

# Aston Martin – Driving a cultural change

*Graham Smith, Ian Squires, Richard Boot OBE DL | Mar 7, 2017*

**Aston Martin is one of the most iconic brands in the automotive world and it is now on a journey unlike any it has ever made – from being solely a producer of glamorous and very high-end motor cars to becoming a luxury company with a lifestyle product range. In this interview, Aston Martin’s boss describes the strategic and cultural shifts he is engineering in what he calls ‘the never-ending pursuit of excellence.’**

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When Andy Palmer was growing up he had two pictures on his bedroom wall. One was of Debbie Harry who led the American rock band Blondie, and the other was of an Aston Martin V8 Vantage. Reflecting on it he says: “I was never going to get Debbie Harry but I did eventually manage to get a V8 Vantage.”

And rather more besides. Now as Dr Andy Palmer (PhD from Cranfield University), he presides as President and CEO over one of the most prestigious, most desirable and downright coolest brands in the world – Aston Martin. Born in Stratford-upon-Avon, just 16 miles from Aston Martin Lagonda’s global HQ near the Warwickshire village of Gaydon, he went to school only 5 miles away and then on to the University of Warwick (also just up the road) where he took his MSc. “I’ve always been into cars,” says the man who spent 23 years – much of it at the top – with Nissan, before taking over Aston Martin in October 2014. “It was always a company I admired,” he adds.



*Dr Andy Palmer, President & CEO, Aston Martin Lagonda*

The story of Andy Palmer's first two years at Aston Martin is one of transformation through leadership. The cars have always – since their debut in 1913 – been amongst the most alluring in the world and made more so by being James Bond's vehicle of choice through many of the 50 plus year movie canon. However, the gloss belied the reality.

“When I arrived the company had been without a CEO for 18 months,” Dr Palmer observes. “There had been a change of ownership mix and without a CEO, the company had gone into a vacuum.”

His first act on becoming the boss was not to set up camp in his office but instead to take to the road. “First thing I decided to do was get on an airplane and go to each of the regions and talk to the customers and dealers. I had to understand the impact of our products on the customers. I had to hear that straight from the customers' mouths. I asked the regions for their Top 10 quality concerns and they were all the same.”

“When I came back here and told the team they were shocked: ‘But the cars leave here perfectly’, they'd say. But if the colour of the leather fades in the Californian sun, that doesn't make it right.”

That ‘shock’ that the new CEO administered looks – two years on - like the beginning of the cultural transformation that has accompanied his leadership every step of the way. It is a culture that puts the customer – literally – in the driving seat and which makes the

drive for absolute quality a never-ending journey. In fact, it is more than a journey, it is a mission. Andy Palmer's 23 year background with Nissan taught him many things and left many lasting impressions and one of them emerges here: "Working in a Japanese company teaches you the customer is god. And the good thing about using the customers' own experiences is that what might have been an opinion about quality becomes a fact. It wouldn't work if I just walked the production line and challenged quality. The guy on the line might say he's been here 10 years and knows what he is doing. But when you're quoting what the customer says it doesn't matter what anyone thinks – the customer is right."

Evident in the Aston Martin President & CEO's approach to management and the culture he seeks to promote are visibility, transparency and a high degree of obsession which may stem from that poster of the V8 Vantage on the bedroom wall. The DB11 is the first all-new model to be launched under Andy's leadership and he committed to customers that he would personally inspect the first 1,000 off the production line at Gaydon. Making his point, he opened a cupboard door and from the pocket of his 'High Visibility' jacket pulled two plastic discs used for measuring gaps and flushes between panels on the Aston's exquisite bodywork. "What we're talking about is getting gaps and flushes within .5mm. And once we do that consistently we'll make it .3mm. That's the obsession with quality and for me that's what makes this a luxury company."

And the word 'luxury' is the key to understanding the journey on which Andy Palmer is taking Aston Martin. "You can have all of the brand love and all of the personality in the world but there is more to it. The journey we are on is about becoming the Great British Car Company That Creates the Most Beautiful Automotive Art in the World. It needs to be a luxury company first and a car company second."



*AML HQ at Gaydon in Warwickshire, England*

And there is a very firm and clear business reason in Dr Palmer’s mind behind this journey and this transformation. He explains: “A car company will command a multiple on EBITDA of between 3 and 6 times; a luxury company will command a multiple of between 15 and 20 times – and that’s why we want to be a luxury company rather than just a car company.”

The product range now bearing the Aston Martin winged logo will expand progressively over the next five years. From a four-car range today, the company will replace every model in the portfolio and add at least three new vehicles. On average, the company will launch a new model every nine months through to 2021. Aside from looking ahead to Aston Martin’s first 4-wheel drive ‘cross-over’ vehicle, the DBX, which will in part be aimed squarely at the burgeoning and younger affluent Chinese market, last year in association with a specialist builder they launched a power boat; there are already watches and high-end luggage and bags; apartments being designed by Aston Martin’s Executive Vice President and Chief Creative Officer Marek Reichman are being constructed on the Miami River in the United States.

“The golden thread,” says Andy, “is lifestyle. We only join with brands where we can influence the design and that are the right kind of brands for us. All the time we come back to what defines Aston Martin and makes it different, puts us in our own space – ‘For the Love of Beautiful’.”

However, underpinning the poetry, the gloss and the sheer glamour of Aston Martin, is some profound management thinking. Dr Palmer – no doubt influenced again by his

years at Nissan – deploys a Japanese strategic planning process, hoshin kanri. The name they use for the process at Aston Martin is Plus Alpha. This is designed to ensure strategic goals are used to drive actions and progress at every level of the company. The result – it is claimed – is the elimination of waste that comes from inconsistent direction and poor communications. Andy Palmer’s six strategies for Aston Martin cover compelling ‘customer focused’ products; a strong global dealer network; world class quality (“no excuses”, he adds); world class processes; solid finance and funding and ‘passionate, professional people who come to Aston Martin to do the best work of their careers’.



*Aston Martin DB11*

Each strategy has a stream of tactics all of which are measurable and all of which lead back to the policy – to be, as the CEO says, “the Great British Car Company That Creates the Most Beautiful Automotive Art in the World’ and that translates into the annual EBITDA, annual cash flow and an annual multiple on EBITDA.” If successful the strategies will result in output at Gaydon increasing to 7,000 vehicles a year with up to another 7,000 ultimately rolling off the assembly line at the new plant being built at St Athan in South Wales and opening in two years’ time.

Achieving much of that, according to the CEO, is the more straightforward task. The hardest problem was achieving the cultural change among the 2,500 Warwickshire workforce. “The hardest thing to do is changing people’s lifelong beliefs. We had to go through a lot of iterations and had to change some people. Getting them to understand

what I meant by hoshin Kanri / Plus Alpha has been an eighteen month journey. It has been hard.”

He says persuading the entire team into the mindset is like building and maintaining a brand; you have to be consistent and say the same thing – over and over again. He remarks that the team at the Cologne engine plant – which sits in the middle of a Ford factory site – have come very easily to understand Aston Martin’s values and ways, partly because they come to it afresh. He believes the same will be true at the new plant being built in St Athan for the DBX and it is why he sees great opportunities in Wales. But there’s another reason too: “It’s why I wanted a second plant because suddenly – with that – you get a healthy internal competition.” Probably another echo there of Andy Palmer’s time at Nissan and his fondness for the Sunderland plant in north east England, now the most successful car plant in Europe and constantly striving to maintain that leading position. “What they did there was amazing, taking former shipbuilders and former miners and turning them into great car makers.”

Taking people with you is, for Andy Palmer, all about visibility: “If you say the six strategies matter to you then you have to demonstrate them in everything you do.”

And he demonstrates to the team in a highly visible way.

“I try to be transparent. The executive team meets every week. Everything is on the table. We have what we call ‘Courageous Conversations’ – which means you have the ability to disagree with a colleague without making it personal. We’ve been through a fair bit of training to make that possible,” he adds, with a smile.

His style is direct. He holds quarterly ‘all hands’ presentations and walks the plant whenever he is on site. He accepts that this can be intimidating for senior managers ‘but if you show you’re not using it against them in any way then they respect you for what you’re doing.”

The journey on which Dr Andy Palmer embarked a little more than two years ago continues and, he says, has no end. “I come in, I learn, I evolve; I didn’t have all the answers then and I still don’t. The goal is to be the Great British Car Company That Creates the Most Beautiful Automotive Art in the World. It is an iterative process, the never-ending pursuit of excellence.”

## Executive Summary

Key factors on this journey for ‘the Great British Car Company That Creates the Most Beautiful Automotive Art in the World’:

- Visibility, transparency and open-ness – encouraging ‘courageous conversations between colleagues
- An obsession with quality
- A strategic planning (hoshin kanri) process to drive actions and progress
- Consistency – saying the same thing all the time
- The Iterative Process – ‘the never-ending pursuit of excellence’



### Graham Smith

Graham has extensive experience in Executive & Board level search within EMEA, the Americas and Asia Pacific. Before joining IRC, he was a Partner at Heidrick & Struggles and then the Miles Partnership. Prior to a career in executive search, Graham was a management consulting partner at KPMG where he was global head of engineering & industrial products, he also recruited & led the UK management consulting business.

He spent 19 years with KPMG leading complex, transformational multi-functional engagements, including client solutions around people & change, strategy, outsourcing/offshoring, operational transformation, financial management, data analytics & information technology with some of the worlds largest organisations.

Prior to KPMG Graham held a number of senior line roles in the Consumer, Industrial and Automotive sectors.

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### Ian Squires

Ian Squires is a broadcasting professional with a 40 year career in the industry. He has served in senior editorial, production and management positions at the BBC, in the independent and freelance sectors and for 21 years at ITV where he was variously the managing director of a studio production complex, managing director of the ITV Midlands franchise, Central Television, and latterly worked in the ITV network

commissioning team as Controller of Current Affairs & News Operations. Programmes of which Ian was producer, executive producer or commissioner have won awards from BAFTA, the Royal Television Society, the International Emmy committee and also in the US a coveted Peabody Award.

Ian joined Open in October 2015 to further develop the firms media and broadcasting practice.

Beyond television Ian is a Past President of the Birmingham Chamber of Commerce, a former board member of the Hippodrome Theatre and for 8 years chaired the Birmingham Repertory Theatre. He now serves on the boards of the Royal Shakespeare Company and Birmingham Royal Ballet. Ian is a Fellow of the Royal Society of Arts, Manufacturing & Commerce

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## Richard Boot OBE DL

During his 20 years as a Partner at KPMG, Richard was a Managing Director and UK Board member for the firms Management Consulting and then Corporate Finance businesses. He was also Chairman of the Centre for Manufacturing Consultancy and non-executive Chairman of KPMG's UK Automotive Practice for 7 years.

Richard served two terms as Regional Chairman of the Institute of Directors in the West Midlands and on the IOD National Council for 14 years.

He has been a Regional Chairman with private Bankers, Coutts & Co and a Board member and adviser for a number of private companies, including Non-Executive Chairman of a large multi-national packaging Group and its associated Investment vehicle.

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