

At Ford, Questions Remain About Life After Mulally

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DETROIT (AP) — The big question at Ford these days: What's next?

The company has thrived under the charismatic leadership of Alan Mulally. But the sunny 67-year-old CEO who joined Ford six years ago appears close to retirement. Reports say he'll step down at the end of next year.

That leaves many wondering whether the storied Dearborn, Michigan, automaker can continue to prosper without the man that saved it from financial collapse.

The front-runner is Mark Fields, who for years has run the company's most profitable operations in North, South and Central America. Ford's board likely will discuss succession plans at a meeting Thursday. Whoever gets the job will face tremendous global challenges.

Fields, 51, could be named chief operating officer, a sign that he's the board's pick as the next CEO. He wrote the restructuring plan that Mulally used to bring Ford back from the edge of bankruptcy. But before Mulally, Fields had trouble getting the plans to work in a dysfunctional company, even with support from then-CEO Bill Ford Jr.

Here are some reasons why investors should worry about Ford after Mulally:

BAD HABITS: Ford was divided into warring factions before Mulally arrived. Executives didn't work together and regions operated like fiefdoms. Regions developed their own products and refused to share designs and technology. Ford also had too many factories making too many vehicles, forcing it to offer costly discounts just to sell them. Mulally swept out the bad apples and promoted executives who shared his goals and were willing to work together. He slashed plants and insisted on matching production to demand. That allowed Ford to command higher prices for cars and trucks. But many in Ford's top ranks still pre-date Mulally, and they could slip back into bad habits once he's gone.

"The question is how much of his ethos remains ingrained in the company once he leaves?" asks Efraim Levy, an auto industry analyst for Standard and Poor's. "Sometimes without the driving force, parts of the culture revert back to the old way of doing things."

UNFINISHED BUSINESS: Mulally is sure to leave unfinished business, whenever he goes. The company expects to lose \$1 billion in Europe this year. It could be years before a restructuring plan makes the region profitable again. In Asia, Ford is in the midst of a major expansion. But it is playing catch-up to General Motors and other

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brands in critical, fast-growing markets such as China and India. New plants and products won't be in place until 2015. At home, Ford is remaking its struggling Lincoln luxury brand, with seven new or improved products due out by 2014. But changing buyers' negative perceptions about the brand will take time. Any of those projects could flop without Mulally at the helm.

ANEMIC STOCK PRICE: Ford's stock price has been immune to Mulally's Midas touch. It's now at \$10.21 after sinking below \$9 this summer. That compares with \$8.28 on Sept. 5, 2006, the day Mulally was hired. Investors have yawned at any good news, like the decision by Fitch and Moody's to return Ford to an investment-grade credit rating. Even Ford's reinstatement of its dividend this year caused little excitement. Mulally says Ford is the victim of global economic woes, and the restructuring efforts and string of solid profits — almost \$32 billion since 2009 — will eventually be recognized. But Wall Street has no real love for Detroit and investors could be even more skeptical of Ford's prospects without Mulally.

THE NEXT LEADER: Mulally didn't clean out a huge number of executives when he took over, so those who caused a lot of Ford's problems remain on the job. One has to wonder if Fields, who had trouble moving the company before Mulally arrived, has the personality and strength to keep it working in one direction.

Yet Fields learned under Mulally's management system, which forced feuding executives to work together. Now he's ready to run the company with few changes, says Jeremy Anwyl, vice chairman of the Edmunds.com auto website. "He's really kind of developed as a disciple of Alan," Anwyl says.

Here are the reasons to feel comfortable about a post-Mulally Ford:

TRANSFORMED COMPANY: By nearly all accounts, Mulally has changed Ford, grooming executives who follow his lead. His methods, which include mentoring executives but holding them accountable for their work, have become the way the company does business. Mulally holds weekly business review meetings in which executives are encouraged to raise problems and work together to solve them. The meetings have proved so successful that lower-level managers now hold them for their staffs. The company also has cleaned up its balance sheet, paying off billions in debt and shoring up its pension plans

"If you've got something that works, why change it?" asked John Fleming, Ford's global manufacturing and labor chief, during a visit to a Thai factory last month. "The process will stay even when Alan goes."

BETTER PRODUCTS: Even during the financial meltdown, Mulally encouraged engineers and designers to keep working on new cars and trucks that would revive Ford's lineup. It worked. The Fusion and Focus have been big hits, as have sleeker, more fuel efficient SUVs like the Explorer, Edge and Escape. Because Mulally pushed for the globalization of Ford's product lineup, the company no longer wastes billions of dollars developing different cars for different markets. It can plow the savings back into better designs, superior technology and more fuel-efficient engines. A strong lineup of cars has made Ford less reliant on pickup trucks, whose

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sales can fall when gas prices spike.

FORD FAMILY: It took great courage for Bill Ford Jr. to realize he didn't have the necessary skills to right his family's company and essentially fire himself as CEO in 2006. Ford brought in Mulally, and since then also has learned better leadership skills. No matter what happens, it's likely that Bill will remain at the top as executive chairman, providing much-needed stability. Ford, 55, the great-grandson of company founder Henry Ford, said in an interview last year that he knows the company can grow complacent after a few good years. "You often hear people at Ford say we can't manage prosperity. I think it's really quite different than that. It's that we stop changing," he told The Associated Press.

But because of Mulally's management system, that won't happen again, says Ford. Executives now are trained in all aspects of the business, and the system is set up to prepare them for changing circumstances by working together, he says. "At the old Ford, you had heroes and villains," Ford said. "Now, it's, 'OK, where do we have issues and how do we solve them?'"

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