

Donald E. Petersen

Chairman of Ford and Champion of Its People

Perhaps more than any corporate leader in America today, Donald Petersen, chairman of the Ford Motor Company, represents the new breed of CEO—one with a grand vision plus the ability to carry it off in today's challenging global marketplace. It takes a unique kind of leadership to turn around any large, established company, particularly in the U.S. automotive industry, once known for its rigidity, its arrogance toward the customer, and—in the seventies—for its miserable performance. The Reckoning, David Halberstam's stupefying chronicle of the industry's com-euppance, attests to Ford's old image as a mastodon heading for self-extinction. In the early eighties it lost over \$3 billion.

But in 1985 Donald Petersen became Ford's chairman and led what probably will become one of the legends of corporate America in the eighties. Under Petersen's leadership, in 1986 Ford outearned its archrival, General Motors, for the first time in 62 years, boosted profits by 40 percent in 1987, and showed the world that Americans can build a quality car.

And that isn't even the good news for some of us. Not only does Ford have unassailable bottom-line results; it achieves them through judicious and deliberate development of its people. And the chairman of the company will stand up in public and say so. Petersen isn't the only CEO to support employee learning, but he is perhaps its most open advocate. And he participates personally in the company's education programs, giving the clear message that they are important.

The HRD profession probably could not invent a better advocate for its most cherished principles than Donald Petersen, nor could Ford be a better showcase for their efficacy. Participative management, employee involvement, and continual learning have all played a major part in Ford's turnaround. Fittingly, Petersen is quick to share credit for success. Once when asked how he'd turned the company around, he replied, "There's an old saying in the northwest—and it's one of my favorites—that 'if you see a

"It's a built-in fact that people are the real resource of any enterprise"

turtle on top of a fencepost, you know it didn't get there by itself.' "

Though he would be the very last to endorse the idea, Peterson's persona—intelligent, direct, and disarmingly unpretentious—could be a secret ingredient in Ford's turnaround. Referred to reverentially by Ford employees as "The Chairman," he is nevertheless known to be both approachable and to treat other people's ideas with seriousness and respect. In a field known for the industrial-strength egos of its major figures, Petersen is a remarkable exception.

In this interview with Training & Development Journal editor Patricia

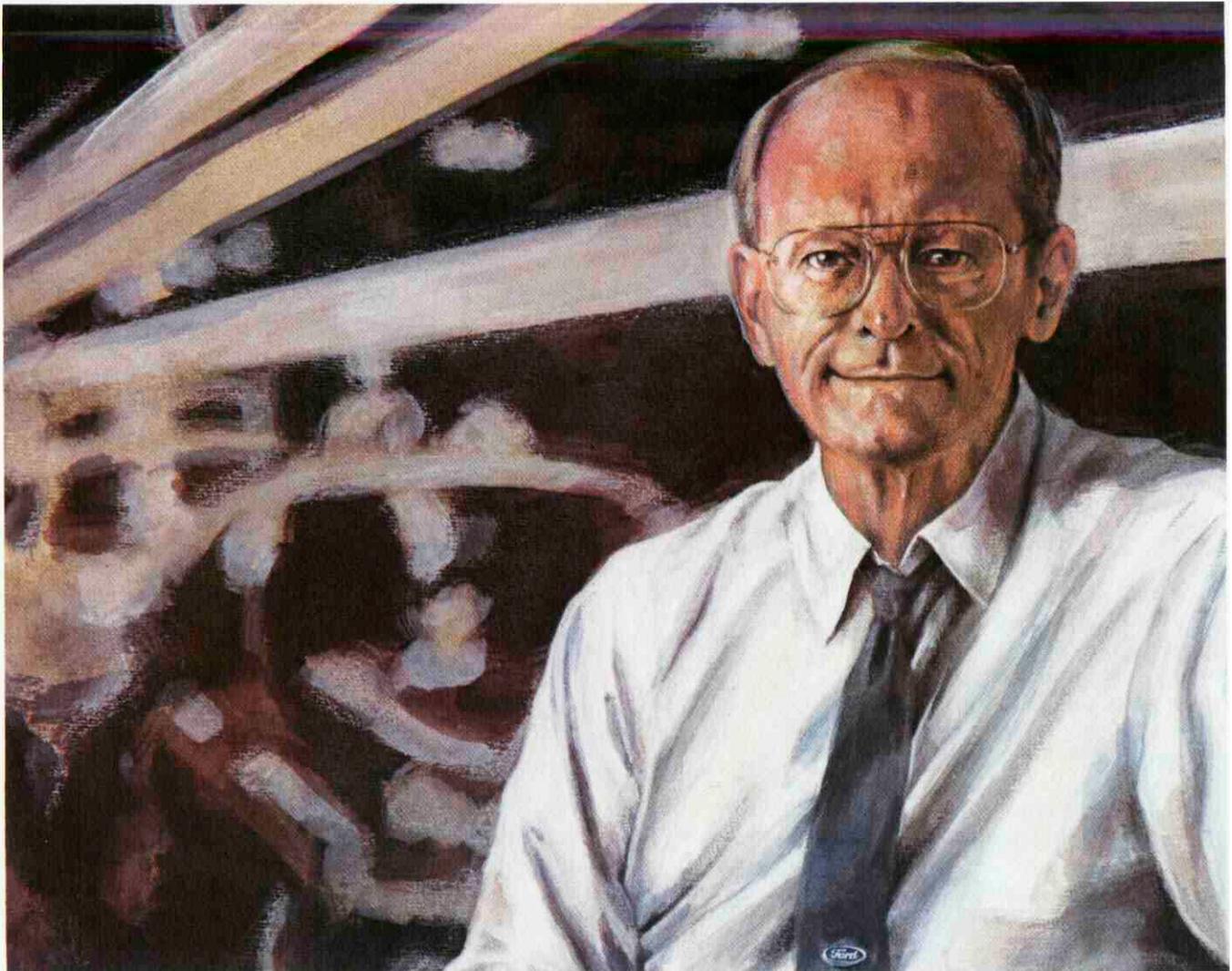
Galagan, Petersen expands on his belief in the power of learning and its role in achieving Ford's strategic goals.

TDJ: You've been committed to training and education at Ford for a long time, both financially and personally. How did you make the decision to hold onto that commitment in the face of so many pressing concerns?

PETERSEN: It's a built-in fact that people are the real resource of any enterprise and that those people have to be given every chance to optimize their abilities and knowledge and skills. If you don't give people the chance to achieve, you'll seriously diminish the results of their combined efforts.

I think we gained real impetus in our education efforts at Ford when we were renegotiating our national contract with the United Auto Workers in 1982. First of all, that was a revolutionary contract in that we moved from a very legalistic, adversarial approach to an agreement that had a lot of language in it about the intention to work together and to cooperate. One element of the contract was the agreement to conduct jointly with the UAW a training, retraining, and education effort for the hourly employees of Ford Motor Company. That has proved to be an enormous success. We just expanded our central training facility in Michigan very substantially, and it's supported by branches in 20 states.

TDJ: When you say "success" what do you mean?



PETERSEN: The obvious improvement in the ability of so many of our employees. They're learning to do their present jobs much better, and they're learning to change. A lot of them are moving from a type of work that was associated with a technology of the past to work that centers much more around the use of computers, the transfer of information, and the automated control of processes such as manufacturing and design. It's been striking to see how successfully people can take computer training, for example, and gain the skill they need to use a new type of equipment.

TDJ: So these are the kinds of things you think about when you're considering the amount of support to give to employee education and how it should be used?

PETERSEN: Very much so, because so many of our employees today are clearly going to be with us as we make

major changes in how we do our work. It's an absolute requirement that we give them the opportunity to be re-educated and retrained so they have the skills for the next wave.

TDJ: There's a lot of change ahead for the automotive industry: a new global outlook, new partnerships for sourcing, manufacturing, and distribution. And Ford has announced that it plans to diversify further, especially into electronics and financial services. What do you think such changes will mean from the perspective of developing people?

PETERSEN: There's no question that enormous changes are ahead for the industry. We've already talked a lot at Ford about how much change is going to occur in how we make our products and the wide array of new skills and knowledge that will be demanded.

I think it's also very important today to develop in all employees a good un-

derstanding of just how interdependent we are as a world of nations and how truly international the competition is, certainly in our business. That has to be the point of departure in how they think because those with whom they're competing around the world are already hard at work on the idea.

As for Ford's diversification, I believe that it generates the opportunity for our employees to consider different types of work. The company is involved in so many different kinds of activities that the opportunity is very great for changing the nature of one's work. You could probably have 20 different careers without leaving Ford Motor Company.

TDJ: People in the employee education field believe very strongly in the link between what employees learn and what a company wants to achieve. Would it be accurate to say that Ford uses education and employee learning to achieve its strategic goals?

PETERSEN: Absolutely. One good illustration would be our world-wide management team conference last January for the top 400 people in the company and their spouses. The thrust of our week together was a process of dealing with what we have concluded—through a lot of discussion—to be the most important strategic issues facing Ford in the next couple of decades. We broke the group into teams to take on the issues and to come up with constructive, innovative, and ingenious ideas as to how we could best prepare ourselves to address the issues.

We're continuing that same effort of engagement with the top 2,000 people in the company. We make them part of the thinking process through our executive education groups—50 people at a time coming together for a week from Ford organizations all around the world. Ahead of time they indicate what issues affect them the most and so have a chance during the week to meet other people with similar concerns and really dig into them. We expose them to the thinking of people from outside the company, especially people of substantial reputation. We give them a chance to listen to the thinking of the owners of competitive automobiles. We let them see what's on the minds of people who aren't part of Ford. And at the end of the week, one of us from the policy committee will meet with the group for an hour or so to exchange ideas. We haven't missed yet in almost three years.

Now that all 2,000 executives have been through the program, we're starting what we call SEP II: Senior Executive Program, second wave. We've had two pilot groups so far to test this education effort, which will zero in much more closely on Ford's strategic issues. I've gone to the first two groups, and I'm going to the third this Friday to help decide whether this new approach is a good one.

I think it's very important for the senior executives and the senior team to be seen by everyone in the company to have a direct interest and involvement in employee education. If the chairman can take part in person, it makes it a little embarrassing for someone to say, "well I just don't have the time."

TDJ: Do you think your education effort will help sustain Ford's turnaround and prepare for the future?

PETERSEN: That's why we're doing it. That's exactly why, because what we must do is put into place a series of processes that are good and sound ways of proceeding with our business in the future. This is opposed to the old idea of having task forces and special programs. To me these words infer that you can take on a problem, work on it very hard, solve it, and feel it's finished forever. But to me this is wrong thinking. Continuous improvement in sound processes—in how we conduct the business—is what we are trying to instill. If we can do that on a continual basis, there's reason for optimism, and we can continue to achieve in the future the results we've been achieving recently.

TDJ: A dangerous trap for companies, especially if they've grown a lot, is to

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get wedged into thinking about what they know how to do well instead of what they need to learn to do in the future. So changing over a company like Ford, with a strong, entrenched way of thinking, to a process of continual improvement is quite an achievement, to say the least. How did you pull it off?

PETERSEN: The initiation of employee involvement as a concept, and now a way of life, was certainly a major help. There was a lot of doubt about it when we first started it and a lot of cynicism. But the people, the employees, the individuals, liked the idea of being involved, of being asked "What do you think?" It's just remarkable what that question does to people.

TDJ: What makes employee involvement more than just idealism?

PETERSEN: The practical improve-

ments that the employees see make a big difference. We started involving employees primarily to see if we could improve the quality of people's work-life, and we made major gains in improving the work environment. But in coming together in groups to discuss these improvements, it became clear that people felt the whole process would be so much better if they could just change it. So we started the process of change.

But first we had to do something to allow change to happen. For us that took the form of a companion effort in participative management. We needed to change the "now-hear-this" mentality, the notion that an employee should listen carefully and not think too much. But to ask for employees' ideas without first building management's receptivity would be to drive those ideas right into a brick wall. The effort of changing to participative management has taken and still takes a lot of effort in training and education because we're having to change managers who have succeeded by a different route. We not only want them to change to participative management but to believe that it is a better way. That's the harder part of the process.

TDJ: Didn't you yourself come through that old route of success? What changed your mind?

PETERSEN: There were many aspects of the way we, meaning all business enterprises, worked that I didn't like. I just didn't care for the autocratic approach that was so often evident and led to abuses that bothered me personally a great deal. When you believe in the concept of a central power source there's an arrogance that flows from it and behavior that's demeaning to others. A couple of times I decided I didn't want any part of it and took steps to separate myself from what I didn't like. I think that having those experiences stuck with me and led me, when I had the chance to be an influence, to want to see if I could make it work a different way.

The changes have been marvelous to watch. For example, in our policy committee meetings each person would speak but only on a subject that was in his or her area and would never dream or dare of venturing into the subject area of another member of the committee. Today it's a much more collegial atmosphere with people being

encouraged to speak out about everything.

TDJ: The first of Ford's six "guiding principles" is a commitment to the quality of products and services. What do you think has contributed most to meeting that commitment?

PETERSEN: Making all of us believers that quality really is the number-one priority in our company. If you go anywhere in the Ford Motor Company and ask where quality comes in the hierarchy of importance, you'll get the answer that quality is number one.

We're working hard now to enrich and expand the definition of quality. At the beginning it was oriented very much to the end product that we sell to our customers, and it was largely expressed in terms of how many things went wrong with that product. But that's a very shallow definition of product quality and of quality in the total sense.

We have a concept we've dubbed total quality excellence to express the thought that striving for excellence in

the quality of work effort, no matter what work you're doing, is the ethic by which we want to live. We talk about our internal customers, and how much you can help your internal customers by providing them the best possible product with which they can take the next step. If I'm giving you less than a complete job, you then have to finish my job before we can get on with yours.

We're trying to develop throughout the company the idea that it isn't possible to have quality your number-one priority and be willing to accept something less than the best you can do. We want that to be an ethic for us.

TDJ: Peter Drucker defines quality in a product or service as "not what the supplier puts in. It is what the customer gets out and is willing to pay for. Customers only pay for what is of use to them and gives them value. Nothing else constitutes quality." Do you agree with his definition?

PETERSEN: Absolutely. The customer defines what quality is. That's a fascinating lesson for many of our engi-

neers. I remember talking with a transmission engineer who was puzzled about why we kept hearing complaints about a particular kind of transmission. He thought the way the transmission had been designed and manufactured would guarantee a quality product, but it wasn't until he went out driving with some customers that he understood what quality really meant. The customers would point out to him what they didn't like, maybe a little stumble or a little hitch. Then he understood that the customers' reaction was much more important to quality than the refinement of gear-tooth cutting.

TDJ: Isn't it true that Ford developed the Taurus using a lot of input from customers and from the people who would be putting it together? Didn't you do a lot of asking during the design process?

PETERSEN: The asking was endless, and it covered every step of the process. Many things were different in our approach to Taurus. "Team Taurus" is a term we use to indicate that through-

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out the car's development, people from all areas of the company were involved as a team as opposed to a sequential passing along of the project.

All during the process we checked with customers to find out what they wanted. Sometimes we found we could use our own employees as customers. For example, when we were deciding how to design the Taurus seats, we had employees evaluate a whole array of seats that the engineers had come up with. We had people of all sizes and shapes take long trips in these seats, and we used their reactions to zero in on the best kind of seats for the Taurus.

Doing that much testing with customers was unusual. We've always had test drives, but engineers did them. Back in my early days as a product planner I was always going on test drives. I was trying to be a spokesman for the customer, but it was very hard to do without a big cross section of opinion.

TDJ: One element of Ford's mission is to continually improve its products and services. The idea of continual improvement is part of the thinking of Dr. W. Edwards Deming. Though Dr. Deming's ideas have made him a near hero in Japan, he hasn't had much influence in the United States. Was it you who brought Deming and Ford together?

PETERSEN: Yes, in one sense. In 1980 several of us saw the television program called "If Japan Can . . . Why Can't We?" It included Deming and talked about the Deming Award that the Japanese give each year to the company that has made the most progress in quality for that year. I was president of Ford at the time, and I arranged to meet Dr. Deming. It was clear that he had no interest at all in working with any company on quality unless the top person was dedicated to the effort. So I guess I convinced him that quality was our number-one objective and was going to be forever, because I was able to get

him to agree to be a consultant to the company. Through a series of discussions with him we explored a number of the basic ideas, such as continuous improvement, that are now built into Ford Motor Company.

He had an interesting approach. "Tell me, Don," he'd say. "Do you want your employees to continue to improve through the years they work for Ford?" "Yes, of course," I said. And he replied, "Well, what are you doing about it?"

TDJ: What do you want to be remembered for?

PETERSEN: Changing the orientation of the Ford Motor Company toward people. The Taurus is a marvelous product, and I'm elated to be associated with it, but I was associated with the Mustang too. A marvelous product has a finite life. What is especially gratifying about changing Ford's orientation is that it has the potential to be lasting.

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