How does Ford drive change that delivers $2 billion to the bottom line? By teaching—in a most un-academic way.

Driving Change: An Interview with Ford Motor Company’s Jacques Nasser

by Suzy Wetlaufer

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Driving Change: An Interview with Ford Motor Company’s Jacques Nasser

The change imperative facing Ford Motor Company was massive: integrate 340,000 employees separated by fiercely independent fiefdoms spread across 200 countries. Synchronize all teams, divisions, and regions into one global entity. Instill in all employees the need to think and act as if they owned the whole company. Why? So that Ford can excel in the global economy, and satisfy increasingly demanding consumers.

How did Ford create such “corporate DNA that drives how we do things everywhere”? How does it insure that every individual understands the why and how of Ford’s new direction? Surprisingly, by teaching. But not academically, with consultants in classrooms. Rather, with in-house leaders reaching out to every corner of the company with teachable points of view—“documents written by people to explain their theories about competition and success.” Ford uses these all the time—in story-telling, in project planning, in teaching programs reaching over 55,000 people; and in e-mails to 100,000 employees.

The teachable point of view
Noel Tichy, a consultant to Ford, thinks of the teachable point of view document as the “antidote to the ‘black box’... that conceals the origins of good ideas and important insights.” Teachable points of view include:

- Ideas—beliefs a leader holds about what will make the company profitable
- Values—personal values as well as values the leader uses to set business goals (for example, sharing knowledge across divisions)
- Emotional energy—how to motivate people (for example, by explaining the competitive context of their work)
- Edge—an individual’s distinctive thought processes for making tough calls (for example, how to make decisions about an unethical employee)

The power of teaching
This type of teaching makes leaders’ implicit knowledge explicit. It opens it up for questioning and refining. And it rapidly reaches thousands of people. Nasser articulated his teachable point of view, taught it to 200 leaders, who taught it to 1,500, who taught it to 55,000—all within a few years.

Living and breathing change
This type of teaching also enforces the discipline of change. “Once you start to teach... with your own people leading the effort, the teachers themselves have no choice but to behave differently. You’ve gotten up in front of your people, and said, ‘This is what I believe. This is how we should run the business.’ After that, it’s very hard to disown yourself from the change process.”

Capstone: one of Ford’s teaching programs
During a teaching program called Capstone, four strategic challenges are assigned to small teams of executives. To start the process, Nasser and his team share their teachable points of view. They also have team-building exercises, 360-degree feedback, coaching, and intense conversations about the challenges. When the teams complete their work, each participant receives extensive feedback on his or her performance from fellow participants as well as the top team.

“That intensity is energizing. And when it’s all over, the Capstone participants are asked to create their own teachable points of view... Capstone is about learning, but its results have been anything but academic... With [all] the teaching programs we’ve used over the past three years, our people have delivered $2 billion to our bottom line.”
How do you shift strategy into overdrive at a company with 340,000 employees in more than 200 countries? The answer, says Ford’s iconoclastic new leader, is teaching as you’ve never seen it before.

DRIVING CHANGE
AN INTERVIEW WITH FORD MOTOR COMPANY’S
JACQUES NASSER

By Suzy Wetlaufer

Jacques Nasser, the newly appointed CEO of Ford Motor Company, joined Ford Australia in 1968 as a financial analyst. Nasser’s family, originally from Lebanon, had long lived in Melbourne, where Nasser spent his teenage years starting businesses, including a bicycle-making operation and a discotheque. His father, an independent businessman himself, watched approvingly as Jacques thrived as an entrepreneur. Little wonder, then, that he greeted his son’s decision

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today, 31 years after joining Ford, Nasser is asking his employees to see business as his father did—to understand that excitement and success come when employees think and act as if they own the company. (In fact, they do, to the extent of 20% of the outstanding stock.) Nasser is asking them to adopt, in other words, the capital markets’ view of Ford—to look at the company in its entirety, as shareholders do. As Nasser explains in this interview, that’s a radically different mentality for Ford. The company has long operated as a collection of fiercely independent fiefdoms united under the flag of their functional or regional expertise, “Ford’s fiefdoms don’t always war with one another, although that can happen,” Nasser says, “but they don’t exactly care either about what happens to the domain that contains them all.” He recalls a meeting two years ago with 200 of Ford’s senior executives. “They all knew everything there was to know about their own divisions,” Nasser says. But none could say what the company’s assets were. Nor could anyone identify Ford’s price-earnings ratio or its economic value added.

Because Bill Ford is leading the board as the company’s chairman, Nasser can commit his full attention to leading the company itself. His singular goal as CEO is to replace Ford’s fiefdom mindset with a mentality that will satisfy, if not delight, consumers in the twenty-first century and, in turn, the capital markets. But how do you exact such a transformation—particularly in a company with 340,000 employees across 200 countries? The answer, according to Nasser, is through teaching. As a member of Ford’s leadership team, over the past three years he has overseen an intensive, cascading education program that has involved every one of Ford’s 55,000 salaried employees. The initiative was launched when the company’s most senior leaders were charged with bringing the business case for Ford’s transformation to their direct reports. In turn, those direct reports were charged with becoming teachers and leaders of change by spreading the strategic how and why of Ford’s transformation to their direct reports.

Ford’s change program is based on teaching, but it eschews the traditional classroom setting. Teaching at Ford is achieved through a multifaceted initiative, including small group discussions of strategy and competition, stints of community service, and 360-degree feedback. At the initiative’s center is a hands-on, three-day workshop that culminates in an assignment designed to let “students” demonstrate that they understand Ford’s new mindset: within 100 days, they must deliver a significant new cost saving or revenue source to Ford’s bottom line.

The teaching initiative at Ford has been so effective, Nasser says, that he intends to roll it out to the company’s hourly workers this year. “You can’t reinvent a company like Ford overnight; we have too much tradition,” he explains. “But there is no question that we have to change our fundamental approach to work—we have to change our DNA. And teaching does that better than any other way I know.”

**Ford has been making cars for nearly a century. Why change the company’s mind-set now?**

If we don’t, Ford as we know it won’t be around in five years. That’s the primary answer, and I would say it’s pretty compelling.

No company can survive in a world driven by rapidly changing consumer needs and tastes without having leaders at every level capable of fast decision making. If leaders think and move slowly or operate inefficiently—basically, if they don’t keep up with consumers and competitors—then they won’t be able to satisfy the capital markets’ demand for both profitable growth and unassailable asset utilization. The capital markets are ruthless. They don’t care about the stellar performance of one design team, or the financial results of a particular geographic region, or the amazing productivity of one molding plant. The capital markets value the health of a company as a whole. Is the company positioned to meet consumers’ needs now and in the future? And can it meet those needs while bringing home great returns on the capital employed?

Another point comes into play here, too. Increasingly, the markets value a global approach to business—an approach in which a company’s units, divisions, teams, functions, and regions are all tightly integrated and synchronized across borders. The markets reward the kinds of companies in which, for instance, a manager at an assembly plant in Cologne says, “It would definitely lower my costs to change such-and-such supplier, but it would damage our global strategy for raw material sourcing. I won’t do it.” When you have a whole company of people thinking like that, you know you’re going to see the benefits in overall productivity. And even more important, you’re going to see the
benefits in innovation, because people will be asking themselves, What can I do to make this whole company work better and smarter and faster? What creative ideas do I have that will really make us grow, not just in my area, but over there, in that division or that one?

Does that kind of questioning happen at Ford today?

More and more. But we still have way too much of the fiefdom perspective. I should note, by the way, that I myself used to have that view of our business. When I ran Ford Europe from 1992 to 1994, it was a fiefdom. Every three months or so, we’d get visitors from headquarters who would suggest new ways of thinking about and doing things. And we would wine and dine them and nod at everything they said. Finally, we’d get them on the plane home, and we wouldn’t think about a word that they’d said until they came back again. We figured nobody knew more about how to run Ford Europe than we did. We were the experts. We can’t do that anymore.

The transformation effort at Ford, then, is undergirded by two concepts: employees should think like shareholders, and the company as a whole must be able to respond swiftly to—if not anticipate—consumers’ needs. Those ideas aren’t new. But is this the first time they’ve been introduced to Ford people?

We haven’t had to introduce these concepts to our people until now. First let me make this clear: the last thing I want to imply is that the new executive team at Ford is a bunch of heroes on white horses, galloping in to save a company in distress. Ford has been in business for 95 years, and you can quibble with its degree of success, but the fact that a company is still around after 95 years is an accomplishment in itself. And when it comes to a global mind-set, Ford is actually ahead of most of its competitors. But consider the fact that there are legitimate historical reasons Ford evolved into a collection of fiefdoms. Think about Ford’s history in three chunks: from its founding in 1905 to the early 1920s, the late 1920s through the 1950s, and the 1960s through the 1980s. The first period was one of colonization for most large U.S. companies—they would send a son off to the U.K., Canada, or Argentina to run a company just like the one back home. The first Henry Ford was an internationalist at heart, I think, because within a very few years of establishing the company here in the United States, he was quickly opening assembly plants all over the world that were essentially smaller versions of the original company in Detroit. Not surprisingly, all the cars looked the same, too; they were all Model T’s or Model A’s. The competition in this period was basically nonexistent, it was so disorganized.

The next period was one of intense nationalism. All around the world, there was a real sense of national pride. We saw the ugly side with what happened in Germany, but nationalism was on the rise everywhere. Suddenly, there were automotive companies in the U.K., in France, Germany, Australia, and guess what? They were all making their own vehicles. Government policies tended toward nationalist objectives—import quotas, mandatory investments, and the like. Nations wanted to exert their independence and saw the automotive industry as a means of investing in their economies and creating technical skills and employment. The competition during this period tended to be very much national—even the most international competitors operated in large part out of their own regions. The Europeans exported, the Americans exported, and that’s how the competitive game was being played.

In the third period, you had the rise of regionalism, with the emergence of the European common market and NAFTA. Countries kept their own political system and social values, but economic trading blocks were being formed. Ford Europe was established in this period. In fact, this was when most of our regional and functional fiefdoms became firmly entrenched. And the system worked very well, given the times and the environment. I would even say the fiefdoms were excellent at what they did: they squeezed every last ounce of efficiency out of the regional model. For instance, back in the period of nationalism, Ford had multiple accounting activities around the world—there were 15 in Europe alone. The regional model got it down to 4—1 in Europe, 1 in the United States, 1 in Asia-Pacific, and 1 in South America. But even with that efficiency, the model doesn’t work anymore.

“We have to change our fundamental approach...our DNA. And teaching does that better than any other way I know.”
Because of the globalization of the economy?
Right. Today we're moving to a fourth stage of economic evolution with the globalization of capital, communications, economic policy, trade policy, human resources, marketing, advertising, brands— you name it. You've got Germans and Japanese producing cars in the United States, and Koreans producing cars in Eastern Europe, and you've got Malaysia exporting cars and parts. Add to that the fact that the automotive industry is now becoming not just a hardware-driven industry but an electronics-driven industry. It's becoming more and more a business that requires huge investments in technology and intellectual capital.

So I don't think there's a choice about globalization anymore. That is, I don't think you can say, "Well, we're just going to remain a national company or a regional company." Some of our competitors are still saying that: "We're quite happy. We're Europeans and we're going to do well in Europe. And yeah, we'll do a little bit in Asia, we'll do a little in South America." That might not be a bad strategy for a short time or for a certain type of company, but for a company of Ford's background and size, I don't think that is a viable alternative.

The days of looking across town and seeing our major competitors are gone. Now auto companies around the world have ambitions, and some of them are world-class players—Toyota and Honda, for example. And we are also going to face competitors with whom we have no experience. So put it all together and you see we are facing an incredible challenge today: more markets open for business, more competitors fighting for dominance, more need for very smart people and fresh ideas. And at the same time, we have to grow. You don't make money by downsizing or shutting plants or reducing your product line. You make money by building the company.

Ford can't build the company if it holds on to a mind-set that doesn't respond swiftly to consumers' needs or pay attention to the capital markets. So that's why we're in the process of reinventing Ford as a global organization with a single strategic focus on consumers and shareholder value. That's not to say you wipe out national cultures or eliminate the idea that it makes sense to have people with expertise in one function or another, but it does mean you strive for some sort of Ford-wide corporate DNA that drives how we do things everywhere. That DNA has a couple of key components: a global mind-set, as I've said, an intuitive knowledge of Ford's customers, a relentless focus on growth, and the strong belief that leaders are teachers.

Does having a single strategic focus necessarily mean that Ford intends to sell the same products across every market?
Just the opposite. As a matter of fact, it means that we can actually have products that are tailored to an individual market because we are able to leverage technology and efficiencies around the world. If our cars have common systems that consumers riding in the car don't see or experience—like the front-end crash pulse—then we can put the money and time saved by those common features toward things that consumers do care about in their individual markets. And we can do it faster and cheaper than ever before.

Say we're selling a car in Brazil. It might have the same basic engineering as other Ford cars, but its suspension system will be customized for that country's road conditions, which can be pretty treacherous. At the end of the day, we're capitalizing on our scale, but we're right out front with satisfying our customers.

Some aspects of Ford, however, will be common across markets. For instance, we will have best practices in marketing and employee development. And all major decisions about brand positioning and technology will be made by a central group. Execution, however, will be local, with enough flexibility to ensure that local differences are accounted for. Let me give you an example. In order to have consistent Ford DNA around the world, we need to have consistent policies and practices on compensation. That said, different cultures come at compensation differently—in particular, they have different attitudes about the balance between fixed and variable compensation.

Generally speaking, our long-term goal is to increase the emphasis on variable compensation. In fact, we recently began to roll out a worldwide employee-stock-purchase program to support our drive to have employees think and act as sharehold-
ers. But we’ve gotten some pushback from Ford Australia, mainly because of the tax implications of our program. Given those special circumstances, we agreed that Ford Australia should develop its own stock purchase program. To do otherwise would have been counterproductive – you can’t force the world to be the same everywhere.

At this moment, how close is Ford to being a global company?

Let me put it this way: we have a strong international presence. We operate in 200 countries. But having assembly plants in Brazil, product development teams in Germany, and dealerships in Mexico doesn’t make us a global company. Look at what happened when we introduced the Ford Escort in Europe in the 1980s. That car, which was intended to be our first global product, was engineered on two continents—North America and Europe. Obviously, that made it impossible for us to capitalize on global sourcing for components. And it was launched individually in every country. Not only did every country come up with its own positioning for the car, but each devised its own advertising message and hired its own advertising agency to get that message across. So you had one car and a substantial number of value propositions. One market was saying, “Yeah, this car’s a limousine,” and another market was saying it was a sports vehicle. That made it impossible for us to get customers’ input into the product after it was out there. Everyone was reacting to a different positioning.

Compare that with the rollout we just had of the Focus, our new compact. It’s a great example of where we’re headed with our new mind-set. First, the Focus was engineered by one team of engineers. Its concept was launched at one show, in Geneva, and the vehicle itself was launched at one show, in Paris. We brought in journalists from all over the world—1,500 of them. They all drove the Focus on the same roads and in the same conditions. They got the same technological presentation from the same people, and they got the same brand and product positioning delivered to them from the same marketing people. The Focus is a vehicle with a lot of design flair, tremendous spaciousness, great fuel efficiency, and engineering for safety, and we’re going to offer it to consumers at an enormous value. That’s the way we talk about the car whether it’s in Britain, or Canada, or elsewhere. And by the way, we have one advertising agency handling the rollout—one.

Getting from the Escort to the Focus must have required a major cultural shift. How were you able to make that change?

We realized that the change had to be understood on the individual level. Every manager, every designer, every engineer, every person in the plants had to change his or her way of thinking. And the only way to change at the individual level, I believe, is through teaching. Teaching, we’ve found, is an amazingly effective way to change an organization. With the teaching programs we’ve used over the past three years, our people have delivered $2 billion to our bottom line, either as increased revenues or decreased costs. And they’ve delivered them because their mind-sets have changed.

Now, many executives intuitively lead by teaching. In both formal and informal settings, they share their perspectives on strategy and competition, for instance, or they coach individuals to build their skills. I myself taught for years, but I didn’t even realize I was teaching. I was talking about the history of Ford, which was the history I grew up with. I told stories about my experiences in different parts of Ford, good and bad. I used those stories as a way of capturing what worked and of describing the pitfalls and opportunities I’d experienced.

This is what’s changed: we’ve systematized teaching as our means of change, made our message consistent, and taken it to a larger audience than ever before. The programs we use are many and varied—Capstone, the Business Leadership Initiative, and Executive Partnering, to name just three. (For an overview of Ford’s teaching initiatives, see the chart “The New Curriculum at Ford.”) But they all come down to the same thing: people teaching people about the why and how of Ford’s new direction. And we create leaders of change in the process.

Is teaching the same thing as spreading knowledge?

Spreading knowledge is part of it. In fact, there is no better, faster way to distribute knowledge around a company than through teaching. In the past 30 years, I have worked for Ford in ten countries. I’ve faced a military junta in Argentina and a
THE TEACHABLE POINT OF VIEW: A PRIMER
BY NOEL TICHY

THREE THINGS can be said about change in today's intense competitive environment: it's hard, it's necessary, and most people are bound to resist it. The question for leaders, then, is, what actually makes change happen? As Jacques Nasser has found at Ford, the answer is teaching. Or more specifically, teaching based on a mechanism I call the teachable point of view, which turns leaders into teachers and their students into teachers and leaders, and so on. I did not invent the teachable point of view. I recognized it and gave it a name. Great leaders – be they of corporations, churches, or armies – have probably been using it forever. Today, in fact, it is galvanizing change programs not only at Ford but also at General Electric, AlliedSignal, PepsiCo, and hundreds of other organizations large and small.

The teachable point of view, simply put, is a written explanation of what a person knows and believes about what it takes to succeed in his or her own business as well as in business generally. What do consumers really value? What would it take to knock out the competition? What dynamics – from on-line buying to demographic changes – will drive the markets in five years? What kind of people should the company hire in order to reach its goals? How does a leader know when to dive into a new technology? How does he or she know when to abandon a sinking ship?

The teachable point of view is not, however, just a how-to manual. It is a why manual as well. (I'm using the word “manual” loosely here – most teachable points of view can fit on two pages.) It identifies why a person approaches work as he or she does; it opens up his or her assumptions, beliefs, and experiences to colleagues, bosses, and subordinates. I often think of the teachable point of view as the antidote to the "black box" in people's heads – the box that conceals the origins of good ideas and important insights.

Beyond “redistributing the wealth” around Ford, what makes teaching an effective tool for change?

Consider what usually happens in change programs in large companies. A slew of consultants comes in with overheads and Powerpoint presentations. They lecture people about why change is important and how it needs to happen. And when they leave, the people who have sat through the show say, “What do they know? They don't work here.” And nothing happens.

But once you start to teach in-house with your own people leading the effort, the teachers themselves have no choice but to behave differently.

financial meltdown in the Philippines. I've faced hyperinflation, closed markets, open markets, Japanese competition – you name it. I've probably packed 100 years of experience into those 30 years. I could keep all that inside my head, or I could share it with people in the company to help them learn.
You’ve gotten up in front of your people, and you’ve said, “This is what I believe. This is how we should run the business.” After that, it’s very hard to disown yourself from the change process. You have to live it and breathe it every day. Teaching enforces the discipline of change.

But I’ll tell you something about the discipline of teaching: it is not an easy thing to do. You have to be absolutely committed to it. You can’t say, “I’m going to open up the dialogue,” and then not really open it up. You have to be genuine in what you are doing. I mean, when you get stopped at the newsstand on a Saturday morning and a factory worker comes up to you and says, “I was thinking about that comment you made in your speech the other week,” you can’t say, “Well, sorry, it’s my free time now. Just send me a note next week.” When you open up change—when you bring its case to your people—you have to stay front and center for their questions.
Wouldn’t it be more efficient and just as effective to change the Ford mind-set by moving its people around between fiefdoms?

It’s not enough. People may get a more global point of view with international assignments, but teaching adds something critical. It demystifies why we need to change, why we actually need a global point of view. It demystifies what we’re all thinking here at headquarters. You know, you go down a step or two in some parts of this company, and there’s a mythology about why we do things the way we do, and the stories don’t always match reality. As a result, a wall builds up between senior management and the people who execute the strategy. The people on the front lines end up saying, “They want change up there,” and they don’t know why, and they don’t care.

Teaching allows you to replace the old mythology with a new and better one. When I first came to Dearborn, I decided to invite people to take a look around my office and answer any questions they had. We had thousands of people through. And you know what they asked? “Where’s the Jacuzzi?” A story had started—I don’t know where, and I don’t know how—that when I came to Dearborn, I had an elaborate office designed for myself with a health club and a Jacuzzi in it. So people came, and they saw that there was no Jacuzzi. That was part of breaking the old mythology, which was that the senior executives were so disconnected from the real work of this company that they were spending their afternoons in Jacuzzis.

With teaching, we’ve been able to introduce new stories, to create a different folklore about what’s possible at Ford. That’s how you build a new culture—through stories. I tell a lot of stories that have the same moral—that working at Ford does not have to be about working in a single area. It can be about working and caring for the whole company.

One of my favorite stories involves our consumer research department here in Dearborn. A while back, they got it in their heads that maybe we should change the look of the front grille on the Explorer. They asked me about it, and I said no, but they were bound and determined. So one weekend, they got 100 paid people in here—probably provided by some focus-group company—and they had them walk around and look at 15 different grilles, each person holding a little clipboard, jotting down impressions. I don’t know exactly what it cost, but it was too much. And I’ll tell you why. If we don’t know intuitively the look that Ford customers want and expect from us, then we’re dead. When it was all over, the focus group participants picked the Explorer grille. Of course they did—that grille is the Ford look at its essence and we can’t go wasting time and money messing with that. There are bigger and more important battles out there. I tell this story because it demonstrates the absolute need to understand the essence of brand and consumers.

Have you changed your stories since you started the teaching initiative at Ford?

Definitely, because you learn what works. You learn what your people know. For instance, a few years ago, I started meeting with small groups of senior executives to talk about shareholder value and what that means in the daily approach to our jobs. The first few times, I spent hours talking about financial ratios. But it wasn’t until someone was brave enough to come up to me afterward and say, “What’s a P/E ratio?” that I realized why so few people in the company were thinking about shareholder value. They didn’t understand it as a concept. The same with growth. No one understood why we had to grow. The topic was talked about only by a few guys up in finance. Even senior executives, most of whom had grown up within a single function, had little understanding of what drove shareholder value and how to measure and track our total company performance in the manner of the capital markets.

Let’s talk about some of the components of the teaching initiative at Ford. Which one would you say is the most effective?

You can’t deconstruct the components. No single component is more powerful than another—they reinforce one another. And they all build off the same foundation: the teachable point of view, which is a document written by people to explain their theories about competition and success, and also has the powerful effect of turning everyone in the organization into a leader and teacher of change. (For a discussion of the teachable point of view, see the insert “The Teachable Point of View: A Primer.”)

Our first teaching program was called Capstone. It was launched in 1996 as a means for both Alex Trotman, then CEO and chairman, and his senior team to share their teachable points of view and to develop leaders from the top several hundred executives in the company. Capstone continues today.

How does Capstone work?

First, my leadership team and I select four strategic challenges facing Ford. For instance, one challenge was to figure out what our distribution channels should look like given the rise of the Internet and the emergence of large retail outlets—the superstores for cars that are popping up. Each one of these challenges is then assigned to a team of six
THE NEW CURRICULUM AT FORD

Ford’s teaching initiative comprises approximately a dozen programs. The chart below summarizes four of the most widespread.

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<th>PROGRAM</th>
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| Capstone                       | 24 senior executives at a time                    | Jacques Nasser and his leadership team | • Conducted once a year  
• About 20 days of teaching and discussion  
• Teams given six months to solve major strategic challenges  
• 360-degree feedback  
• Community service |
| Business Leadership Initiative | All Ford salaried employees—55,000 to date        | The participants’ managers             | • Three days of teaching and discussion  
• Teams assigned to 100-day projects  
• Community service  
• 360-degree feedback  
• Participants make videos that contrast the old with the new Ford |
| Executive Partnering           | Promising young managers—12 so far               | Nasser and his leadership team         | • Participants spend eight weeks shadowing seven senior executives |
| Let’s Chat About the Business  | Everyone who receives e-mail at Ford—about 100,000 employees | Nasser                                 | • Weekly e-mails describing Ford’s new approach to business |

Senior executives from around the world. They’ve got six months to tackle it, with one member of the leadership team along for the ride as a sponsor, guide, and coach.

The teams begin the six-month process with an intensive five-day workshop. A lot goes on. My team and I share our teachable points of view. We have team-building exercises, community service projects, 360-degree feedback, coaching, and plenty of conversation and debate about the projects that lie ahead.

The workshop concludes with a long dialogue between me and the participants, along with their spouses or partners. And I mean it when I say long; these conversations can last up to three or four hours. Spouses and partners are included because I don’t think you can effect change in a company without acknowledging that the kind of transformation we’re talking about is going to influence people at home as well as on the job. I don’t give a speech. We talk about how global careers affect families; we share ideas about ways to fix the company; we talk about the exciting new business opportunities that exist for Ford. Sometimes these sessions get pretty intense, which is great. That intensity is energizing. And when it’s all over, the Capstone participants are asked to create their own teachable points of view.

Following the workshop, the senior executives go back to their day jobs. Their Capstone projects will take up about 30% of their time over the next six months. The teams are global, so working together can be pretty challenging. They have to figure out ways to meet face-to-face, how best to use e-mail, and when to use videoconferencing and teleconferencing. Halfway through the project, all the participants meet for a coaching and check-in workshop. The teachers are members of my top team or previous Capstone participants. There’s the whole idea of leaders teaching and leaders developing leaders.

The final session of Capstone lasts several days, and again it’s all about teaching. My top team and I review recommendations from each team and decide what to implement. Every participant receives
extensive feedback on his or her performance from fellow participants as well as from the top team.

Capstone is about learning, but its results have been anything but academic. Take that matter of distribution channels that I mentioned. In their six-month block, the team members studying it got out in the field, benchmarked Ford against other consumer companies, and spent time with our dealers. Based on their analysis, they decided we should adopt a whole new strategy—basically, they recommended we start acquiring dealerships in different regions and create our own superstores with our dealers as business partners. They developed a business model for their plan, came up with an implementation process, presented the idea to the board, and sold it to senior management—all with incredible speed. Within weeks of their presentation, we launched their approach, and today it is a critical part of our long-term strategy.

Let’s talk about Ford’s Business Leadership Initiative.

BLI brings teaching to a larger audience. It began when the top 200 executives at Ford were trained as teachers in a three-day workshop so that they could take their own teams off for three days and teach them about Ford’s new approach to business. These teachers were also shown how to design 100-day projects for teams of BLI participants—projects that tackle cost problems or discover new sources of revenue in their own areas. By the end of 1997, we had completed 200 BLI workshop series involving about 20,000 of our salaried people. Today BLI has spread throughout the organization to the extent that our company now has more than 1,500 leader-teachers worldwide who have reached a total of 55,000 salaried employees.

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Again, like Capstone, the BLI projects are an incredibly important part of the learning process. And even though they’re smaller than the strategic challenges taken on by the Capstone participants, they certainly aren’t little, make-work assignments. Teams have to show they have made a positive impact on shareholder value, be it through cutting costs or enhancing growth or improving customer satisfaction. For instance, one team had the objective of increasing sales of accessories that are offered on light trucks, such as the Expedition and the Navigator. The project had a revenue target of $18 million and a profit target of $4.9 million. In another BLI session, eight teams got together and decided to establish a center within Ford to double the productivity and halve the time of IT systems development. Their target for profit effect was $40 million. It looks as if both of those projects will achieve their goals by the end of 1999.

In Capstone, the concept of shareholder value is central to the curriculum. Is the same true for BLI?

Definitely. At the outset, a lot of our people didn’t know Ford’s market capitalization, or its price-earnings ratio, or why either of those things mattered. We basically had to introduce the concept of capital markets. We had to talk to people about where Ford really sat competitively: how we looked compared to General Motors—and compared to Microsoft, General Electric, and Wal-Mart. People are thrilled to learn this information, believe it or not. They want to put their daily work into a bigger economic context.

Every BLI participant spends at least half a day in a community service project. Why?

There are a couple of objectives. First, one of Ford’s strategies is to be a world-class corporate citizen. That means far more than contributing dollars to society; it means we must actively contribute our time and energy to the communities in which we operate. Second, working in a community is a very powerful leadership-development experience. Ford people have built schools in Mexico, worked with the homeless in New York, and cared for the elderly in Hong Kong. Our people have worked side by side with community activists who have shown what it takes to get things done under the most daunting circumstances.

One organization that teaches our people a lot is Focus: HOPE in Detroit. It distributes food to about 80,000 people a month and trains thousands of young people in all sorts of life and job skills. It has trained almost 1,500 machinists, for example. The experiences at Focus: HOPE have fundamentally changed many of our people. One Ford executive who worked there told me he would never complain again about the limits of his budget. He said the experience showed him what we meant when we talked about working against the odds.
After the community service portion of BLI is over, we bus everyone back to the training center and we talk about leadership. We also talk about the emotions of change. Those emotions can be brutal—we get them out, we let people air them. And then we give them a final assignment. We say, "Here's a video camera. You have 45 minutes to plan, script, and shoot a five-minute movie that compares the new and old way of doing things at Ford. By the way, the best movie—which you will judge yourselves—will be shown on the third day of the workshop when Jac or one person from the senior team will be with you."

Can you describe some of the winners?

There was a hilarious one not too long ago. For the old Ford way, they showed a bunch of people standing around a swimming pool. They were all wearing suits. And then one of them falls in, and he clearly can’t swim. He’s screaming and flailing all over the place. All the people on the side of the pool start to wring their hands—you know, they’re fretting. They’re saying, “God, we’ve got a problem. We’ve got to call McKinsey. Maybe we should put a committee together.” And the guy in the pool, of course, drowns.

In the video depicting the new Ford, the guy falls into the pool, and everyone jumps in to save him. It was funny, but underneath there are some deep themes about the great stuff that happens when you get rid of bureaucratic behavior.

Do people ever complain that the video exercise is silly? That is, are people cynical about the Capstone or BLI programs? After all, it’s something of a forced march.

Not really. People are energized by the learning process. I’m not saying Capstone and BLI are easy, and I’m certainly not going to tell you that change is easy. People are out of their comfort zone. In fact, for many in the BLI program, the workshop is the hardest three days they’ve ever had on the job. But there’s something exhilarating about accepting change—especially about understanding that you can be a positive part of it. Change doesn’t have to push you along; you can ride along with it.

Executive Partnering is another component of the teaching initiative at Ford. What does it involve?

Executive Partnering targets young managers with leadership potential. We assign these people to seven top executives over eight weeks. In that period, the young managers basically shadow their partners. They travel with them and attend dinners, teaching sessions, meetings with clients and customers. They are exposed to the full range of business challenges that leaders grapple with every day—the inevitable paradoxes of leadership, resource allocation issues, the conflict between urgent matters and long-term goals.

We arrange the program so that three young managers are partnering at the same time. In addition to their individual experiences, they are also asked to work together on an immediate business problem. That builds their collaborative skills and gives them some cross-functional experience in a compressed time frame.

Executive Partnering has been one of our most effective development activities ever, based on the feedback from both sides of the equation. In fact, it has been so well received that we’re extending it to other levels of the company.

Another part of the teaching initiative is your “Let’s Chat About the Business” e-mails. How often do you send those out, and who receives them?

They go out every Friday at 5 P.M. to about 100,000 employees—basically everyone who receives e-mail in the company. They’re just another way to share as much information—unfiltered—as broadly as possible throughout the company and to encourage dialogue at all levels. They’re also a chance for me to describe what’s happening in the company from the capital markets’ perspective. I talk very explicitly about our stock price and shareholder value. I quote what Wall Street auto analysts are saying about Ford stock—buy, sell, or hold. I talk about what our competitors are doing. For instance, I gave my opinions about the meaning of the merger between Chrysler and Daimler-Benz. I also describe what’s happening in the global economy. Last year, for instance, I used a “Let’s Chat” e-mail to state my case for the changing paradigm in the automotive battleground.

One of the best aspects of the “Let’s Chat” e-mails is how many responses I get. People take me on. They ask questions. They make suggestions about how we can do better. They push my thinking. That’s what teaching is all about.

You seem convinced that the teaching effort at Ford will be successful in changing the company’s mindset and its performance. Why?

I know some people are great actors, but I’ve seen a tremendous change in how people view the business. It’s more subtle than a change in our culture, although that’s happening. The shift involves the way people are thinking about their careers and contributions within the company and how they’re thinking about the competition.
I’ve seen the company’s mind-set change before. When I was in Australia, I saw people fundamentally change the way they work.

You were appointed president of Ford Australia in 1990, after 17 years of working for Ford in other parts of the world, but it wasn’t much of a homecoming, was it?

It was a disaster. Ford Australia was basically the same as Ford worldwide, except that it had 15,000 people instead of 340,000. It was a very function-driven company, to the point where none of the divisions talked to one another. I mean, no one ever said, “Hey, let’s get together for the good of the business.” But Australia was a protected environment and so, even with the infighting, the company had fared pretty well. Then the market opened up, and all of a sudden you had competition from everywhere—Japan, Europe, Korea.

The first thing that happened was that market share tanked, and then it started to lose money, and then quality went bad, and things started to fall apart. The government didn’t trust the company, and the unions didn’t trust management, and the press turned against the brand. Employee morale was terrible. The situation was so serious that some people within Ford’s higher levels thought there really was no solution and, even more than that, that saving Australia wasn’t worth it.

I wasn’t prepared to accept those ideas because I remembered Ford Australia as it had been. True, the environment had changed, but there was still a core of really dedicated, good people. They just had to start relating to one another.

Did you use teaching?

We didn’t call it that then, but it was teaching—helping people understand the business case for collaboration. I was up in front of the people constantly saying, “This is where we are going, why we are going there, and how we’re going to get there.” For two or three years, all we did was teach.

What happened?

People learned, and the company turned around. We became leaders in quality. With the unions, it went from a situation where their leadership wouldn’t talk to us to what was a model relationship based on honesty and trust. And a feeling grew within the company that we were winners—and we were. We started launching vehicles on time and under budget, and we started making money.

Much of what I learned in Australia I’m now applying to Ford worldwide, and already I can see the same kind of transformation taking place. But I also have no doubt that there’s no end. Three years from now, we still won’t be there. But I’ll tell you something: because of teaching, the Ford you see today has no resemblance to the Ford of five years ago. If you dissected us and inspected every blood vessel, we’re different; our DNA has changed. I don’t think we’ll go back.

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Lockheed Martin’s then-chairman and CEO Norman Augustine presents an insider’s perspective on a change story that parallels Ford’s in significant ways. In both cases, a long-prosperous company in a venerable business was shaken to the core by sudden, pervasive change. The 12 “pretty good but sometimes painful” rules for corporate coping with dramatic change that Augustine explains often echo lessons recounted by Nasser.

The corporate transformation discussed in this article is set in motion by the effects of a 24-7 world on a somnambulant, bureaucracy-ridden business. Like Nasser, Smith emphasizes the importance of eliminating “vestiges of the traditionally complacent, monopolistic mindset known as having ‘Bell-shaped heads.’” As at Ford, learning becomes the linchpin of Bell Atlantic’s transformation. The article includes sidebars describing learning programs most integral to the change effort.

This is a valuable predecessor to the Nasser interview. Tichy headed General Electric’s management education unit in the mid-1980s, when GE was in the middle of learning initiatives such as Work-Out. Welch’s comments in this article allude directly to the elements that would later compose Tichy’s “four basic building blocks” of a teachable point of view.

BOOK
This volume can serve as a primer on what it takes to make corporate transformation efforts succeed. More often than not, change initiatives fail because leaders rush the change process, or attempt to omit one or more of eight necessary steps (which Kotter explains in detail). Leadership is primarily about coping with change, claims Kotter: “Only leadership can blast through the many sources of corporate inertia... motivate the actions needed to alter behavior...[and] get change to stick by anchoring it in the very culture of an organization.”