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<DONALD E. PETERSEN> <INTERVIEW>

## job one

HOW A SELF-MADE  
DEPRESSION KID  
CHANGED THE  
COURSE OF  
AUTOMOTIVE  
HISTORY

WORDS  
GARY WITZENBURG

PHOTOGRAPHS  
MONTALBETTI  
+ CAMPBELL



"THEY BECAME THE WHIZ KIDS OR, AS SOME CALLED THEM, THE QUIZ KIDS (BECAUSE THEY ASKED SO MANY QUESTIONS)."



**FORD TAURUS,** (above) by Fritz Mayhew. "Turtle on a Post" (center) awarded to Petersen by his staff after his retirement as chairman/CEO. A.J. Barbour painting of Renaissance Center, former headquarters of Ford offices (bottom).



## ON A HOT, MUGGY

Michigan day in July 1980, a small group of magazine writers is testing Ford's soon-to-come '81 car at the company's Dearborn Proving Grounds. They break for box lunches under a tent. A slim, bespectacled, fiftyish man arrives in a suit, toting a briefcase. He sits at one table and sticks out his hand to the writers there.

"Don Petersen," he says, with a shy smile. It's none other than Ford's new president, on the job since March. He converses genially between bites of his sandwich, then reaches into his briefcase, pulls out a handful of photos, and begins showing them, almost surreptitiously, to journalists at his table.

The first few show a styling model of a sleek, sporty two-door coupe. "That's our '83 Thunderbird," he says, looking for reaction. It looks terrific, night-and-day different from the embarrassingly boxy two-door sedan masquerading as a T-Bird at the time. Next come shots of a more angular Mercury Cougar with a shockingly squared-off rear roofline. Still, a huge improvement over the awkward, overchromed 1981 sitting by the test track.

Then he shows handsome compact coupes and sedans. They would emerge three years later as the '84 Tempo and Topaz, not terrific but much better than what they replace.

This rare future-product peek was offered off the record to trusted auto scribe on their honor not to write about them. But the message was clear: Under enlightened new leadership, Ford was headed in a much-improved direction.

"I did that more than once," Petersen confides three decades later. "With the long-lead times for automobiles, we couldn't just let [our image] lay there. We had to try to perk people up that Ford was trying to do some very good thing. Quality also became 'Job 1' at that time."

### DEPRESSION KID

Donald E. "Pete" Petersen was born September 4, 1926, in the small town of Pipestone, Minnesota, but didn't stay there long. His father and a brother suffered from serious asthma. "Back then," he says, "the only cure for that was 'go west, young man.'" So, in 1928, his dad sold their successful farm and moved the family to California.

"The Depression just smashed us as a family. He tried selling but didn't have any real skills other than farming. I was a total Depression kid. My life and thinking were formed by the Depression. I knew that anything I wanted, I had to find a way to make the money to get it."

His father finally found work in 1937 with a service station and garage equipment company that paid no salary but gave him rights to territories in





"MY THINKING  
WAS FORMED BY  
THE DEPRESSION—  
ANYTHING I WANTED  
I HAD TO FIND A WAY  
TO MAKE THE MONEY  
TO GET IT."

**PETERSEN**, now age 84,  
stands in front of three  
from his stable: Ford  
Mustang, Taurus,  
and future classic,  
Jaguar XJS convertible.

Oregon and Washington. He moved the family to Portland and enjoyed "a brief period when he sold a lot of goods and bought a house and a car," Petersen relates. "Then the war started, and all five of us—my mother, father, two brothers, and I—lived by working at the Portland shipyards."

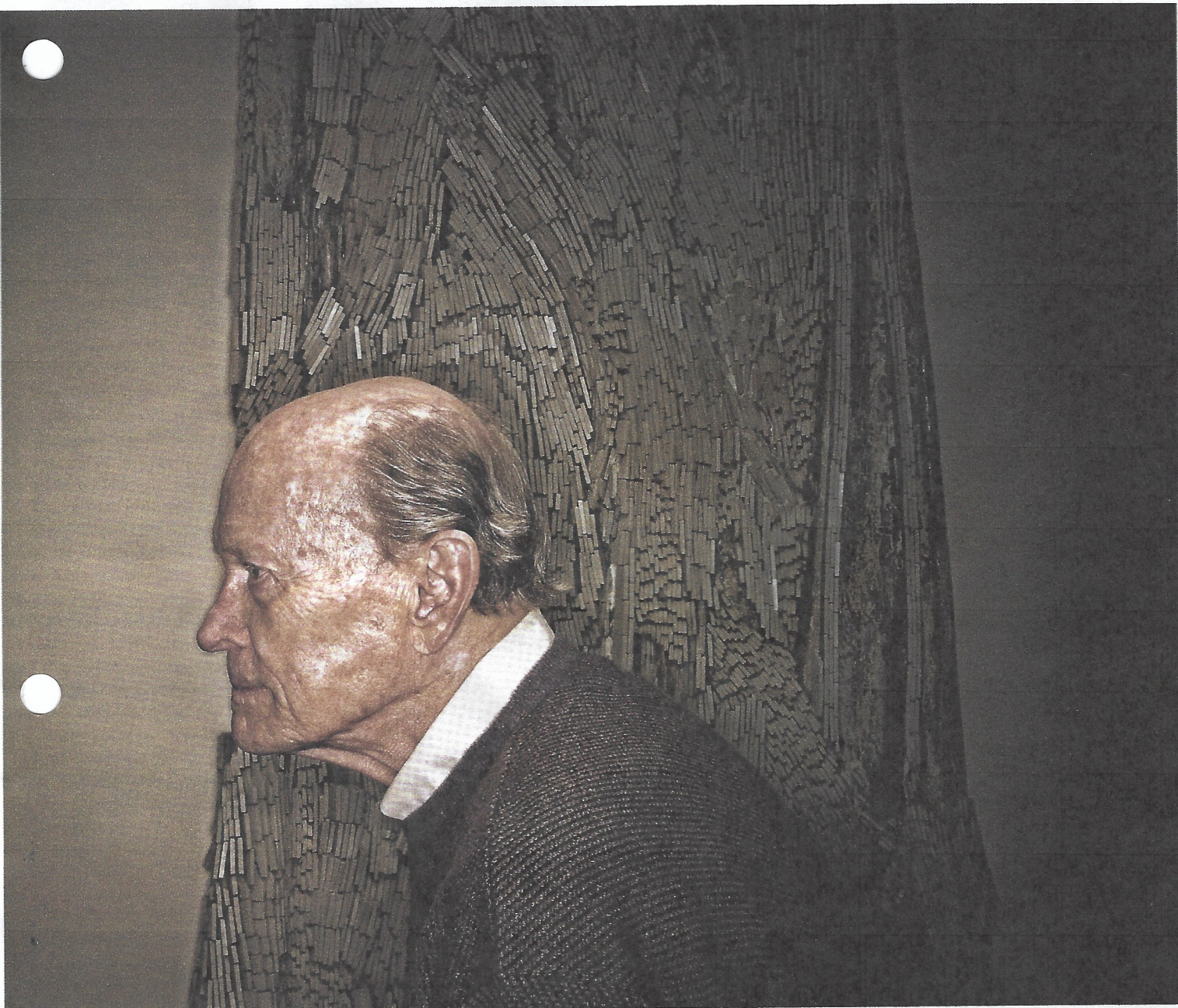
He graduated from high school at 16, then worked to save for college. "Because of the war, I had been able to get reasonable income and had enough money for one year," he says. "I went to Oregon State, and toward the end of that year, enlisted in the Navy, which had a program to educate kids to be engineering officers."

The Navy sent him to the University of Washington in Seattle to earn a mechanical engineering degree. When he graduated in 1946, the war was over, but he opted to serve out his time in the Marine Corps. Then he sought to continue his education. "My grades were good, but I felt I was a mediocre engineer," he recalls. "I thought it would be good to have a second wing to fly on, so I looked around for a graduate school of business."

Out of the Corps and accepted at Stanford in late 1947, he set out to earn the money to go there. "A fraternity brother's father had a big farm over in Idaho. I worked there until fall, asking the farmer to feed me but pay me nothing, then write me a check when I leave. With that, plus the GI Bill, I ended up with about three years' worth. But I went at double time and got through in 18 months."

Heading toward graduation in 1949, the economy was down, yet Petersen had three job offers. The best one was from Ford, which was struggling through a major postwar transformation. He said he would like to work in product planning. They asked what he meant by "product planning." "I said, 'Well, somebody here must plan the products, don't they? It seems to me that would be an enjoyable thing to do.' I claim to be the originator of that."





#### THE NEW FORD

The Ford Motor Company, still privately owned and run by founder Henry Ford and his thug lieutenant, Harry Bennett, was in terrible shape by the end of World War II—so bad that the government sent grandson Henry II home early from the Navy to help save it. The old man wanted Bennett to take the reins, but eventually agreed to name Henry II president in 1945. The 28-year-old's first major decision was to fire Bennett. (Henry I died two years later.)

Then he set about hiring people experienced in cars and business, beginning with Bendix Aviation president Ernest R. Breech, who had been a top executive at General Motors and knew a lot of GM's best people. "Henry II did two su things early on," Petersen says. "First, he hired Breech basically to teach him how to run a company. Then Ernie convinced a number of his former colleagues for whom he had a high regard to come over from GM. So we had maybe a half-dozen knowledgeable mid-career auto people as part of a group they were gathering to figure out how to organize the company.

"Then he brought in a group of 10 young guys—including Bob McNamara, R.J. Miller, Ben Mills, and Jack Reith—who had spent the war in the U.S. Army Air Force seeing to it that our Air Force people were well supplied. They became the Whiz Kids or, as some called them, the Quiz Kids (because they asked so many questions). So all of a sudden, there was some college education and experience in the hierarchy."

Breech handed ex-GMer Louis Crusoe the challenge of creating a Ford division to take on GM's Chevrolet. Petersen was called back into the Marine Corps for a year and a half during the Korean War. When he returned, he found the company overdoing the idea of trying to emulate General Motors by creating a division for every brand. "Crusoe was made the overall head of that. Bob McNamara became head of Ford division, Ben Mills head of Lincoln, Jack Reith head of Mercury, Dick Crafee head of Edsel, and Bill Ford Sr. head of the Continental division."

Two years later, in 1957, Mercury and Lincoln were combined (again) and Continental folded in. Edsel lasted three more years before expiring, along with its much-unloved cars.



#### TOP TO BOTTOM:

'64 Mustang Convertible  
'83 Thunderbird  
'86 Taurus  
'91 Explorer



Petersen held a succession of jobs and "worked for several bastards," so bad that he quit in 1958. "McNamara called and said, 'Don, I understand you resigned. Would you be willing to talk about it?' He talked me into going to the Ford division without an assignment until he could figure out what was next. It wasn't long before that SOB left the company, people were reeling, and I emerged as the car planning manager for the Ford division."

He was also heavily involved with trucks at various times and was instrumental in making them the profit powerhouse they have been for decades. "The best years at Ford were as VP, Truck Operations. We really started turning pickups into the modern world."

#### PRESIDENT PETE

Fast-forward to the Ford Motor Company of 1980. Its styling was quality shoddy, its product reputation dismal. HF II knew he needed leadership to turn things around. In 1978, he had fired the maverick Iacocca and elevated finance man Philip Caldwell to president. In late 1980, he named Caldwell to succeed him as CEO (the company's first chief executive named Ford) and as chairman of the board early the next year.

Petersen remembers getting a call from Caldwell on March 12, 1980. "He said, 'I like to see you before you go home. Could you wait around a little bit?' He called me down and said, 'Don, the Board wants to elect you president of the company.' I had just spent three wonderful years as executive VP, International Operations, and wasn't thinking anything about what would come next. It was a total surprise to me, with no advance warning."

"I said, 'I can't say yes without talking it over with my wife, Jody.' He said, 'Tonight and let you know in the morning.' Now, Jody and I had been talking about moving back west for quite some time, but had never done anything about it."

That night, we talked it through. I said, 'If I say yes, we have to recognize that, if at some later date I'm asked to be chairman, I'm going to have to say yes. We're going to be stuck with staying here.'

#### KEY PETERSEN PRODUCTS

**FROM HIS** early years as a fledgling product planner through his decade as Ford Motor Company president, then chairman, Don Petersen touched down heavily influenced 40 years' worth of Ford cars and trucks.

**Among the most significant:**

**1959 FORD GALAXIE**

**New topline series boosted the brand's image and sales**

**1964-1/2 MUSTANG**

**Petersen product-planned Ford's hugely successful first ponycar**

**1965 FORDS**

**All-new full-size Fords brought improved quality, styling, and engineering**

**1970S PICKUPS**

**Adding luxury and refinement to light trucks brought big sales and profits**

**1983 THUNDERBIRD**

**First new product under president Pete brought sleek aero styling**

**1984 TEMPO/TOPAZ**

**First front-drive compacts continued fresh design direction**

**1985 LINCOLN MARK VII**

**Downsized, sleekly styled, crisp-handling large luxury coupe**

**1986 TAURUS/SABLE**

**Revolutionary mid-size sedans and wagons were top U.S. sellers**

**1991 EXPLORER**

**Brought family-friendly comfort and utility to the emerging SUV segment**



## <DONALD E. PETERSON> <INTERVIEW>

can't occupy a key training job for running the company unless you're serious about sticking around. So, she and I decided, 'Okay, go ahead and say yes.'"

It was a pivotal time. "The North American market was a mess," he recalls, "and Ford North America was not functioning well. International was making good money, but the company overall was disorganized and losing a lot of money. I spent a lot of time initially on people issues, going places and talking with people, and with engineers and designers, because the heart of our difficulty was so clearly developing products."

One day, reviewing future products in the design studios, Petersen asked designers of the model that was to be the next Thunderbird whether they would be proud to have it in their driveways. They admitted they would not. He told them to start over and design a car they would be pleased and proud to own. That led to the sharp '83 Thunderbird model he sneak-peeked to journalists just a few months later. "I did the same thing with the engineers," he says.

### CHAIRMAN PETE

Ford lost record amounts of money during the first three years of Petersen's presidency. "At one point," he says with a laugh, "the financial people came in to inform me that, as a COO, I had just lost more money than anyone in history." But the market improved, the quality got better, Ford's good new products began hitting the streets, and the financials began to recover.

"We started making money in 1984," he says, "and by '85 we were breaking into the clear. Phil was retiring, Henry and the Board began interviewing candidates to be the next chairman, and I wound up being tapped. I thought of it as a continuation of what I had been doing."

In retrospect, he adds, "I enjoyed the five years as president more than my time as chairman, probably because I was in touch with people all the time and much closer to the product. I never thought of myself as very good at being the public figure for Ford. I don't like giving speeches and didn't think I did all that well at running the Board meetings."

What could he have done better? "My biggest failure was that I did not leave the company with one true advocate for quality or teamwork. If I'd had one true advocate on the Board, it would not have gone so haywire. I also failed to get us invigorated about getting into Asia and India. I should have been pushing that harder."

One factor behind his retirement in February 1990 was his opposition to the Ford family's pressure to appoint the founder's young great grandsons, Edsel and William Clay, to positions of higher responsibility. Another was disagreements with the Board on strategic direction. "The Board was not all that impressed with my schtick that quality had to be number one and that people are the most important factor if you want to have a first-rate organization," he says now. "I never felt that I really sold them on that. Also, I was the first non-financial chairman since HF II. I think they were nervous that I wasn't emphasizing finance enough."

### EPILOGUE

What advice would he offer to today's domestic makers? "Ultimately," he says, "you must have high quality and be known as a company with high quality." Ford is back in that position today, after a decade-plus slip.

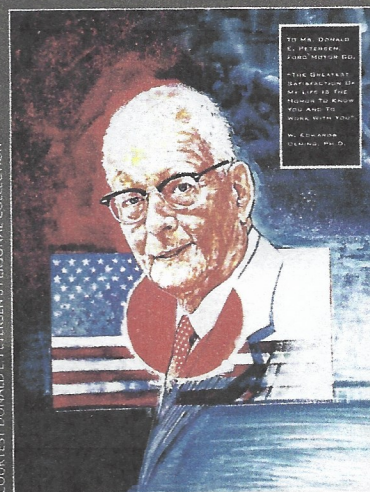
One factor may be that Petersen and current Ford chairman Alan Mulally are good friends. "After I left Ford, I joined the Boeing Board. He was chief engineer of the 777, which was not yet in production. I had written a book called 'A Better Idea,' which didn't sell that well. But Alan had it and read it and had Post-it notes all through it."

We had a lot of conversations about what we did at Ford and what he might learn from that. He is extremely good as a leader and has done a lot of good things to further my ideas, because he shares them." ♦

BELOW:

Gift to Petersen, portrait of and dedication from Edward Deming.

## "I GOT LUCKY TWICE"



**PETERSEN on two people who played hugely important roles in Ford's 1980s turnaround:**

I had been president for just a few months when I saw a television program, "If Japan can, why can't we?" It featured [continuous quality improvement

guru] W. Edwards Deming. So I asked for a meeting, and he came in. He told me that, before going to Japan, he had been meeting with quality-control people who had no power. But when the Japanese asked him to come over and meet with them, he said he would, only if they would put together the true chief executives of the major companies. They did, and the story unfolded from there.

He said, "Don, you are not the overall head of Ford, but all the operating portions of the company report to you. I'll make an exception and agree to work with you." We worked together for 10 years, and he helped us tremendously with continuous quality improvement. We invited suppliers to send people to his lectures and spread the word all through the system.

The other was [then-UAW vice president] Donald Ephlin, a truly first-rate labor guy. There was a reopening of contracts in 1982, and he did a very important thing that tied in beautifully with my other theme, teamwork. Don wanted to change the nature of the contract to emphasize intent and loosen up all the rigid rules and demarcations. He asked for a private meeting and described to me at length why he thought there ought to be a fundamental change in the nature of the arrangement between the company and the union.

I had never participated in a union contract. It was always done by the Central Staff labor relations people. Well, that changed completely with this one. We worked it out that the union and management in each and every plant were to meet every week, stay in touch, and work together. I set up behavior approaches that would help continuous improvement and called it Employee Involvement. It was remarkable to watch that unfold.