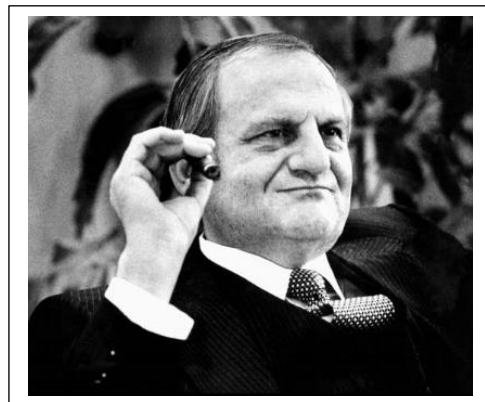


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# Lee Iacocca: A Personal Perspective

MY WORK EXPERIENCE WITH IACOCCA

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*After the original Facebook entry, several people asked if I could write more about my experience working with Lee. The following text is a compilation of three Facebook entries edited slightly.*

Without question, Iacocca was one of the greatest business people of the 20th century. When people talk about Iacocca's accomplishments, two are usually mentioned: (i) being the father of the Mustang; (ii) leading the turnaround of Chrysler Corporation in the 1980's. While each is a great accomplishment, there's more to the story.

From my perspective, two often overlooked major accomplishments are: (i) leading the funding campaign for the restoration of the Statue of Liberty and Ellis Island. Restoring the Statue of Liberty/Ellis Island was of great personal interest to him. Iacocca's parents passed through Ellis Island as immigrants from Italy; (ii) accelerating the implementation of airbags in cars/vans. Most comments about Iacocca and airbags center on his initial efforts to thwart the use of airbags. But he later switched and promoted the use of airbags.

Before going too far with the Iacocca story, I need to explain my relationship with him. We met in his post Chrysler days. He had moved from Michigan to Los Angeles and purchased the rights to an electric bicycle company. Longer term he wanted to expand the bicycle product line to include smallish electric neighborhood vehicles.

The electric bicycle needed a new brand name. He wanted to use "ebike." The "ebike" name, however, was owned by a company that made electric motorcycles. I happened to be on the board of that company and an investor.

The president of the company, Scott Cronk, and I met to negotiate the rights. After the negotiations, Lee asked if I had a resume. Surprisingly I did, having just left the company that resulted in the move to Charlotte. When reviewing the resume, he ignored my career at GM, or at least never probed about it. What he did comment on was: (i) graduating from MIT, noting that "At least I know you can think," and (ii) having been an adjunct professor at University of Michigan with the comment, "I like people who teach."

Then he asked if I would spend two weeks at the company (EV Global Motors), analyze operations and give him an assessment. I thought it might be a fun gig, and if nothing else, great cocktail conversation.

Two weeks later we met in his office. My assessment started with a series of questions, "Why does the company do this? Why does a company own that?" At the end of the third or fourth question, I don't remember which...and none of which he answered...he asked, "Want to be my CFO?" I said "Yes" and thus started my relationship with a truly interesting man.

There's no question that Lee's reputation in the business world for being hard-charging, demanding and disciplined is well-known and well-deserved. But underneath all that bluster and boisterousness -- and yes the voice was very loud at times, even in casual conversation -- there was the son of immigrant parents who had a rough childhood. Think about growing up as son of Italian immigrant parents in Pennsylvania Dutch country.

Just to be clear, let's not go overboard and start thinking his personal life was like Mother Teresa's. But we are talking about is an American hero, who like the rest of us, had a real desire for friends and loving relationships.

Fortunately for me, I was working with Lee at an early-stage company. EV Global Motors was not Ford and not Chrysler with large support staffs. As a result, I spent many hours in his office discussing and trying to solve a range of problems. Some of those discussions continued at the house over dinner, wine and, of course, a cigar.

If you want to get an idea what those conversations were like, pick up one of his books. Lee dictated most of the material for the books, which was then edited. My compliments to the editors, who did an excellent job of capturing the tone and rhythm of his comments, although a few likely expletives never made it to print.

At some point in our relationship, I asked Lee why did he think he was so successful. He became head of Ford Division at about age 35, which is a remarkable achievement in the auto industry. His answer was simple, "I made a plan for the week, the month and the calendar quarter. And then I stuck to the plan. Most guys didn't have a plan and those who did have a plan didn't necessarily stick with it."

We used that approach for operating the company. Every Sunday evening we'd chat for maybe 15 minutes and outline issues for the coming week. On Mondays, after I formalized the "assignments" list, we'd have coffee and go over the plan in detail. We also had a rule. If the plan included an assignment that I or someone on the staff was supposed to complete the prior week but hadn't, then Lee could question me. If he had an assignment that was not completed, then I could question him.

The discussions always included why the assignment hadn't been completed and what was required to complete it successfully. A task on the list for 3 weeks with no meaningful progress toward completion was likely to be considered irrelevant and scrubbed. This method was simple but highly effective in keeping both of us and the staff on task.

A more interesting story is why Iacocca switched from engineering to the sales department. In the auto industry, that type transfer was unusual at the time, and probably still is. I also made an unusual transfer, moving from corporate finance staff in New York to marketing director at Buick HQ, Flint, MI.

The seminal "career moment" for Iacocca apparently occurred at a drafting table, probably at the River Rouge plant but I'm not certain. Imagine a very large area with a sea of drafting tables. At the very back of this sea of tables is a young Lee Iacocca. Behind his table is a walkway. If you've ever been in a Kahn-designed auto plant -- vast open areas with large concrete support pillars -- you'll get the picture.

In the walkway behind Lee two men approached and then stopped at his table. One was Henry Ford I and the other was Harvey Firestone. Yes that Ford and that Firestone. After they left, apparently Lee looked at the number of draftsmen ahead of him and who he would have to pass to get promoted. That sea of people convinced him there was a better way to the top of Ford Motor Company. And that better way was joining the field sales staff.

So the Lehigh/Princeton-trained engineer heads off to the sales department and, voila, turns into one of the best automotive sales and marketing guys ever...and head of Ford Division at about age 35. Coming up are some not well-known stories about: (i) how Chrysler obtained the base design for the minivan; (ii) how Chrysler had so many unsold K-Cars for so long that in one major storage lot weeds were

growing taller than the bumpers; (iii) the red phone on his desk; and (iv) the voice. And, oh, that voice ever carry.

None of the stories will be too personal, embarrassing or disclose confidential information. However, these stories are what I remember most about Lee Iacocca. I hope you find them interesting.

### *The Voice*

One characteristic rarely mentioned was Lee's voice. You know how some people have voices that are just naturally loud? He fell into that category, big time.

A few examples come to mind. #1 -- Was that an ass chewing? The office location for EV Global Motors (electric bike company post Chrysler), as you might expect, was in a fairly high-end building in Los Angeles -- corner of Wilshire and Westwood. In our suite, a few individual offices had tall, heavy, solid wood doors.

When Lee and I had conversations about personnel, legal or financial matters, the door would be closed. I always thought the wood doors were pretty soundproof. That idea was shattered after one meeting when the staff asked me, "Did you just get your ass chewed?" My befuddled response was "No, why do you ask?" Staff responded, "Because his voice was so loud we heard it out here."

As a sidebar, the only time I saw him really get mad was discussing legal bills. I remember one invoice in particular that was on the high side. He was furious at the amount and my assignment, which he described in very explicit terms, was to re-negotiate the amount with the lawyer.

The subject set of legal bills was associated with what I would characterize as a frivolous lawsuit. An executive of the company had been offered what most would consider a very generous buyout. After presenting the offer, I suggested he review with counsel. Rather than taking the offer, which included a guaranteed payment even if he had another job in hand, which he had, the executive hired a well-known litigator in LA who took the case on contingency – I think only because of Lee's association with company.

The case ultimately was dismissed and the employee and the hired gun got zero. However, the company spent a considerable amount of time and money on the case before it was dismissed.

Conversations with Lee about the case were unpleasant and because of his frustration, often loud. The conversations with counsel with whom I was trying to renegotiate the invoice were equally unpleasant and often loud. On a positive note, I maintained a close friendship with counsel until his death a few years ago.

Voice Incident #2 was actually funny, even at the time. Lee and I were to visit a company near Palm Springs that made upscale golf carts. The purpose of the visit was to determine if the company was qualified to make neighborhood electric vehicles (NEV) for EV Global Motors. NEV's were part of the long-term strategy to expand the product line beyond electric bicycles.

I was to meet Lee at his house in Palm Springs. Murphy's Law took over that day and I was late. As I stopped at the guard house at the entrance to the development, I heard a voice that sounded as if the person were standing next to me shouting in my ear. But instead of next to me, there was Lee, probably 50-75' away leaning out of the driver's side of a minivan yelling, "Dabels, where have you been? Follow me!"

Voice Incident #3 I still find humorous as well. It occurred during one of our regular Sunday evening calls to discuss pending business issues. Over the previous few weeks, the company had experienced a problem with a key component of the electric bicycle. The president of the firm supplying the part was also to call me Sunday night and provide an update on fixing the problem.

Although Taiwanese-based, the supplier had an office in LA and with the same area code as Lee's home. When the phone rang, I saw the area code 203. Before I could say "hello" there was a "hello" on the other end, to which I responded "Percy?" (name of supplier contact). My question led to a response in a rather loud voice, "Do I sound like Percy? Dabels, (expletive) do I sound like Percy?"

After a quick apology from me, the conversation turned to business at hand. However, whenever I hear the name Percy, my mind flips back to the phone call and the question, "Do I sound like Percy?"

#4, The Buzzer. Iacocca's office in LA included the desk and the phone from his office at Chrysler. The phone was typical style for that era – touch dial pad and buttons at the bottom for incoming phone lines. On the far right at the bottom was a buzzer, which when pressed while Lee was at Chrysler, would alert the administrative assistant in the outer office.

One day over coffee, he asked me, "See that buzzer? After I nodded, he continued, "When I was a Chrysler, I could press that buzzer and in 15 minutes someone would be in here telling me about the economy in Kazakhstan or some other country. You know what happens now when I press that buzzer?" I shook my head. "I'll tell you what happens. Absolutely nothing."

#5, The Tone of Voice. The final example is how the tone of his voice changed when talking about family, especially the topic of growing up as maybe the only Italian in Pennsylvania Dutch country. Although he never said it directly, at least to me anyway, the tone of voice conveyed a certain loneliness about not being accepted. Like most of us, our childhood experiences have a profound impact on our behavior as adults.

For Lee, the childhood experiences were a great motivator to become successful, which he clearly accomplished. But even with all that success and glory, what never left him, as probably never leaves any of us, were the childhood experiences and that little voice that kept asking to be accepted.

### *What Was His Genius?*

When writing personal observations about Iacocca, I asked myself, what was his genius? Why was Lee so good at certain things?

As noted earlier, his lifestyle did not rival Mother Teresa's. He also was not an intellectual giant. So what was his genius?

I think he excelled at taking whatever was at hand, making something useful, then finding a way to convince people to buy it. That seems odd for someone trained as an engineer. But, think about his success in the automobile business. The Mustang was developed in response to the Chevrolet Corvair Monza Spyder, for which Ford had no corresponding entry. Iacocca filled that hole by putting new sheet metal on



a Ford Falcon chassis. The Mustang was wildly successful even though initial models were underpowered and built on a so-so chassis.

When he became CEO at Chrysler, what did he have to work with? A company with no cash, a product line essentially built on one chassis – the "K" platform – huge unsold inventory (some cars had been stored for so long at the Michigan Fairgrounds in Detroit that weeds had grown higher than the bumpers) and, as I understand, an automatic transmission that nearly always failed.

Having any one of those problems might be enough to make a normal executive cry. But not Iacocca. Within a few years, Chrysler got back on its feet, started generating cash, paid back early the government-guaranteed loan and introduced a vehicle concept that revolutionized the industry the minivan. Pretty successful lemonade out of all those lemons.

And here's a story you probably haven't heard before. When he relocated to California after Chrysler, he bought a house in Bel Air. The house was vacant and had been caught up in the Savings and Loan quagmire of the early 1990's. Yet, he converted the empty house into a beautiful, very comfortable home with exquisite landscaping. Another example of taking what's available and making it much better.

Back to Chrysler. Situation #1 – Chrysler had no cash. The piggy bank was empty. The choice he faced was either secure a loan or declare bankruptcy. Moreover, the bankruptcy probably would not have been a reorganization of Chrysler but very likely a liquidation of the company – the end of Chrysler.

No bank would lend Chrysler the money without some guarantee of repayment. So Chrysler took a highly unusual step and asked the Federal government to guarantee the loan. In order to secure the loan guarantee, Chrysler had to reduce costs, including labor costs, both salaried and hourly. Yet, as late as the night before Iacocca was to fly to Washington and try to secure the loan guarantee, the UAW had not agreed to take a cut in wage rates.

I'm not sure of the exact location of the meeting, but apparently Lee asked Doug Fraser, president of the UAW at the time, to go for a walk. Iacocca offered Fraser a

choice. Agree to lower wage rates and gain rights to buy 1,000,000 shares of Chrysler stock at a very attractive price, or Chrysler files for bankruptcy and 30,000 (or more) UAW members are out of a job. Fraser agreed to the wage cuts and supported the loan guarantee. The next day Iacocca went to Washington and secured the government guarantee.

Situation #2 -- the "K-car." For those old enough to remember, virtually every Chrysler model in the early 1980's was built on a "K" platform. (In internal commu-



niques, auto companies often use letters to designate different chassis since a number of models may be built using the same chassis.) K-car variants included coupes, sedans, a convertible and even a goofy looking stretch limousine.

The quality of the K-cars was marginal at best. To address the quality problems and build customer confidence, Iacocca began a series of TV commercials where he



boasted, "If you can find a better car, buy it!" The commercials were audacious to say the least since finding a better car was easy. Yet, sales at Chrysler increased as people responded to Lee's challenge.

Whether Lee or anyone at Chrysler knew about the following, I don't know, but they certainly benefitted from it. A seemingly unexplainable phenomenon with building customer satisfaction – people are often more loyal and supportive of the company after a product they own has failed, as long as the failure was handled properly.

For owners of K-cars, Chrysler had such an opportunity since virtually every automatic transmission was destined to fail. Chrysler's response to the failure was to provide the customer a rental car at no charge and deliver that rental car to the customer's home or office. With that effort, Chrysler began to build positive word of mouth. The combination of Chrysler owners telling friends about their ownership experience and Iacocca on TV challenging people to buy a better car if you can find it, helped begin building a positive reputation for Chrysler.

Situation #3 – the Minivan. How did that happen? The minivan concept was a "hand-me-down." The concept was developed originally while Iacocca was at Ford. For some reason, Henry Ford II did not support the concept. When Iacocca was fired from Ford, he asked for the design and HFII agreed. Iacocca joined Chrysler and then hired Hal Sperlich from Ford to implement the design at Chrysler.

The minivan was introduced as a 1984 model. However, given the lead times for development, certain key decisions needed to be made in 1982, if not earlier. I



I don't know for sure but my guess is for the minivan, because Chrysler was still so short of cash in 1982, they were forced to upgrade the K-car chassis as marginal as it was. To minimize any negative publicity from the automotive press, Chrysler probably assigned a new letter designation to the chassis, with a letter far away from "K."

Another early decision was whether the instrument panel should be offered in two versions, one with an airbag, and one without. At the time auto companies were offering airbags as an option since it was not clear the public would accept airbags.

Chrysler, again because of the cash shortage, could only afford to tool one instrument panel. In a huge leap of faith, Chrysler chose all airbags. Doing so was contrary to Iacocca's previous position that argued against airbags. In classic Iacocca style, Lee cut **another TV commercial** promoting airbags as being standard on the minivan and implying that Chrysler was taking the lead in auto industry in trying to increase safety for the driver and the passenger.

What can we learn from these stories? The main theme seems to be take what you've been given and make the most of it.

In many ways Iacocca's story is that of many Americans. The son of immigrant parents growing up in an area where there are few others like him – an Italian in Pennsylvania Dutch Country. Yet he survives and graduates from Lehigh University, then goes to Ford engineering. When he sees a long path to success in engineering at Ford, he switches to the sales department. Despite wild success and becoming head

of Ford Division, then president of Ford, he gets fired. Then he moves to Chrysler, which is out of cash, teetering on bankruptcy and where product is abysmal.

But what does he do at Chrysler? He takes what little is on the table, leverages it and initiates an incredibly remarkable turnaround. Was that turnaround based on some wild innovation, some technological breakthrough? No. All the success came from looking at what was in front of him and making something out of it, and then rather audaciously promoting it with the public.

Originally I thought Iacocca's lesson might be the oft-cited lesson of making lemonade out of lemons. But in retrospect, I think his genius and the lesson is much broader and deeper. The financial turnaround at Chrysler was impressive. But even more impressive was the incredible loyalty and support he built with people inside and outside Chrysler.

One incident in particular sticks in my mind. We were in Newport Beach (CA) having breakfast at a hotel prior to attending some meeting or conference. I should say we were trying to have breakfast since we were interrupted constantly by an array of people who came to meet Lee. They stopped at the table not for an autograph or to take a picture. They stopped to thank him sincerely for what he had done to help save Chrysler and to help restore the Statue of Liberty and Ellis Island. While I remember that day in particular, such interaction with everyday people was not unusual.

This entry is the end of the series of my personal thoughts and perspectives about Lee Iacocca. I'm grateful for the opportunity to have worked closely with Lee and thankful for the opportunity to share the experiences and lessons learned. He was quite a guy.