

Analysts: Ford chief may hit bumps

Automotive industry is more competitive than aerospace; Mulally must learn quickly, experts say.

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DETROIT -- Despite Alan Mulally's solid track record and successful turnaround at Boeing Co., Wall Street analysts say the newly appointed Ford Motor Co. chief will face obstacles unfamiliar to the aerospace industry as he enters the automotive industry's far more competitive landscape.

"He gets fine marks for what he did at Boeing," said George Magliano, director of automotive research for the Americas for Global Insight, an economic research company based in Waltham, Mass. "But he's going to have a very short learning curve and will need to hit the ground running."

The aerospace and U.S. automotive industries share similarities, such as requiring years to design and develop new products, capital-intensive manufacturing, and dealing with unionized labor. But unlike Boeing's commercial division, which competes against European Aeronautic Defense and Space Co.'s Airbus, the automotive industry has an ever-expanding playing field that includes contenders such as Toyota Motor Corp. and Honda Motor Co.

"The automotive industry has become a fiercely competitive marketplace, even compared to 10 years ago," said David Kudla, CEO and chief investment strategist at Mainstay Capital Management LLC in Grand Blanc.

"On the commercial side, Boeing has had one major competitor and on the defense side, they've enjoyed the cushion of billions in government defense contracts," Kudla said.

"There isn't much similarity between aerospace and building cars except that they both have an engine and a lot of steel," said Brad Rubin, an automotive analyst with BNP Paribas.

In addition, Ford is at a critical juncture.

The automaker is in its first year of a major six-year turnaround that includes shuttering plants, cutting its work force and responding to market demands for popular vehicles such as SUV-like crossovers.

Mulally is steering an auto company that lost its ranking as the second-largest automaker in the United States for the first time to Toyota in July.

And although Ford rebounded the following month, challenges such as cutting costs and getting vehicles to the market much faster still remain.

"With all their problems and headwinds, it can take a person a long time to get to know what Ford's issues are," Rubin said.

It could take between six months and a year for Mulally to learn about Ford's business.

"He's going to have to be spoon-fed for a while," Rubin said.

But there are also positives in choosing an executive new to the automotive industry.

"Maybe he can bring some fresh non-automotive eyes to the issues," such as Ford's rolling tons of vehicles into the rental fleet business, which is less profitable, Rubin said.

Bruce Clark, senior vice president and Ford analyst for Moody's Investors Service, called Mulally's task to reshape Ford's North American business daunting at a time it, along with General Motors Corp. and DaimlerChrysler AG's Chrysler Group are grappling with industry changes.

"However, he comes to the company with a strong background in engineering, manufacturing and product development," Clark said.

"We think this that this will be a valuable skill set as he fills the CEO position at Ford," Clark said.

Glenn Reynolds, an analyst with CreditSights in New York, said the market's gut reaction is less important than a thorough examination of the move.

"The morning-after reaction in coming days will probably be more guarded once the second-guessing starts," Reynolds said.

"Certainly, there are plenty of questions. Will the move heighten the risk of turnover for those that were passed over?" he asked.

Critics likely won't have trouble shooting down Ford's decision to hire from outside the auto industry or Mulally's experience.

"For the worrier, one can say that Mr. Mulally was passed over at Boeing and he left," Reynolds said.

"Does it imply a less immediately sweeping restructuring and will it be limited to headcount, a few plants, and some (Premier Automotive Group) sales?" Reynolds said.

"That would be more in line with the type of restructurings at Boeing.

"We will find out soon enough later this month," he said, "but it is a hard choice to compute."