REID HOFFMAN: Welcome to Part Two of my conversation about refounding, with Bill Ford of Ford Motor Company. If you missed Part One, go back and listen; it's in your Masters of Scale feed.

Previously, Bill shared with us how leaders — or anyone — can find ways to re-founded an organization from the inside. It's a mission that touches everything from company culture to new products.

So we'll start today's show with a look at one product that recently enjoyed a refresh of its own.

EDDIE HALL III: The night that the reservations launched, you could track your dealerships as the reservations were coming in.

And I mean, through the night we were just getting reservation, after reservation, after reservation. The phones were also ringing all the time with questions like, "When can I get it? When can I come in and see one? How do I drive one?"

HOFFMAN: That's Eddie Hall III. He's a partner and Chief Operating Officer for the Hall Automotive Group of greater Detroit. He's been with the family business for over a decade. But even he didn't expect the flood of phone calls and messages on the night he's describing.

HALL: It's been almost unbelievable. I have 200-plus reservations at just one location. And so we're talking years and years of production.

HOFFMAN: So... what was causing the flurry of activity lighting up Eddie's phones? The announcement of a very new version of a very established truck: the Ford F-150 Lightning.

HALL: The F-150, I mean, it's such an iconic vehicle. Definitely one of our number-one sellers across all my dealerships.

HOFFMAN: The Ford F-150 isn't just popular in his dealership. It's the most popular vehicle in America. And that's why the latest iteration, the Lightning, made some headlines.

Because as its name suggests, the Lightning is electric.

The concept of electric cars isn't new, of course. They've actually been around longer than cars that run on gas!
And Ford’s entries into the modern EV market have plenty of good company. It’s a sector still led by Tesla, with Toyota, Nissan, Volkswagen and others all jockeying for position.

The F-150 isn't even the first iconic Ford model to go electric. Eddie himself drives the Mach-E, the electric version of their classic Mustang.

But Ford electrifying their core product, instead of creating a specialty line, has powerful scale ramifications. Eddie can explain why.

**HALL:** This was huge because it's such an iconic vehicle. I mean, Ford has obviously been the number-one selling truck for decades.

It really signaled that electric vehicles were no longer going to just be niche, right? When you turn one of the best-selling cars in America into an electric vehicle, that's saying that the plan is for these to be adopted in the masses.

**HOFFMAN:** The mass adoption Ford expects is going to do more than affect Ford customers. It's going to change what our cities and highways look like, not to mention our own homes.

**HALL:** Most of your parking garages that you're going to park in, they all have charging stations. Put it in the airport, hotels. So in the places you go you'd be surprised to find that the chargers are there.

And I think it's a lot easier to put in chargers at your house than people would imagine.

**HOFFMAN:** But even if you've gotten used to seeing charging ports lined up in the garage, the innovations won’t stop there. Eddie says, not only will your home be able to power your car; your car will be able to power your home.

**HALL:** As the vehicles get larger and have bigger batteries. So the F-150 is a prime example. The whole underbody of the vehicle is a battery, so that's a very powerful tool. It stores a lot of power. And so they've actually built in the feature where you can have an electrician come and put in a port really at your home. You can literally plug your house into the car, and it'll be able to power your home.

**HOFFMAN:** When Ford reimagined its F-150 as electric, it was more than just refounding a classic product. It was a means to reimagine the entire future of mobility.

That's why I believe the refounder mindset can do more than change your company; it has the power to change entire industries for the better.

[THEME MUSIC]
HOFFMAN: I’m Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe the refounder mindset can do more than change your company; it has the power to change entire industries for the better.

When we left off in Part One, Bill Ford was both Ford’s Executive Chair and its CEO. It was 2004, and Bill had just led the company through a turnaround — as well as transforming the Rouge, a nearly one hundred-year-old plant, into a model of green manufacturing.

BILL FORD: Some things were very high tech. We used things that were very low tech. Most of everything we did was a cost-save. But importantly, the employees loved working there. And so absenteeism dropped and all the things that we worry about as employers got better. So in the end it was a huge success and other automakers came to study what we had done. Interestingly, just like they had done 100 years prior to study what my great-grandfather had done.

HOFFMAN: In revitalizing the Rouge, Ford had created a test case that other manufacturers could follow. If a Detroit automaker could turn one of their oldest factories into a case study in environmental design, anyone could.

And thus, the entire nation, and businesses the world over, permanently adopted sustainability practices, and the climate crisis was solved.

Right?

Not exactly.

FORD: For a long time, our business, we were an insular company in an insular industry in an insular town. And that always bothered me because I was always intensely interested in what was going on in the world around, and also the advances that were happening. And I could see none of it was happening in our industry and in our town.

HOFFMAN: Other automakers might have studied Ford’s innovations at the Rouge. But the massive industry-wide wake-up call Bill was hoping for didn’t follow. The problem seemed even clearer once Bill had the chance to join the board of eBay in 2005.

FORD: I joined the eBay board when eBay was a young company, and it took me out to Silicon Valley every month. On the board, there were people like Scott Cook and Marc Andreessen and others. And I would ask them, “I'm going to stay out here another couple days. Can you set me up with some interesting things to see and do?” Some were related to Ford like Tesla in the early days when Martin Everhard was actually the CEO; others had nothing to do with the auto industry, but were new concepts, new ideas, new interesting people.
And I would come back to Detroit and just really be quite depressed about the lack of curiosity that I would find. And it didn't take me long to realize that our world was going to change dramatically, and nobody was awake.

HOFFMAN: The future Bill hoped for included not just greener cars and factories, but a greater reliance on technology overall. He saw what many leaders were starting to understand: soon, every company will be a kind of technology company.

But instead of American automakers embracing that, Bill watched them dig in, in defiance of the coming changes. He thought, if he could make Ford a compelling model of this change, it would help bring the industry along. Instead, he felt stagnation taking hold, even within Ford itself.

FORD: It took me a long time to find the right partners within the company to help drive change. With a company with the rich history of Ford, it's easy to look backwards and to say, "Oh, look at all the great things we did," and therefore don't change it. And I think that was kind of the mindset for most of my career, most of our top management. And I just thought that was ringing the death knell of our company. I really despaired because I didn't find a lot of kindred spirits within the company.

HOFFMAN: These kindred spirits are essential to refounders at every level. It’s true that any single employee has the power to spark a new idea. But for it to catch fire, you need to ignite buy-in from your team. And the CEO isn’t exempt.

FORD: One of the things that would I think maybe surprise you or your listeners is that despite my name and despite my position, I couldn't through brute force get done what I needed to get done. There is a tremendous resistance to change in sort of what I'll call the layer of clay in a corporation, where a lot of middle management has spent 20, 25 years doing things one way. And they'll salute when they walk out of the room and go do exactly what they've been doing before. That was the hardest part for me. And almost on any issue you could bring up where sometimes I could get the top executives to agree, and then nothing would happen. I could get the top executives to agree, and I could get the new hires to agree, but there was this layer of clay that just was impermeable. and that drove me crazy.

HOFFMAN: And what were some of the lessons about how to get that clay to change, to transform it?

FORD: If you don't explain to each individual how their life is going to change and how they fit into this new world, the anxiety and the natural, I think, tendency is to ignore it or hope it goes away, or just do what you've been doing, because there's great angst about, "Well, okay, this is this great new world that everyone's talking about. I don't think I fit in. And if I do, no one's told me how." And so I think that's the biggest learning that I've taken away is: anytime you try and make any kind of change, you have to get very
granular in a corporation to each individual to say, “Okay, you’re going to be fine, but here’s what you need to do.

And by the way, if you do it, it’s going to be a whole lot more fun and more interesting and hopefully more profitable for you if you do make this change. But here’s how you can do it.” And I think once you can lay that out, because I don’t think I did that very well in the early days. And I think that’s why the layer of clay existed.

HOFFMAN: This communication with your team is critical to a refounder’s success — not just with your senior leaders, but with everyone down the line. As Bill pointed out, that layer of clay tends to be most immovable in the middle.

And I should say that this is not to besmirch the middle manager! These mid-level operators tend to get a bad rap. But actually, these are experienced individuals with deep knowledge of your organization and are a big part of what makes a business efficient.

Switching metaphors for a moment, when we talk about a company “running like clockwork,” think of these middle managers as the gears, working seamlessly with each other, turning in the same direction.

Now imagine if one of those gears decided one day that actually, they’d like to turn backwards. Or they’d like to become twice as big! It would spell disaster for the inner workings of the clock. So you can appreciate their reluctance to start turning in a different direction, especially if they haven’t been given the big picture.

This is why you need to invite your managers into the mission. If you don’t clue them into the “why” behind a major shift, a manager has enough experience to be skeptical, and just enough seniority to ignore a directive they feel is in the wrong direction.

FORD: I’ve spent a lot of time with our current management team explaining how you have to roll out change because it’s not enough just to sort of blow the bugle and expect everyone to take the hill. People are kind of digging their heels in and say, “Well, okay, that's great. But what about me?”

HOFFMAN: And how do you scale doing that? Because obviously you need to kind of get a cadre of people to help explain that and understand that and transform it.

FORD: You can't over communicate. What we're doing is we're doing a lot of what we call town halls, which we do virtually, so you can get ... We get up to 30,000 people on a town hall, and we do that and we lay it all out, and then we take it right down through the department heads, to the sub department heads, and then we do it again and again, because there's an old adage about the time you're sick of saying something is about the time people are starting to listen.
And I find in corporations that is true. I kind of feel like, “Oh my God, we’ve already said this 10 times. Do we really have to say it again?” The answer is yes, you do. But you also have to make sure, again, that each employee walks away understanding what their mission is. And if they don't, you have to quickly try and remedy it. So we do a ton of feedback loops where employees are telling us how they’re feeling. “Yeah, this makes sense for the company, but I don't know where I fit.” “Okay. We got a problem. We got to get right into that and get very granular very quickly.”

HOFFMAN: Bill is 100% right here. This is classic leadership advice — in fact you may have heard it before on this show, with guests like Jeff Weiner of LinkedIn, and Satya Nadella of Microsoft. Here’s Satya now, talking about how he communicated with employees after taking over as CEO of Microsoft in 2014.

SATYA NADELLA: The hunger in the organization was such that they just wanted that clarity. And I think that's what every leader needs to watch for is what you're saying and what people are willing to receive. You're not going to achieve success if what people expect you to say or want to listen to and hear are two different things. You then have to go back to the drawing board and come up with different techniques. I think at least what I was thinking, saying, and doing matched what the organization at scale wanted to go forward with.

HOFFMAN: Communicating mission with clarity is so important for any leader trying to instigate change. As Satya just pointed out, different members of your team will listen in different ways. So stay attuned to whether your message is getting through. Because the bigger the change, the clearer you need to be.

For Ford, a big change was in order. Though Bill Ford had brought the company back into the black in 2002, by 2004 they were once again in trouble. The launch of the Ford Escape, America’s first hybrid, wasn't enough to turn the tide. American automakers were losing market share to Toyota, Honda, and others. In early 2005, sales fell off. By May, both Ford and GM's stock were downgraded to junk bond status, for the first time in their history.

FORD: I could see what was coming at us. We had an industry where we were running at record levels, and margins across the industry had collapsed.

So I went to my board, and I said, "Look, I need help." Because at the time, I was chairman. I was CEO, I was president, and I was COO. And they said, "Well, what are you looking for? Are you looking for a COO?" I said, "No, I'm looking for the right person. I couldn't care less what the title is. And I'm going to be here regardless of what you call me, so I really need to get the right person.” So that's when I went out and found Alan Mulally.
HOFFMAN: Alan Mulally had spent 37 years at Boeing and was CEO of their commercial airplanes division. Known as a decisive but collaborative leader, he had led Boeing's own massive restructuring in 2001, just a few years earlier.

He seemed like the right fit. But Bill wanted to know about the culture Alan had set during Boeing's restructuring, and how he had interacted with employees along the way. So Bill did what I recommend everyone do when considering a new hire: some deep reference checking.

FORD: I talked to the head of the union out there because my relationship with our union was so good I was able to call up the head of the union and know he'd be confidential, and I said, "Hey, listen, can you quietly do some research on how Alan dealt with the union?"

So I talked to the head of the union out there and he said, "We love the guy even though he got rid of half of my crew! But he was always honest with us, always told us exactly what he was doing, why he was doing it, and we felt that he was a really good partner."

HOFFMAN: It's not often that CEOs get such glowing reviews after a massive round of cuts. But the fact is, employees usually know when the business is in crisis. They're the ones at the ground level, interacting with customers and suppliers. They may even know something's wrong before you do.

That's why during refounding moments, it's so important for leaders to be transparent and compassionate with their teams, even when the news you bear is bad. Be human, and treat everyone you work with as though you'll be working with them for decades. That helps create a culture of honesty and dignity that other managers will follow.

FORD: It was important to me that the person not just have the skillset, but culturally would be accepted to be able to run the company. And I'll never forget the first day when I actually brought Alan in to introduce him to my team who was stunned when I said, "Hey guys, I'm stepping down, and here's my replacement." And one of the guys immediately took him on and said, "Well you're from the airline business, huh? Or the airplane business." He said, "Yes." And he said, "Well, ours is a very complex business."

And Alan said, "Well, I think I know something about complexity. I think the products I make have about 10 times the moving parts that yours do and they have to stay in the air." And everyone got very quiet.

HOFFMAN: With that memorable introduction, Alan Mulally began a comprehensive plan to refresh Ford's strategy and structure. But he'd need Bill's help to carry it out.

FORD: On that very first day he said. "Restructurings are expensive, will I have the money to do it?" And I said, "Well, not yet, but I'm working on it." And ultimately, I had to hock everything including our family name to the banks. I had to hock the Blue Oval.
HOFFMAN: That's right. In 2006, Ford mortgaged their own trademark, that dark-blue oval with “Ford” inscribed in cursive, and borrowed 23 billion dollars. The move happened in less than 90 days from Mulally’s first day with the company.

To outsiders — including Ford’s Detroit competitors — the move seemed desperate.

FORD: I walked into a meeting that week that we did the borrowing with my counterparts at General Motors and Chrysler, and I could tell they were laughing, and I suspected it was at my expense. So I walked in and I said, "Well, what's so funny?"

They said, "We think you've lost your mind." I said, "Well, probably, but what have I done this time?" "Well, you just did this huge borrowing." I said, "That's right." And they said, "Well, why?" I said, "Well, I mean, I'm not going to give you my playbook, but we got a lot of work ahead of us in terms of restructuring." And they both said, "Oh, we've done all ours." We didn't see it that way. And then of course the credit windows shut. They went bankrupt, both of them, and we didn't.

HOFFMAN: Yep — just two years later, the financial crisis upended the global economy. It was especially punishing to U.S. automakers. Chrysler and GM took a federal bailout. Ford didn’t. Not only did that leave Ford in a stronger position than its rivals, it made consumers more likely to buy their products. In one survey, 72 percent of respondents said they were more likely to buy Ford products because the company wasn’t taking government loans.

In short, their refounding strategy had worked.

FORD: One of the happiest days of my career was a few years later when we paid our loans and got our name back, our Blue Oval back. And I got our headquarters' emergency broadcast system, which I didn't even know we had, to announce to everybody. And then we had kind of an impromptu party on the front lawn. So it was a cool day.

HOFFMAN: The lawn party was well-deserved.

Ford had emerged from the financial crisis with a refreshed strategy, culture, and mission. This would put the company in a better position than ever to effect change across their industry.

But a bigger crisis was looming, not just for Ford … but for everyone.

[AD BREAK]

HOFFMAN: We’re back with Part Two of our episode on refounding with Bill Ford. If you’re enjoying this episode, share it with friends — just hit the Share button in your podcast app!
And to listen to my full conversation with Bill, become a Masters of Scale member at mastersofscale.com/membership. Even in a two-part episode, there are more stories we couldn’t get to, including the company’s incredible pivots during the early days of COVID, manufacturing ventilators, and PPE. You won’t want to miss it.

When we left off, Bill had just shared the story of bringing Ford back from financial peril. But even as they were coming back into health, Bill was watching the larger trends of his industry as other automakers dug in against climate reform.

FORD: There were a number of fights when California decided to have its own emissions. I remember fighting like crazy to have us not join a lawsuit that the entire industry was in against California.

HOFFMAN: What Bill’s referring to is a legal battle that kicked off when the Trump administration tried to roll back the state of California’s strict emissions standards. Since the 1960s, California’s regulations on vehicle emissions had been stricter than the U.S. government’s. But in September 2019, the Environmental Protection Agency under Trump rolled back that right. California sued. Then the automakers got involved.

HOFFMAN: One of the things that I thought was an awesome kind of culmination that the auto industry can be leaders in climate emission was the, kind of, emission standard fight that happened under the Trump administration when he tried to lower the emission standards, and then Ford and the other major automakers said, "Nope, we're going to stick with the California standards."

FORD: That's not what happened. The others went with Trump.

HOFFMAN: Oh, great. I'm glad I asked.

FORD: Yeah, no, no, I was alone on that. And he was furious with me because I sided with... First of all, we were the only automaker to sign up to the Paris Accord, and he wasn't happy about that either. He called me up and was furious and said, "I'm trying to help you guys by rolling back emissions." And I said, "But you're not." I said, "First of all, the rest of the world is going this way anyway." And he said, "Well, then don't sell your vehicles in the rest of the world." And I said, "Well, are you going to shut your hotels in the rest of the world?" But I would say this, too. I said, "If you go ahead and do this, what's going to happen is California and New England will probably break away and do their own standards, and now we're going to have to do everything twice. And you're never saving anybody money if you have to do everything twice."

But he just didn't agree, and got really angry with me, and that's the way it went. So then what happened was pretty much all the other major automakers lined up with the Trump administration. Ultimately, we worked on a few others. And so, ultimately, it was BMW, ourselves, Volkswagen, and Honda. Only us four, and we were the only American
company who sided with California. We took a lot of grief for it, and I took a lot of grief for it. But in the end it was the right thing to do.

**HOFFMAN:** This is an awesome story — not just for the obvious drama and high-stakes showdowns. It shows how a refounding mindset within a single company can set a much larger change in motion.

In siding with California and stricter environmental standards, Ford had been pushing against most of the other automakers and the U.S. government. But by standing firm, he led the way for other companies to join with him. (Eventually, GM switched sides of the lawsuit, and started going all-in on electric vehicles. We even spoke to them about it on Masters of Scale: Rapid Response.)

That ‘layer of clay’ Bill talked about is orders of magnitude thicker when you’re talking about an entire industry. Disrupting that inertia isn’t easy. But if you’ve been clear and intentional about your refounding mission, your company will be in a strong position to lead — and invite others along.

In Part One of this episode, Bill told us about Ford issuing its first sustainability report, over 20 years ago.

**FORD:** Now most companies do it. Back then, nobody did it. And I'll never forget our senior management saying, when I proposed that we do it, saying, "Are you kidding me? You're actually asking us to publish a report where we criticize ourselves?" And I said, "Yeah, but don't think of it as criticizing ourselves. Think of it as marking our progress."

**HOFFMAN:** That long-ago decision had hit a reset button at Ford. It took time, effort, and lots of communication for this reset to fully take hold. But once it did, the effects rippled out across other initiatives, and eventually, shaped an entirely new strategy for the future.

**FORD:** I felt that, yeah, our business is a good business today, but it's going to be massively, massively disrupted, and we're not ready for it.

**HOFFMAN:** Bill's Silicon Valley trips had impressed upon him not just the importance of nimble teams and fast iteration, but the vastly bigger role software would play in manufacturing moving forward.

**FORD:** One of the things that we've learned, and you will know this better than I by a mile is: he new business is all about software and software is all about talent. Bottom line is if you can attract top software talent, you can win. But conversely, there isn't that much top software talent. And if you miss out, it doesn't matter if you hire 500 mediocre software engineers, you're not going to win.
So start with that because we don't have that, everything else I'm going to say isn't going to work.

HOFFMAN: By the way, I think you're 100% right. I think partially the technologies' drum beat is that. Look, those are changing the nature of the market, the nature of the game, the nature of the industry, the nature of society. And if you're not planning for the new future, not just maintaining things, then it's a little bit like, what is the Shawshank Redemption Morgan Freeman line, "You either get busy living or get busy dying."

HOFFMAN: Bill wanted to make sure Ford was busy moving ahead. So in 2016, the company launched the Ford Greenfield Labs in Palo Alto, also known as D-Ford. It's an R&D facility looking at the transportation challenges of today, and tomorrow. And in 2017, Ford announced a $1B investment in the AI company Argo to partner on the future of autonomous vehicles.

The sprint towards innovation continued in Detroit. As Bill told us in Part One, Ford is collaborating with the city of Detroit to build a new innovation lab in Corktown.

These investments are ways the company can refresh their ideas not just once, but continually. Because when a new idea takes hold, it can actually change your definition of success.

FORD: Most of my career, winning and losing was defined by a couple points of market share. And if you had more horsepower and better styling than any given year you'd win. And if you didn't, you would lose. Well, all of a sudden now we are at a ... Everyone likes to use this term at an inflection point, but we truly are because for the first time we're going to have real winners and real losers, and the losers are going to be gone. So that's the stick, but the carrot is we're all in on electrification, but we also have some of the best internal combustion engine vehicles we've ever had. The F-150, the Bronco, the Mustang. And so we're in a great position now to make this transformation because we're doing it from a position of strength.

HOFFMAN: So one of the amazing, I think, part of this, the kind of rejuvenation and reinventing itself forward is some really amazing products. And one of them, I think, is the F-150 Lightning. So tell me a little bit about how that was conceived of, and then how it's blitzing down the road.

FORD: Yeah. So it's interesting, as this whole electrification discussion started taking place within Ford, most companies, when they were doing electric vehicles were doing, kind of, things off to the side. They were vehicles nobody ever heard of. And Jim Farley, who's now our CEO said, "Look, if we're serious about this, we have to take our most iconic vehicles and electrify them, because that will not just show the public, it'll show our own employees that we are dead serious about this. Because if we go ahead and we don't touch those iconic vehicles and we go ahead and do this on the side, it will always be an add-on."
HOFFMAN: This is exactly right. Think back to the Ford dealer we heard from at the top of the episode, talking about the new electric Mustang and F-150 Lightning. Other car companies may have electric vehicles on the road. But Ford’s decision to electrify their most popular and classic models sends an unmistakable message. Their refounding around sustainability is real, and it’s not just for niche customers. The mission will touch every corner of their business.

But this brings up one more point about Ford’s current strategy. Even as they’re doubling down on electric vehicles and the future of transportation, they’re not abandoning their classic systems entirely. They still sell cars and trucks that run on gas, with internal combustion engines (or ICE vehicles, in automaker lingo).

They’re also launching a separate company within Ford to handle commercial customers.

FORD: Our company is going through tremendous transformation, basically into three kinds of companies. One is the commercial business, the other is our internal combustion, and the third is the electric.

We want the e-business to start from scratch and run like hell, but we also want them to be able to lean on what we do well and can help them. So, the cash that's being generated by the ICE business, the internal combustion engine, is tremendous, and that can fuel the growth of the e-business.

I love this opportunity ahead of us. Now It's all about execution.

HOFFMAN: This new chapter for Ford will come with its own new challenges and new competitors within the E.V. space. But that’s actually foundational to realizing the broader changes Bill had envisioned for most of his career. Bill’s decades of pushing toward more sustainable manufacturing is paying off, and the layer of clay is starting to remodel itself.

As for Bill himself, he has said on many occasions that he plans to be with Ford for life. And he still takes a refounder mindset to each new year with the company. It stems from his very earliest days, working on the assembly line under an assumed name.

FORD: I always took it a year at a time, because, to me, it seems so daunting to think that my whole life was unfolding in front of me, and this is what I was going to be doing for the rest of my life.

Funnily enough, all these years later, 43 years later or whatever it's been, I still do that because I never want to feel like, A, that I'm stale, or B, that I'm on autopilot.

And so I always think, "Okay, well, what else could I be doing? What else should I be doing?" So it's always been a year-by-year endeavor. Now, I love this place, and obviously I keep coming back, but I make myself reevaluate every year.
HOFFMAN: Refounding isn’t something you do once; you have to do it again and again to drive innovation forward in your business, and in your industry. If a 118-year-old company can do it, yours can too.

I’m Reid Hoffman. Thank you for listening.