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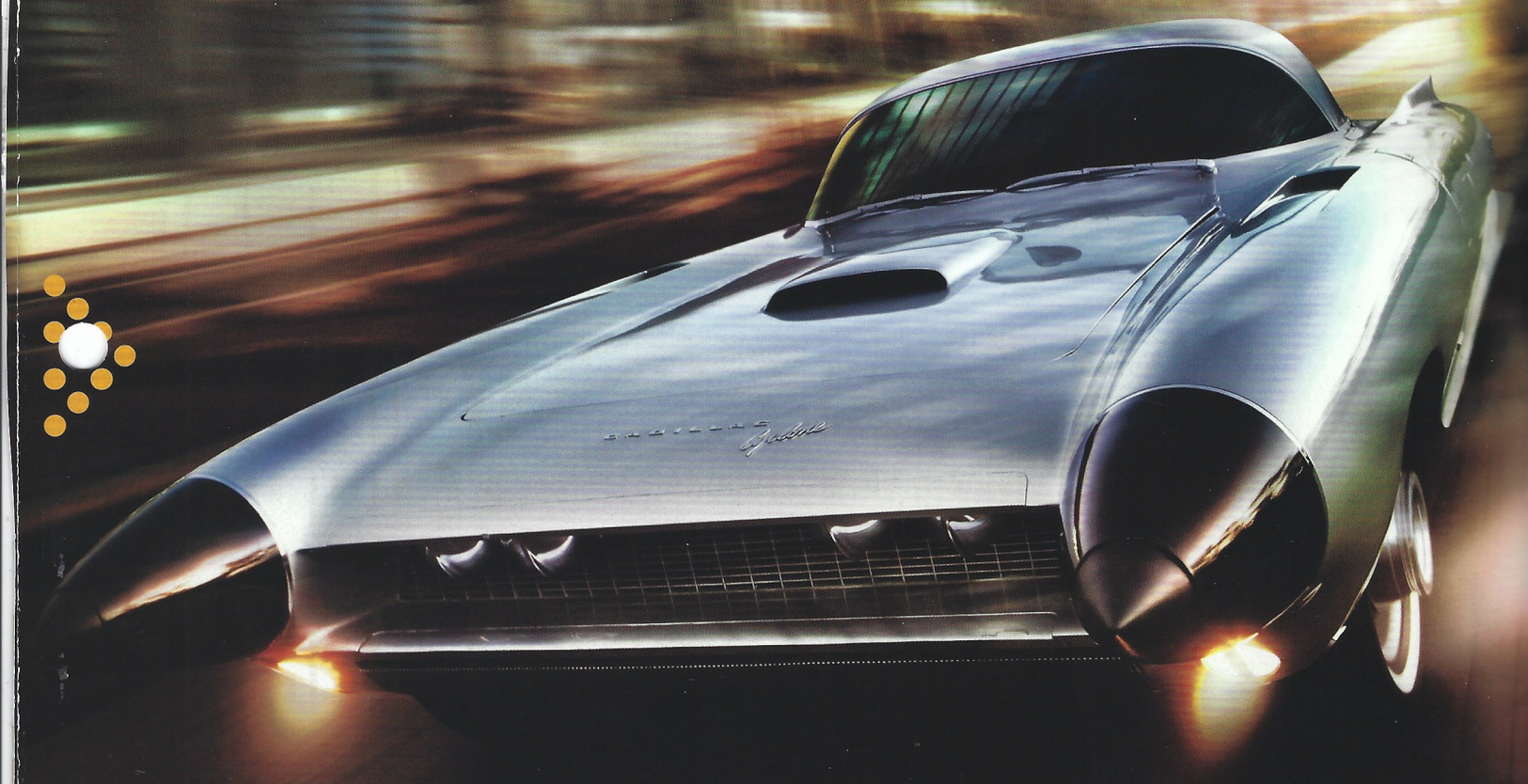

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LUTZ unplugged

MAXIMUM BOB'S STILL GOT GAME

WORDS
GARY WITZENBURG

PHOTOGRAPHS
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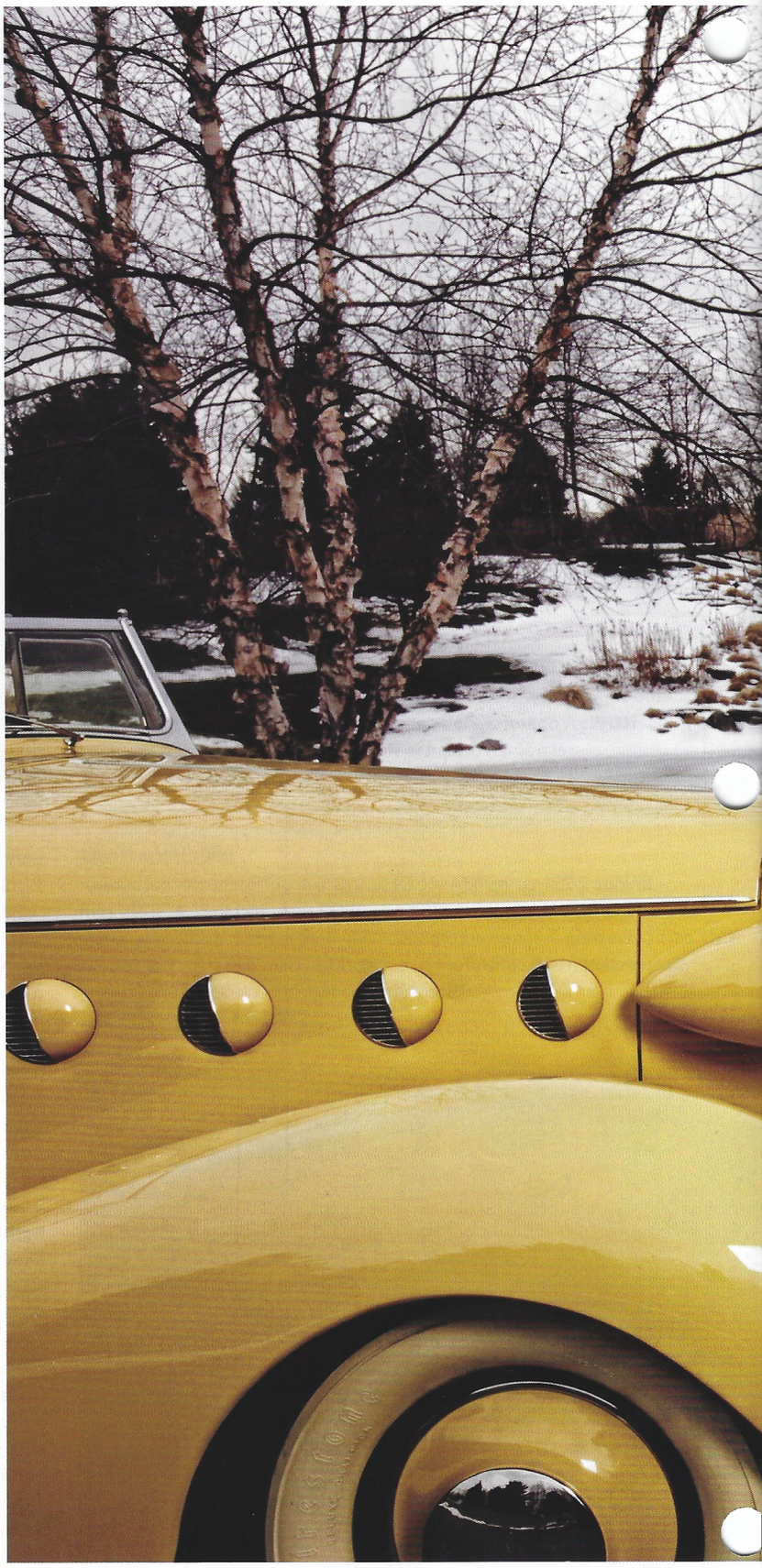
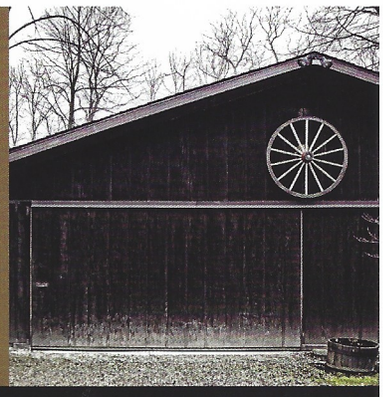


THE CAR BUSINESS IS TOO SERIOUS, TOO POLITICALLY CORRECT, AND TOO LEGALLY AND FINANCIALLY RISKY FOR LEADERSHIP COLOR AND CANDOR.



KEEPERS
"Bob's Garage" houses his most valuable cars, a painting of a John Fitch Cunningham C4R pit stop, a painting of an A-4 Skyhawk Lutz flew, and a 2003 lifetime achievement award from Germany's largest newspaper.

"IF YOU'RE IN

a military jet approaching the ground at 10,000 feet per minute and stay where you are, it's certain death," Bob Lutz told GM beancounters soon after arriving there in September 2001. "If you eject, and you're beyond limit ejection speed, there's a good chance you'll be killed. But that's a probability of death compared with certain death if you stay in the airplane. Throughout my life, when I have been faced with sure death versus probable death, it's been my experience to pick probable death."

Lutz was discussing investing an additional $500 or so per vehicle in new GM products to improve their quality and competitiveness. The finance folks insisted that doing so would deteriorate the margins (the difference between a vehicle's cost to its manufacturer and its selling price). Lutz said better cars would provide better value, so GM would need less in incentives, driving transaction prices—and therefore margins—upward.

"Everything was focused on cost, not revenue, and nobody was looking at customer value. The more incentives grew, the more they stripped out cost to try to hold the margins, and each time the volume went down. They were in a r to the bottom," he relates today.

"Where has that led us over the last 30 years?" he asked the finance types. "I'd rather put money into products now than lay it on the hoods [in the form of rebates] later. If we keep producing shoddy products, we're going to hit the ground. If we don't change what we're doing and start doing great products, we're going to die for sure. With my solution, we also may die. Certain death, or probable... which would you prefer?"

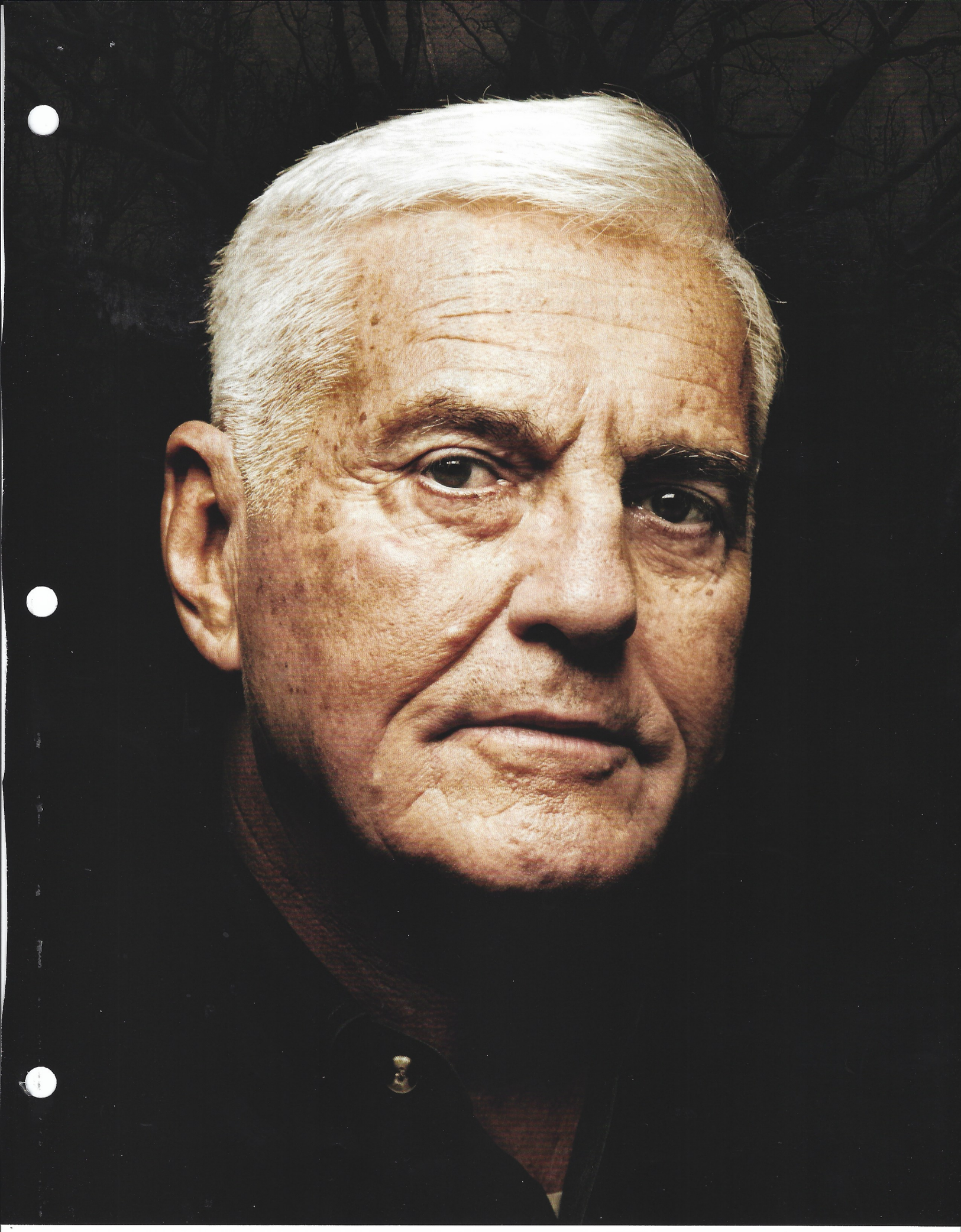
When Lutz uses aviation analogies, he speaks from experience. As a kid, he watched air warfare movies and dreamed of being a fighter pilot. As soon as he finished boarding school in Switzerland, his banker father flew him to New York to enlist in the U.S. Marine Corps. Lutz endured basic training, qualified for a program where enlisted men could attend flight school without a college degree, then attained his dream and lived it from 1954 to 1959.

Then he left active duty to attend the University of California, Berkeley, where, still a Marine Corps Reserve officer, he continued flying A4 jet fighters at the nearby Alameda Naval Air Station on weekends and between classes. He earned a bachelor's degree in production management in 1961 and an MBA in '62. He began working for GM in 1963.

Through much of its century-plus history, America's car biz has been led by an eclectic collection of colorful characters. Not anymore. It's gotten too serious, too politically correct, and too legally and financially risky for leadership color and candor. And Lutz, one of the very last few who could be counted on for occasional colorful comment, has (semi-)retired. At least for now. We recently visited the energetic 79-year-old at his home.

GM EUROPE, 1963-'71

Motor Trend Classic: **How did you end up at GM Overseas Operations in Europe?**
Bob Lutz: I interviewed with Ford, because GM didn't interview on the W Coast, and they wanted me for marketing or product planning. But one of th Berkeley professors had asked me to be his research associate during a one-year assignment in Europe. So I told Ford, "I'll be happy to come, but it will have to be a year out." They said, "Well, we're not sure."



When I was in Lausanne as a research associate for this professor, my dad got me an interview with GMOO, and I was hired as assistant to the assistant to Nelson Stork, the managing director at Opel. I was there to help put together presentations and write memos for the big guys, but I quickly saw the state of the product. Clare MacKichan, the chief designer, and I immediately hit it off and started scheming. Opel did not have a product planning department, so I sort of became product planning, working with design and engineering.

What did you work on?

I saw this clay model of what looked like a small Corvette. Clare said it was something they would like to do but could never get approval. I suggested doing it as a concept car for the Frankfurt show. MacKichan liked that idea and sold it to Stork. We did it for Frankfurt, and it was a sensation. We immediately got telexes from New York asking who authorized it, how much was spent, and what was the business plan for production. But that tamed down when they saw the results, and we started figuring how to get it into production.

There was a huge internal battle: Do it on a Kadett chassis for lower investment, or make it a center-mid-engine car with essentially new architecture, moving the engine back and dropping it down for a lower CG and a nicer hood line? Luckily, we got to the center-mid-engine layout. Then the Germans wanted to give the build contract to Karmann, but that would have been a huge bill that would have tanked the program. I was talking with Brissonneau & Lotz, a French bodybuilder that did excellent metal fabrication without the gold-plated mentality. The Germans kept fighting: "You can't trust the French; they don't know quality." Finally, [in 1968,] the car [the Opel GT] was produced in France by Brissonneau & Lotz, and they did a brilliant job. I was also involved with the Opel Kadette Rallye, an 1100cc Kadett with twin carburetors, sport wheels, a wood-rimmed steering wheel, and a blackout hood. Our research guy figured the incremental volume at minus 1000. "This car is so outrageous and so outside what the public expects from us," he said, "that it will decrease our total volume. People will come into the showroom and see this atrocious, tarted-up thing, and go elsewhere to shop."

"This program works at 5000 units," I said, "so I'm going to write 5000 units." I filled out the appropriation request and sent it to New York. It was approved with minimal investment, and we got 14,000 orders the first day. One German paper had it on page one: "The sensation from Opel, the affordable sport coupe." We wound up doing 120,000 a year. Then we did the Opel Commodore and the fuel-injected Commodore GSE. We had Opel going in this wonderful sporty direction of high-performance cars that were affordable.

BMW, 1971-1974

Then you went to BMW as head of global sales and marketing.

When I got there, I asked to see the successor to the 2002. BMW had decided to stop using Bertone for design, and this was the first in-house car done by the chief body engineer, whose name was Hoffmeister. My guys were saying, "You have to stop that car. It is so awful that it will fail in the marketplace." Hoffmeister took me into Styling, a room about the size of this office, and there was what seemed to be a real car, a wooden armature coated with plaster of paris, with real glass and chrome moldings made of brass strips tacked on with pins.

"WHEN THE FORD MOTOR CO. GOES CHAPTER II," TELNACK SAID, "I WANT YOU TO KNOW IT'S YOUR FAULT."

LUTZ LEGACY

BLOODLINE At GM Europe, Lutz got the Opel GT produced; at BMW, he got the 3 Series styled; at Ford, he helped get the Taurus approved; at Chrysler, he got the Viper conceived.

I said, "It has no decklid. The windshield and body sides are too stiff. This is not a BMW, it is some horrible thing that nobody will recognize." He said, "We can't change it." I said, "Have you got the tooling yet?" "No." "Well, change it." He said, "But it'll take us four months to do another model. You have no idea the amount of craftsmanship that went into this."

I said, "Don't we have clay models?" "No, we don't believe in that." "What do you mean? You do clay models, and when you have something you like, you convert it into something like this. The beauty of clay is that you can change it, shape it, sculpt it."

They finally agreed to do clay models, but we couldn't get any clay. I called Opel design chief Dave Holls. He said, "We've got a couple shipments coming in that we don't need that badly. I'll divert those, and you can pay us later. Do your guys know how to set up for clay, do the armatures, and all that?" "No." He said, "Well, get a bunch of them to come up here, and we'll show them the whole GM design process."

So GM set BMW up in design. That was before GM worried about a company like BMW, whose total sales were 180,000 a year. Our first clay model was the first 3 Series, the first BMW with the two character lines, the protruding nose, and lateral air intakes on either side. The designer was Paul Bracq, a Frenchman. The 3-5-7 Series hierarchy started then.

Before, we had the 1600, 2002, etc. The engine size told you what the car was. Dr. Quandt, the owner of the company, wanted Mercedes-type designations. Finally, Oskar Kolk, the German domestic sales manager, said, "I've been giving some thought to this. Here is something I've been noodling." And he laid out the whole 3, 5, 7, 6 Series. It was all there. The first number would be the architecture, the second two the engine size. I said, "Oskar, this is brilliant!" And I was able to sell it.

FORD, 1974-1986

Your next job was managing director of Ford of Italy

I got along well with the Ford of Europe head of engineering and the chief designer and was able to get a lot of stuff done. Most significant was the Sierra, Ford's first aerodynamic car, which was very controversial because it was such a radical departure from the Cortina. But it wound up doing extremely well and was in production for almost 10 years.

You rose to Ford of Europe chairman, then executive VP, Ford International.

Once back in the States, the first Taurus was another huge battle. Henry Ford kept saying, "Aerodynamic cars have never done well in this country. And Ford design VP Gene Bordinat said, "You're absolutely right. There's no reason for this jellybean design. We can do an aerodynamic car with a long, straight hood and a vertical grille, like a ship's prow, because the air doesn't care whether you split it laterally or vertically." They did all kinds of styling proposals with which Henry Ford was comfortable, and they were awful. But between studio chief Jack Telnack and me, we finally got the Taurus sold.

At one point, about six months from production, Red Poling grabbed me. He was Ford North America. I was International, and working with Telnack on the Taurus. "When the Ford Motor Co. goes Chapter 11," he said, "I want you to know it's your fault. We just did a clinic in New England with Chrysler K cars and something from General Motors. You know what won? The K car! That's what they like in New England. That's what America wants: a simple, reliable car with a nice, clean shape. This Taurus is going to be a huge failure."

Poling said it was unconscionable the way I had interfered in North America's business by talking Ford president Don Petersen into the Taurus. They even started a parallel program with traditional GM-type styling, with the vinyl roof, a little opera window, phony chrome wire wheels, and everything. That one everybody felt comfortable with, and if the Taurus had flopped, it would have been replaced in 18 months.

CHRYSLER, 1986-1998

You were president at Chrysler when the Viper happened.

The Lee Iacocca school of design was very similar to what Ford and GM liked. Looking at the new Imperial off the K platform with Lee, I said, "This is so

old-fashioned, I don't know if we should be going to the market with it. He said, "You don't like it because you're young. When you're 60, you're going to love this car." And that car, and the Dodge Dynasty and New Yorker Fifth Avenue... without 3000 bucks on the hood, you couldn't move them.

One day I was driving my AutoKraft Cobra, and it suddenly occurred to me that we had all the stuff to make a large, Cobra-type sports car. We had a 10-cylinder engine coming, a five-speed manual gearbox, and a heavy-duty independent front suspension [on the Dakota]. I got with Design VP Tom Gale and Engineering VP François Castaing and said, "What if we did a modern Cobra using the V-10?" Tom had Neil Walling start doing some sketches, and the first ones he did were 95 percent of what the Viper turned out to be. We did the concept car, which had the same shock effect as the Opel GT at the 1965 Frankfurt show. And I think it helped revitalize the Chrysler image at a time when it was in pretty bad shape.

GM, 2001-2010

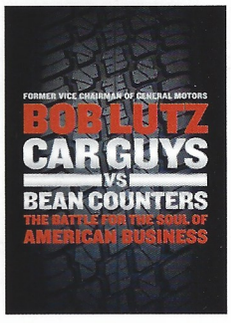
You left Chrysler after Daimler's takeover and ran Exide, then GM CEO Rick Wagoner wooed you back to lead product development. How did that happen?

His first question was, "Who do you know who's just like you, but 50 years old?" I said, "I don't know. I'm kind of an unusual blend." He said, "I don't suppose we could interest you in a consulting arrangement?" I said, "No. Being a consultant makes you feel good but has no clout." There was another long silence, then he said, "I don't suppose you would consider rejoining the company?" I said, "I definitely would, reporting to you, with the right title so I have the necessary power. I think vice chairman would be appropriate."

How bad was it when you got there?

GM's product development system was hopelessly broken. The worst part was an overemphasis on getting stuff done on time, on cost, and on package. And each vehicle line executive had total control over design for his products.

When I met Design VP Wayne Cherry at the Pebble Beach Concours in August 2001, he brought a huge book of photographs of all the upcoming models. "This is the proposal for a Saturn Vue three-row, what you think?" I said, "I think it's outrageous, so bad that words fail me." "I agree with you." He showed me another, and I said, "This is awful, too!" "I agree." I said, "Wait a minute. You're the vice president of Design, and you think these are awful?" Wayne had to defer to the VLEs, none of whom were designers. I asked Market Research whether we had clinics on this stuff. They said yes, "but only the VLEs are allowed to see their clinic results." I said, "I'm the boss of the VLEs, so give me copies of all the clinics. When I went through them, I knew we were in trouble. Every single one of those products had failed its clinic, last or second last in its competitive set. Yet they were going forward because VLEs were graded on timing, and they didn't want redos.



HIS WAY The cover of Lutz's latest book.

It was a question of wrenching the creative process away from people who had no business making creative judgments and giving it back to those who did, at Design—and starting with a beautiful conceptual design, then modifying it as necessary for package, as opposed to starting with a predetermined package, then telling the designers to put a wrapper around it. We started putting this intense focus on design, chassis development, refinement, and everything else that has gradually run GM up to its present position of product excellence.

Lutz lights a fresh cigar and leans back on the leather couch in his memorabilia-filled office. Our time is up, and his next visitor is waiting. Lutz might be out of the car game, but we have a feeling he's far from done. ◆