Gordie Howe to Henry Ford. I try to find qualities that I admire in everybody because I believe everybody has leadership capability. Sometimes, it's where you least expect to find it.

Henry Ford is probably the person I've studied most and with whom I have the most empathy. But from what I know of him, we are two very different people with very different styles and outlooks on many things. I admire the way he was able to stay focused, the way he was able to keep believing in his vision throughout his lifetime. But I really don't pattern myself after anyone—including Henry Ford.

Actionline: It was such a different time then. Henry Ford's challenges were much different from yours.

Ford: The challenges are different now. The people you're leading are different and they have different expectations. That's why it's so hard to pattern yourself after somebody. I've seen it in football—coaches try to pattern themselves after Vince Lombardi, but they can't. They have to be themselves. There was only one Vince Lombardi.

Every era presents its own opportunities and its own challenges. You just have to be tuned in to them.

Actionline: What is the role of executive leaders in this much-needed turnaround of the North American-built vehicle?

Ford: The No. 1 thing people are going to be looking at is the executive behavior. It's one thing to lay out a path and tell people what you expect from them, but they also have expectations of the leadership—it's a two-way street. Too often, in this company and other companies, executives think that all they have to do is lay out the vision and others will follow. That's not true; what they're really following are your actions and listening to the kind of tone you set, and they're watching to see if you live up to what you're saying.

To be that kind of leader requires a cultural change. At Ford, we're spending a lot of time as a leadership team talking about the kind of culture this company needs to have going forward. We're 103 years old now and a lot of great things have built up over the years—but there's also a lot of baggage. We just have to make sure we remove the baggage.

Actionline: It's an interesting point because this is a crucial period in Ford's history, and people are watching to see if you do what you say you're going to do.

Ford: All the employees will be watching us. It's not enough just to lay out the vision. They want to see us living it and behaving in a way that they can believe in.

Actionline: Otherwise, they won't follow.

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Ford: Exactly.

Actionline: Without a doubt, the auto industry needs its leaders now more than ever.

Ford: And not just leadership from the OEMs, but from the supply base as well. There are so many major issues facing us that are not under our control, but yet we have to weigh in on. Whether it's health care, pensions, emissions, energy independence, trade and foreign currencies—these are enormous issues and really any one of them could dramatically affect our business. The traditional approach would have been to sit back until it was too late, or to complain and whine, or both. What we need to do as an industry is figure out what are we *for*; where we can be proactive, rather than just saying “no” and “leave us alone.” Then we need to get out and build a coalition and get it done.

Automotive has always been a very inwardly focused industry, and we tend to get too insular. We didn't realize, historically, how we were viewed in Washington and around the rest of the world. We just thought that if we complained or said no to something that that would be enough, but it's not enough. The world is not going to wait for us. We've got to get out and help shape it.

Actionline: You've set the vision for Ford and a big emphasis is on sustainability. What a great idea to attach to a company because if you're not sustainable—what are you?

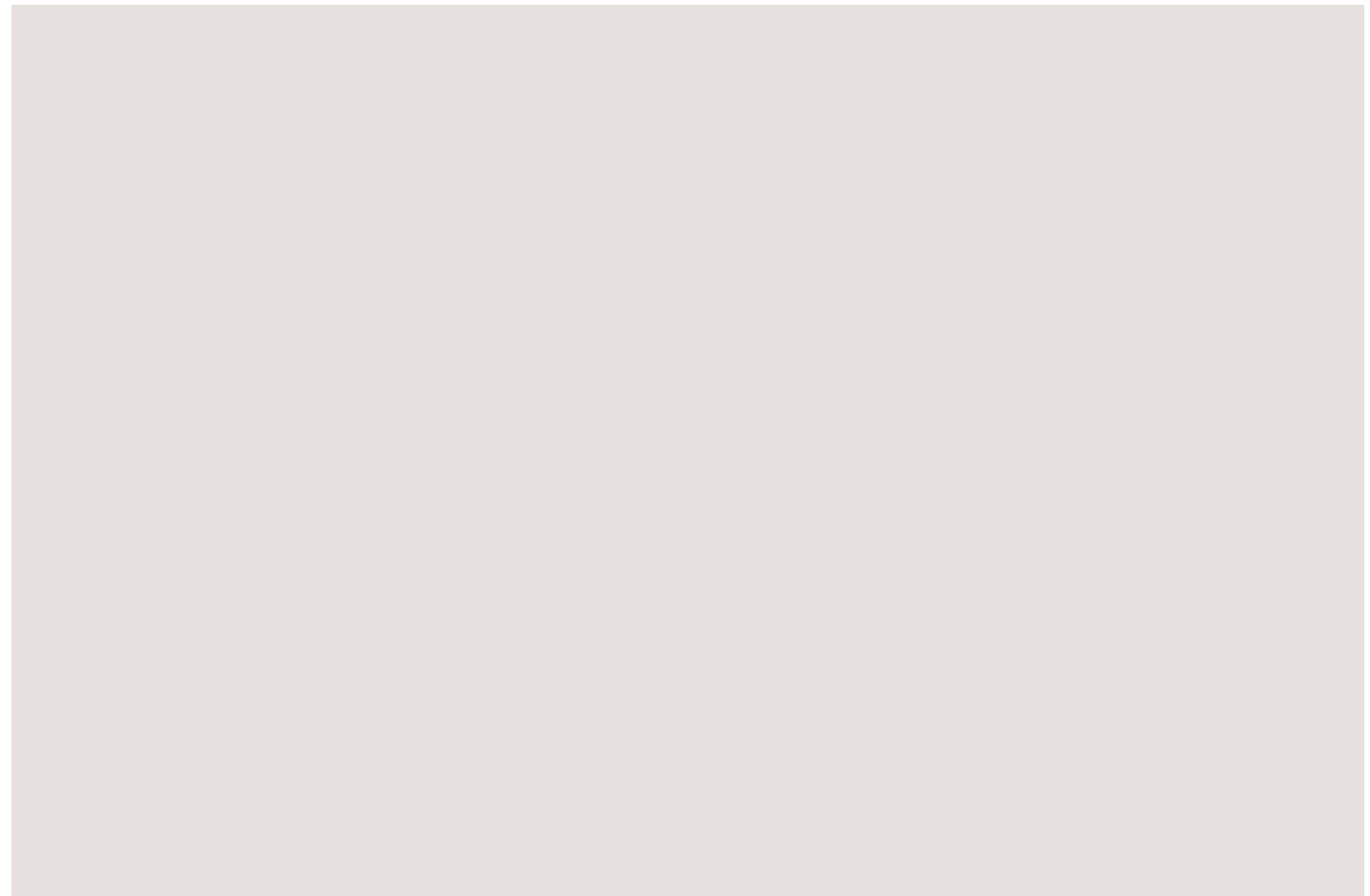
Ford: You can come at this topic in a number of ways. We're living in a world of diminishing natural resources and that's a fact. And often, those natural resources are in geo-politically unstable parts of the world. Look at what happened with oil and steel over

the last year. So, if you believe that we are in that era, any organization that doesn't try to be sustainable is either going to be left behind or become irrelevant.

Focusing on sustainability will be a competitive advantage for an organization. Look at our Rouge Plant. A lot of people just thought it was a nice “green” showcase, but the business model is that it's actually saving us a lot of money. It uses fewer resources and we're not paying fines for air pollution. We have more efficient water and electricity usage. We've got a lot of things going on there that significantly help the bottom line.

Actionline: How important do you really think environmental friendliness is to today's consumer?

Ford: The customer wants it all. They want horsepower, they want space, they want a good price and they want



a clean vehicle. Our challenge is to give them all of that. The company that can do that consistently over time will distance itself from all the others.

Look at our industry: everybody makes good cars and trucks. It's hard to find a lousy car or truck today. Ten years ago—absolutely—you could point to different manufacturers and say, “Oh, those things are horrible.” But today, everybody makes good cars and trucks. Everybody knows how to apply horsepower, everybody knows how to make attractive styling—there's no inherent advantage there. So at Ford we ask ourselves, where is our competitive advantage? Where are we going to be different? I believe that we're going to be different in the environmental area, particularly where it pertains to powertrains.

Actionline: You wrote in the most recent Ford Sustainability Report that “tackling environmental and social issues is not something a company does *after* it is profitable; it must be something we do to *be* more profitable.” Most companies would approach that differently. They would say, “If we could only get to this point, then we could do this and that for the environment.” When in your career did social and environmental issues bubble to the surface as something important to you as a leader?

Ford: I've always felt that way. Of course, it was OK to feel that way as a young person because people sort of expected that. But as I started progressing through the management ranks here, all of a sudden it went from a curiosity people had about me, to we're not sure this is right, to is this guy a Bolshevik? I was spoken to early in my career by some of the top management in the company saying, “OK, you've got to knock this off because these environmentalists are all nuts and you're just going to get us into trouble.” But I had no intention of backing off and always felt that if I was ever in a position to do something about it, I would.

Later, I found it wasn't enough to become chairman and CEO and

have these feelings and expect the organization to fall in line. There were a lot of people in the Ford organization who felt absolutely that this was *not* right for the company. Initially, I could not get the entire organization to go as fast as I wanted it to. But this issue resonates with people on different levels. If they don't react to the environmental imperative, often they will to the energy independency argument. Or, if they don't like either one of those, then they'll respond to the business case when we say, “OK, then look at the Rouge plant where we're saving all this money.” There are a lot of different paths to arrive at the same conclusion, and to get some people on board, you have to try all the routes. We're making tremendous progress now within the organization getting people to buy into this ethic.

Actionline: Which of your new “mobility technologies,” such as hybrids, clean diesels, hydrogen internal combustion engines, fuel cells, etc. excites you the most?

Ford: Hydrogen is the Holy Grail because it's the only 100 percent clean technology out there—with a few caveats. One, how do you get the hydrogen? Today, it is mostly petrochemically derived and therefore you

haven't accomplished much. But assuming you can get hydrogen from sustainable sources, that is where we want to be. Unfortunately, we're a long way from being able to supply the hydrogen, and we don't have a hydrogen infrastructure in this country anyway. It's also tough to store hydrogen—both at the station and onboard the vehicle.

So, if the end-game is zero impact on the environment, then you have to pick hydrogen. But I'm very excited for the short term about ethanol and hybrids because they get us a long way down that road while we continue to work on hydrogen. They are simpler technologies, and they offer very strong environmental benefits.

Actionline: Overall, is the auto industry doing enough in the environmental area?

Ford: It would be very easy to criticize the auto industry, and often I do. But this is one issue that we are not going to resolve ourselves. We can develop the technology, we can invest in the hardware, but unless the fuel providers are on board—if the customer can't get ethanol or hydrogen—what's the point? If you go to some of the ethanol pumps today—assuming you can find one—ethanol is priced higher than gasoline. Why would the customer want to use ethanol? There has to be a three-way effort



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between the industry, the fuel providers and the government to help shape customer behavior in a way that's good for society.

Our industry has done pretty well in investing in the technology and the hardware. Where we haven't done very well is getting all the parties to the table and coming up with this three-pronged approach.

Actionline: In addition to the environment, another aspect of sustainability is human rights. Ford Motor Co. is working with the Automotive Industry Action Group (AIAG) to build a collaboration of automotive companies to develop a common approach for working conditions in the supply chain. Has there been any progress?

Ford: The response to the working conditions issue has been pretty good, particularly given the state of our industry. We have a very stressed supply chain, all the way down the tiers. It would be very easy for them to say, "Forget it. This is all stuff that is non-core and we can't afford it." But in fact, most of the suppliers have really embraced our working conditions initiative and in some cases are ahead of us in terms of how quickly they are headed down this road.



Actionline: It's not just the suppliers though. Unless the other OEMs weigh in on the working conditions issue, how are you going to make a real impact around the world?

Ford: Exactly. Of course, it's easier for us to move the suppliers than it is to

move the other OEMs. All of our suppliers around the world have been great. It's the cost of doing business with us. If they want to be our partner, then they need to adhere to certain principles.

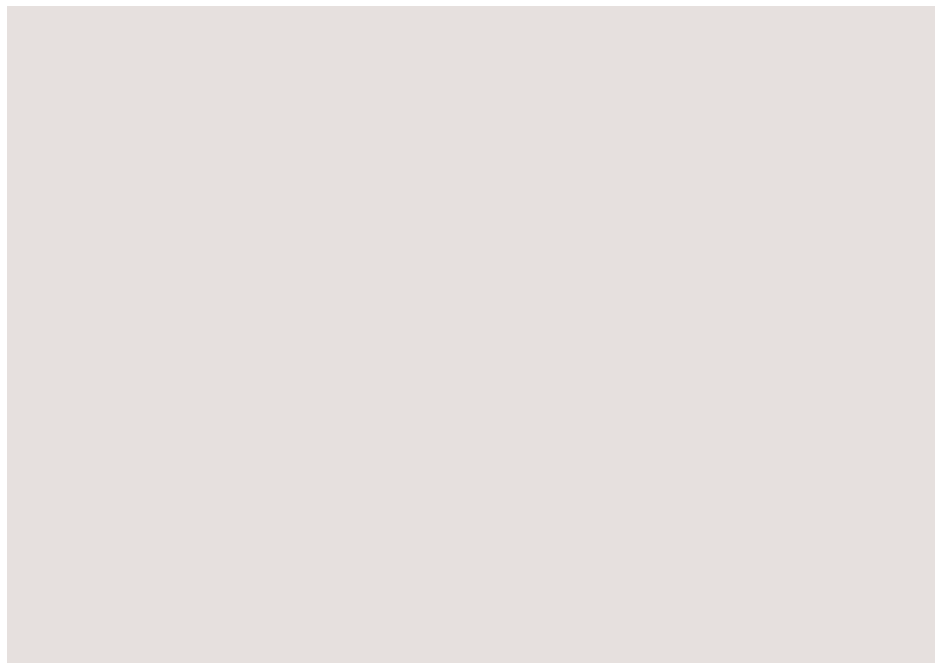
So far, the industry is not getting much credit for these efforts. Few people outside the immediate circle of those dedicated to improving working conditions around the world would even know about it, but we're going to keep plugging away because we're making a difference.

Actionline: What about holding suppliers accountable to a human rights standard and assessing them on it the way you do quality standards?

Ford: We've already started that by assessing 200 of our suppliers around the world, and it will continue. We're headed down this road, and we're not turning back.

Actionline: Will the other OEMs join in?

Ford: I'm optimistic that eventually all OEMs will stand together on this issue.



Actionline: Let's talk about The Way Forward plan. What metrics or milestones are integrated into your business plan so that you know you are going where you want to go and with the pace you need to get there?

Ford: We have them, but we haven't disclosed them publicly. The most basic metric people will judge us by is whether or not we sell cars and make money. We have a way to go in North America, but I'm confident we'll get there. In the meantime, I want people to understand what's going to make us different. For example, what we have said is that we're committed to building 250,000 hybrids by 2010 and also a similar number of ethanol vehicles this year.

The ethanol offering will expand. Ethanol has come on very fast. Six months ago we wouldn't be having this discussion—which is lightening speed in our industry. Ethanol is bringing together two industries that have not traditionally been together: agriculture and automotive. President Bush recently spoke about breakthroughs in ethanol, such as the move from food-based ethanol, which is basically corn and sugar, to cellulosic ethanol, which is plant-based. The problem with the food-based ethanol is that eventually you run out. Even if the whole country geared up for food-based ethanol, we wouldn't have enough. But the cellulosic ethanol can be derived from most any plant, including grasses. All of a sudden, that infinitely expands the supply. Almost overnight, ethanol has jumped way up on the fuel priority list. On the other hand, ethanol's got great appeal as far as energy independence, but the one drawback is that it doesn't have the range that a tank of gas does. New developments in the technology will eventually address that.

So, now we have to get the supply out there, and we have to get the taxation right so that the price compared to gasoline is a break to the customer rather than a penalty.

Actionline: I don't think I've ever seen an ethanol pump.

Ford: They're around, but there aren't too many at this point, and that's a problem because people want to take their vehicles wherever they want to take them. They don't want to be thinking, "Now where can I fill this thing up?"

What's even more interesting is that we've got a lot of these flex-fuel vehicles on the road today, but nobody knows it—the customers don't even know they have one.

Actionline: So, as you work with the fuel providers and the government, they'll be able to match pace with your production?

Ford: No, I think we'll be ahead of them. But I do think they'll come along.

Actionline: It's been several weeks now since The Way Forward plan was laid out for employees, media, analysts and consumers. What has been the reaction to the plan from each of these groups, and is it what you expected?

Ford: Truthfully, I didn't know *what* to expect. I think it's been largely positive, although mixed in some circles. What people liked was that we were taking decisive action. They liked the fact that we were not only talking about cuts, but also what we're standing for and where we're investing and what a future vision of success could look like. If all you offer people are cuts and negative options, you give them no sense of what the future could and should be like.

Clearly, the loudest message coming out was the cuts, even though we took great pains to deliver a balanced message and one that lays out a path to success. Some of the affected facilities were devastated, and I understand that. Wall Street reacted like, "OK, good. Now let's wait and see." Some of the employees said, "What took you so long?" By and large, it went better than I thought it was going to go.

Actionline: Of course, people are still scared.

2006 AUTOMOTIVE INDUSTRY EXECUTIVE OF THE Year

The Automotive Industry Executive of the Year Award has a rich history spanning 42 years. This award has recognized excellence in automotive leadership from OEM executives since 1964, with a list of past winners that includes Dieter Zetsche, Rick Wagoner, Henry Ford II, Robert Eaton, Thomas Stallkamp, Roger Smith, Harold E. Poling, Lee Iacocca and John DeLorean.

On April 5 at the Detroit Athletic Club (DAC), William Clay Ford, Jr. will accept the award for 2006. Approximately 225 of the industry's leading CEOs, presidents and executives will be on hand to support and congratulate Ford's nomination.

The award is jointly sponsored by DNV Certification and the Automotive Industry Action Group (AIAG). The Automotive Industry Executive of the Year award nominating committee is composed of automotive industry media, various industry analysts and automotive supplier CEOs.

Ford: I understand that people are nervous and people are scared, and they have every right to be. We can't dismiss that. We have to acknowledge it and address it, but we also can't be "Pollyannaish" and tell them, "Don't worry, everything is going to be OK," because it won't be OK unless we really start to hit certain targets. The good news is that we have the freedom to define our own success. We have the liquidity and we're making the investments in R&D. There's nothing holding us back at this point but ourselves.

Actionline: I was thinking when I watched you on TV, what guts it takes to lay it all out there. A lot of companies would less publicly announce their cuts and then say, "Don't worry. We have a plan," and that's all you'd

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hear. Once you lay it out there, people hold you accountable to it.

Ford: And they should. Actually, we were criticized for not putting out more specific metrics. Of course, we have those metrics internally, as well as in each one of our performance reviews. The problem is that because the world changes so quickly and in ways that we can't control, if A changes we need to be able to change B. If you put out your metrics all the way down, you really tie your hands.

Actionline: Critics don't remember all the things that changed from the time you laid out your metrics to the time they take a look and see how successful you've been in implementing your plan.

Ford: Exactly. The one thing I felt very strongly about was not just talking about what we're cutting. We started running ads and commercials that week talking about the future and the technologies we're investing in, because we need to reinforce the fact that this company made money last year. Most people don't even realize that. We made \$2 billion. We clearly need to change the perception that surrounds us.

Actionline: Speaking of those commercials, what was it like working with Kermit the Frog?

Ford: Clearly an upgrade from the other spokesman we had out there. I haven't worked that closely with Kermit yet. I'm a little star struck, so I'm keeping my distance. But I will say this: those rumors about Miss Piggy are simply *not* true.

Actionline: What is the single most important component of The Way Forward plan? In other words, what will make or break Ford Motor Co. moving forward?

Ford: The most important component is the credibility of Mark Fields, Anne Stevens and Bob Shanks, the three leaders who are going to implement it. You can have an average plan, but if people believe in it and will deliver it then you'll succeed. You can also have the greatest plan in the world, but if people aren't behind it, you've got zero chance of success. So far, I'm really encouraged by how often and how freely they communicate and how they work as a team. It's an open book with those three. They're taking lots of time with Ford employees at all levels to

hear their concerns, hear their fears and then to lay out what *they're* thinking. It's so critical that we communicate in these times because otherwise rumors run rampant.

Actionline: Last September, Ford announced that it is entering into long-term agreements with select strategic suppliers globally. What are the Aligned Business Framework agreements, and how do they factor in to The Way Forward plan?

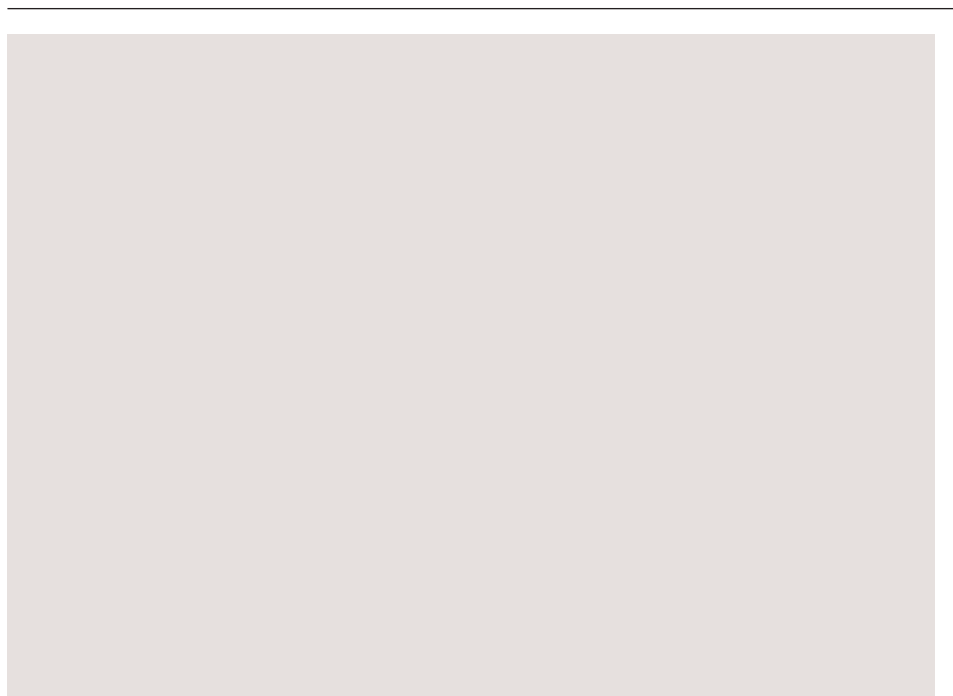
Ford: When we looked at our supplier relations, there were several things that were really troubling. First was how the suppliers rated us. They saw us as a company they didn't much want to do business with. Second, we were squeezing our suppliers and asking them for more and more and more, in an environment where they were stressed out financially. Understandably, they didn't see us as partners. They said, "You use us for partnerships, but you don't treat us as partners."

This feedback really caused us to re-evaluate how we interact with our suppliers, and it launched this whole initiative that Tony Brown (Ford's senior vice president of global purchasing) announced last year. We're going to have fewer suppliers and have them involved much earlier in our product-development cycle. The term "strategic partners" is over-used, but that's essentially what we're establishing. Of course, it requires a big shift on our part—both in the way we treat our suppliers as well as in the expectations we have for them.

It's early days yet. There is still a lot of skepticism in the supply base, and that's understandable. We're still working through it on our side. But not only do I think it's the right thing to do, I think it is gaining some traction. This is going to play out over years; we're not going to be declaring success in six months.

Actionline: These Aligned Business Framework agreements tie into your whole sustainability strategy as well.

Ford: You have to have sustainable



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relationships, and that was something that we were particularly poor at. In many cases, we got what we deserved from our suppliers because we didn't treat them as partners.

Actionline: So, what keeps you up at night?

Ford: Four kids.



Actionline: Besides that.

Ford: The question that keeps nagging at me is one of time. Do we have enough time to get this right? And, what will prevent us from having enough time? What about these external factors like pensions, health care, energy, trade policy and currencies? The world is changing very rapidly around us, and all these changes affect us—none of which we directly control and yet, all of which we have to react to. Do we have enough time to get our house in order and to start winning in the marketplace before some of these other forces overwhelm us?

The other thing that keeps me up at night is the one part of my job that I literally hate, and that is saying good-bye

to people. Unfortunately, I've been doing a lot of that lately, and I hate it. When you grow up like I did, thinking that this company is your extended family, then these aren't just numbers. These are people with families who were counting on us. I hate that part, and it does keep me up at night.

Actionline: If you could wave a magic

wand tonight and wake up tomorrow and find one thing changed in the automotive industry, what would that one thing be?

Ford: I would deliver us today into a world of sustainable hydrogen. The cost to this industry in chasing CAFE (Corporate Average Fuel Economy), in chasing emissions and alternate fuels, is enormous. If we were settled on one fuel, one technology, with no impact to the environment and everyone was on board—that would be great.

We'll get there, but if I could wave the wand it would be tomorrow morning.

Actionline: You're accepting the 2006 Automotive Industry Executive of the

Year Award on April 5th at the DAC, and there are going to be about 225 CEOs and top executives of the most influential supplier companies in the world in attendance. What message would you like them to walk away with?

Ford: That this is still a great industry. Yes, it is changing, and it is changing much faster than ever before. Think of the computer industry: it reinvents itself every few years. We've not had much reinvention in our industry in more than 100 years. We've had a lot of fine-tuning, we've had a lot of evolution. But we're in an era now where things are happening very rapidly. And Ford, as a company, and they as suppliers, need to be much more nimble than we have been in the past. It's easy to say and much harder to do because all our internal systems have been built up around doing business in a certain way.

Ethanol is a good example. Six months ago, ethanol wasn't even on the radar screen, and now it's front and center. We need to be quick enough to react to that and to gain a leadership position there. Our suppliers need to be quick enough to react to that as well.

I don't feel like we at Ford, or we as an industry, are quite ready for the speed at which this reinvention will be taking place. That's a message that they need to understand. When I see what's out there in the world—the fuel issue is a big shift, the footprint of places like China and India is a big shift, and these are all happening concurrently—it requires more forethought and truly integrated planning. It's no longer enough just to have a cycle plan with a product. You have to have a trade policy, a government relations plan, a treasury plan for currencies—all of which have to be stress-tested and scenario-planned against. If there's one thing I've learned it's that the world never quite does unfold the way you think it's going to. ▶

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