



INNOVATIVE LEADERSHIP FOR STRESSFUL TIMES

AMA Webcast featuring Johannah Jones,
Marshall Goldsmith &
Alan R. Mulally (CEO, Ford Corp.)

Facilitator : Sanjiv Suri, Founder, Owner & CEO, Zátíší Group
Commentator : Vratislav Kulhánek, Chairman, AAA Auto, a.s.

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Presenters

Johannah Jones, Ph.D. is President of Strategic Transformation, a consulting firm focused on developing growth in organizations through conscious strategy development that manages the elements of chaos and control necessary to grow. She has more than twenty-five years of hands-on and analytical experience in the areas of strategic planning and strategy



Marshall Goldsmith, Ph.D. is corporate America's preeminent executive coach, having worked with more than sixty CEOs at the world's leading corporations. He is the author of numerous books and articles, including What Got You Here Won't Get You There and The Leader of the Future. Marshall is on the faculty of the executive education programs at Dartmouth College and the University of Michigan.





Presenters

Alan R. Mulally is an American engineer and businessman. He is currently the President and Chief Executive Officer of Ford Motor Company.

Mulally was previously executive vice president of Boeing and the CEO of Boeing Commercial Airplanes (BCA). Mulally began his career with Boeing as an engineer in 1969. Mulally was largely credited with BCA's resurgence against Airbus in the mid-2000s.



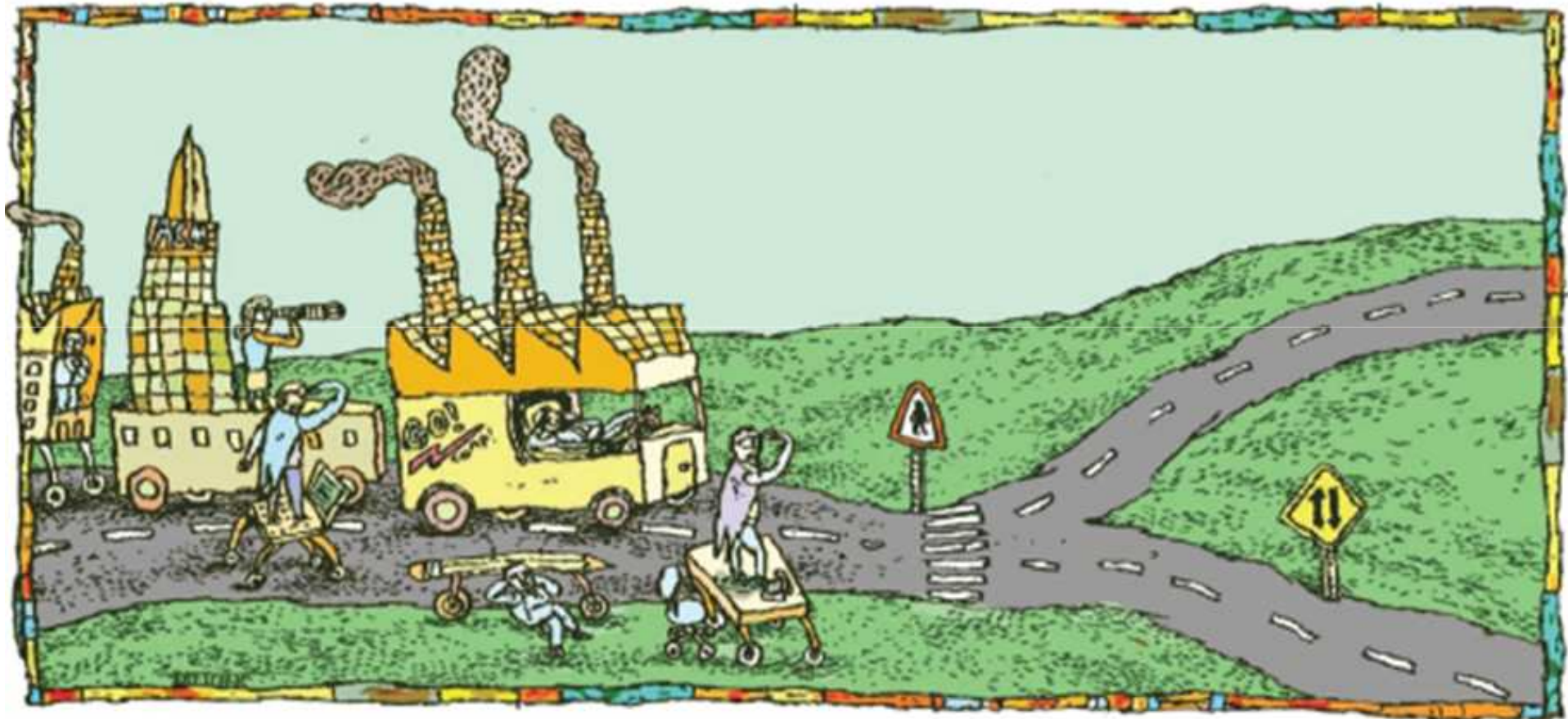


Part 1

- ❑ Johannah Jones (President, Strategic Transformations)
- ❑ + Marshall Goldsmith (leading authority, CEO mentor & coach, author, Professor at Dartmouth & Uni of Michigan)
- ❑ → dialogue focusing on Leadership in Crisis Times



STILL STUCK IN THE FOG OF RECESSION





„We will have a harder time planning for the up than we did for the down..“says **Chief Financial Officer Carol B. Tomé**. With sales expected to drop 9% this year and signals mixed in the housing market, she´s not sure when demand will come back. Tomé admits that it will take courage to „step out and say, ´O.K., I think sales are going to increase.´“

Even within the same industry, some companies are taking dramatically divergent paths. Toy giant **Hasbro** has pushed ahead with big investments to spur growth. It helped produce two major moving this summer... and spending \$300 million to launch a new cable television network with Discovery Communications. Rival Mattel, meanwhile, is on track to cut \$200 million in costs by 2010, an effort that boosted profits 90% I the second quarter even as sales fell 19%.



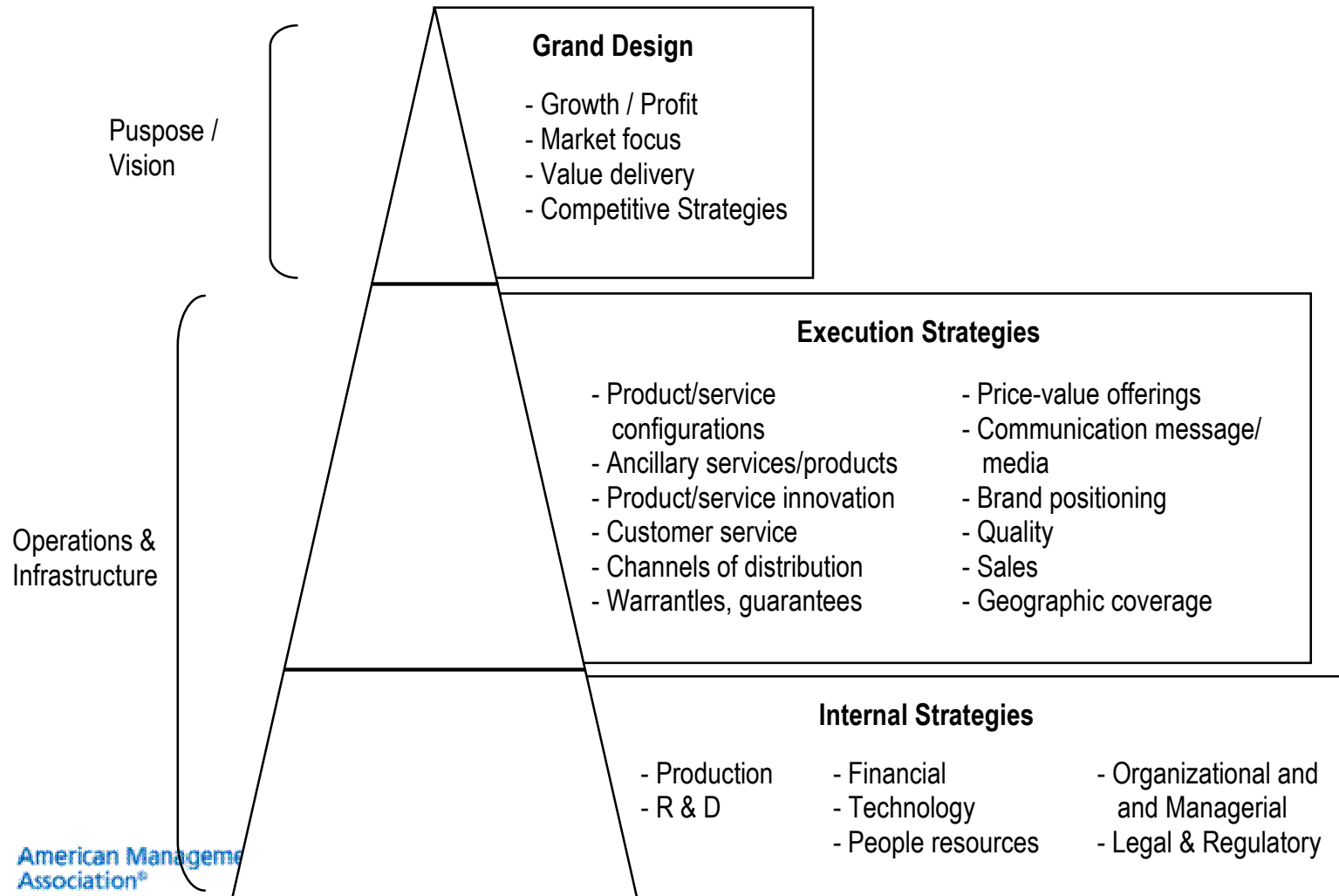
Ways to Increase Shareholder Value

- Sell more units
- Increase price
- Add new products
- Reduce COGS
- Reduce SG&A
- Reduce Taxes
- Ensure capital projects exceed hurdle rate
- Execute mergers and acquisitions
- Sell off assets
- Reduce WACC





Translating the Vision into Operations and Infrastructure





6 Basic Management Issues

- Where are **we** going?
- Where are **you** going?
- What are we doing well?
- What are your **suggestions for change**?
- How can I **help you**?
- What **changes** do we/I need to make?
- + **mutual responsibilities of employees → dialogue**
- **ownership at all levels**



Views of Growth and Profitability

- ❑ **High market share and higher profits go hand in hand. (1960s–1980s)**
- ❑ **It doesn't matter if you are currently making a profit as long as you can secure a commanding market share. (Internet Bubble)**
- ❑ **We can't sacrifice short-term performance for long-term gain. (1990s)**
- ❑ **New growth and profits will come from hidden assets developed in the organization as an adjunct to serving the core business customer. (2000s)**
- ❑ **Current business conditions require a deft hand of balancing cost cutting with investment in future growth for desired returns. (2009)**



Poll

- What is your company doing about cost containment?
- What is your company doing about investments for future?



Part 2

- Johannah Jones & Marshall Goldsmith
 - respond to questions of the webcast participants
 - Q1 : How to get upper management to speak to middle management on current /future crucial issues ?
 - Q2 : Company recently taken over : How do I communicate with my managers without a clear vision / direction ?



Participants' ideas

- Cost containment
- Reduce travel costs
- Green initiatives
- Invest heavily into on-line experience (vs. physical world)
- ...
- use more creative approach to cost-cutting („laser-beam cuts“)



Part 3

□ Johannah Jones & Marshall Goldsmith

**→ Introducing the current
Ford's challenge and Alan
Mulally (CEO, Ford)**



“The Debt Specter Hunting Ford”

STRATEGY & COMPETITION

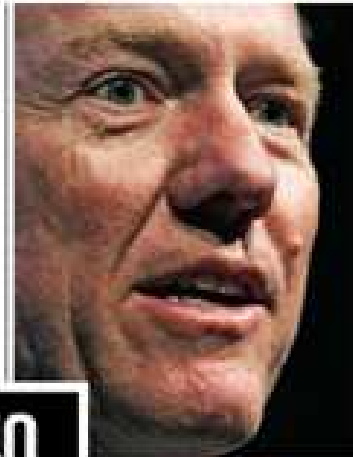
The Debt Specter Haunting Ford

CEO Mulally's big challenge: Cleaning up the carmaker's balance sheet to stay competitive

By David Wicks
 Ford Motor has moved faster than General Motors to cut costs, increase quality, and streamline global product development. But GM has now regained leverage over Ford. During its stock trip through bankruptcy court, GM shed \$40 billion in debt. That's roughly the amount Ford could have on its books in just two years.

Yes, Ford earned Wall Street with impressive Q4 financials: second-quarter results - a \$1.26 billion net profit, with an operating loss of just \$0.8 million, less than half what analysts expected. Ford also gained market share in the U.S., shaving into Toyota Motor to reclaim the No. 2 spot behind GM. But the debt casts a long shadow: Ford is looking for a financing alternative and financial management to hold it out. If that doesn't happen, Ford could have less money than its competitors to spend on research and marketing in a few years.

"We're really focused on the balance sheet right now and the liquidity we need to make it through this recession," Ford CEO Alan Mulally told reporters at a product preview on Feb. 10, 2009. "We are working to



\$40 billion
 Ford's debt load by 2011 unless the company can keep shares for sale

to try to swap the debt for new shares in the next 12 months. With shares trading near 1, and OutlookAuto's product line they will hit 4.25 by year-end, the automaker could handle a swap

with GM's new competitor. We only have to make sure Ford isn't overburdened

If the trend continues, Ford could beat the 2010 breakeven target and get the post-reach down ahead of schedule.

and that's with industry-wide sales rising from the current annualized pace of 16.5 million cars to 18.5 million in 2010. Such a scenario is not unrealistic for the GM-led Ford. Ford had 14.5% of the market, and even if industry analysts believe post-recession and rising stocks could push auto sales to 17.5 million to 17 million in 2010. The wildcard is GM, whose breakeven is 15% to 16% above a year with sales of 17 million cars. "We are going to see a segment Chevrolet will match some money to spend on marketing," says independent market

ing research firm IHS GlobalVantage. "And that will put a lot of pressure on Ford."

Ford's decision to shut Chrysler is not government bailout's success to have helped its image among consumers. In a July survey, polling firm Automotive Intelligence found that 40% of independent voters were likely to consider a Ford because it did not need a bailout. "It's important that consideration for Ford is up as a result of the credit problems," says Jimmy Arroyo, CEO of car leasing firm Edmunds.com.

"The question is: Will it stay, and for how long?" Ford vehicles are also benefiting, better prices, up more than \$2,000 on average, compared with a year ago, thanks to higher quality ratings and less need to discount.



Alan R. Mulally in the webcast comments - 1

- ❑ Great leader of people
- ❑ Learning point : Great leaders do great job when it 's getting tough
- ❑ Never whines, never complains (cf. GM bailed out by the US Government)
- ❑ How can I make the best of the situation ?



Lessons learned from Mulally

- ❑ Life is constantly changing
 - ❑ Don't fixate on the past
 - ❑ Life isn't fair
 - ❑ How can I make the best of today?
 - ❑ → Things may change dramatically
- !



Alan R. Mulally in the webcast comments - 2

- „Be in the moment“ with what you have available
- How to cope with stress under tremendous challenges
- Upbeat, enjoys every day of it, has fun – cf. Dalailama & the brochures promoting Ford cars over lunch
- Very positive, has fun, not stressed at all
- Life is ever changing for all of us
- AM : incredibly disciplined, engineer ...
- Sticks with a plan
- Flexible planning though committed to the grand plan
- Figure out what to do differently



Poll

What might you do to help team handle pressure?



Part 4

Alan Mulally (CEO, Ford)



live



Alan R. Mulally - Life of the CEO at Ford Corp.

- ❑ Boeing for 38 yrs
- ❑ Invited by Bill Ford to join Ford – chance of a lifetime – contribute to the second American icon
- ❑ Bill Ford shared everything → pretty dire situation
- ❑ Cost structure – huge problem
- ❑ Ford : 55-56% from international operations
- ❑ House of brands (Jaguar, Aston Martin, Mazda, Volvo ...)
- ❑ Customers demand superior service on the brand of their choice – difficult to allocate capital, time & attention to all great brands
- ❑ Too regionalised – separate Fords – competing against each other - no real sharing in innovation, technology
- ❑ Very talented, committed technical people ...
- ❑ ... but over-independent marketing, divisions
- ❑ → Pull everybody together around where we want to take Ford



Mulally's transformation strategy

- 1. Laser-focus on the Ford brand, divested other brands**
- 2. Complete family of vehicles for our customers** (small-medium-large; cars-utilities-trucks)
- 3. Every new vehicle = best in class** → 4 fundamental values for customers → 1. quality, 2. fuel efficiency, 3. safety, 4. very best value
- 4. Change cost structure to be competitive with the very best in the works – deals legacy costs**
 - can make cars in the US competitively
- 5. Amass money - 23 bn \$ - to be ready to invest in tough times**
 - pick market share
 - truck plants into car plants (small vehicles in US profitably)
 - 10 bn of debt repaid, improved balance sheet
 - return to profitability & positive cashflow in 2011
 - without government money



Mulally's recommendations : Best practices for individuals in difficult times

- ❑ Be in balance, not stressed
- ❑ Include everybody in the plan – you are not alone – everybody can help
- ❑ Very disciplined business plan review process (every Thursday, every function, every business all over the world, all disciplines – all leaders)
- ❑ Red, yellow, green – open, support, help – safe environment : it's OK to be red → unleash energy
- ❑ Everybody knows everything, information shared
- ❑ Move forward decisively, make corrections as you go
- ❑ Attitudes, skills – factual data – seek to understand before seeking to be understood
- ❑ Respect, listen to each other, help, appreciate others
- ❑ Emotional resilience – trust the process
- ❑ All associated with a compelling vision → world-class vehicles
- ❑ Enjoy the journey – „fundamentally“ !