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FROM ITALIAN SHEPHERD BOY TO MR. OLYMPIA

"I'm a lion — the only animal that has no fear. That's me. I confront training. I never go backward; I only go forward."

Don Petersen is not your average, stereotyped big-business executive. He obviously cares about his company's products and the people who buy them.

The major changes at Ford that he has helped bring about already are paying dividends in better cars and trucks, stronger sales and, yes, even profits!

Don Petersen
Ford's Dynamic President
Is One Hell Of A Guy, And You Should Know What He's Up To

By Gary Witzenburg

I first met Donald E. Petersen in the summer of 1981 at an informal early press preview of Ford Motor Company's '82 models. He had come down from his office high in Ford's Dearborn, Michigan, World Headquarters building to join us for a box lunch under a tent at the Dearborn Proving Ground. He sat across from me, munching on fried chicken, swapping stories and discussing like any regular guy. Afterwards, he pulled a black loose-leaf notebook from his briefcase and invited us to look over his shoulder as he paged through it. The notebook was filled with big color photos of the '83-½ Thunderbird and the Ford Tempo and Mercury Topaz front-drive compacts, still in styling clay model form.

It was at least a year-and-a-half before any of these cars would be introduced to the public, and Ford's new president and chief operating officer was showing us their pictures like a proud father with his family album. He wanted our opinions; how did we like them? The T-Bird was sleek, rounded, aerodynamic and cleanly European in shape — completely different from the car it would replace and, for that matter, from anything Ford had ever produced. The family cars Tempo and Topaz followed the same general theme. We liked them. A lot. He beamed broadly, thanked us and headed back to run his company. Clearly, this was no ordinary corporation president.

A native Minnesotan, Petersen joined Ford in 1949 with a mechanical engineering degree from the University of Washington and a master's in business from Stanford. He had served as a Marine Corps officer in World War II and would serve again in Korea. He was car product planning manager at Ford Division during the sexy '60s and in 1969 became corporate Car Planning and Research vice president. He rose to head the company's Truck Operations in 1971 and its Diversified Products Operations in 1975. Another promotion, to executive vice president, International Automotive Operations, came in 1977. He was elected to the company's board of directors later that year; and in March, 1980, he was named president.

He obviously enjoys the job. At a slim, trim and youthful 57, his Nordic blond hair is thinning, but his cheery eyes sparkle with enthusiasm behind contemporary metal-rimmed glasses. Smile lines crinkle the fair skin at the corners of his mouth. On the day of our interview he wore the standard Detroit corporate uniform — grey suit, white shirt, red and grey striped tie — but his manner was pleasant, friendly, informal. He sat casually in his shirt sleeves, one leg crossed over the other, talking with his hands.

At the time of our interview, Petersen recently had completed three days of training with former front-line racer Bob Bondurant at Bondurant's high-performance driving school at Sears Point Raceway, near Sonoma, California. The original Henry Ford and a few of his rivals raced their cars themselves in the industry's early years, but I don't recall any modern auto company officers getting quite so involved with their products. I had to ask why he did it.

"I went for an engineering reason," he told me matter-of-factly. "One of the things I've done all my life in this business is a lot of comparing of cars — trying to judge, let's say, the handling characteristics of four or five different cars going through the same maneuvers. And I've long had the feeling that if I could drive better, more consistently, my personal judgment of the differences would be better."

Did he enjoy the experience?

"I loved it!"

And was it effective? Did it make him a better evaluator of automobiles? Did it give him a better understanding of performance-type cars and what their buyers expect — why the pedals should be arranged in a certain way, for example, and why the shifter should operate just so for proper downshifting?

"Yes, right. Also a better understanding of how to be sure I'm judging the abilities of one car versus another going through a handling course. Doing it consistently, I find I have a lot better feel for which is truly the superior car, or which one tends to oversteer, for example, rather that being neutral or understeering."

So beneficial was the training, in fact, that Petersen has been sending his top engineers, product planners, even public relations executives to Bondurant's school, a few at a time, ever since. He wants them all to get the message. When he took the course, he brought along his own 200-horsepower Mustang, built by SVO (Special Vehicle Operations, Ford's racing department), because he didn't want to use the school's Datsun training cars. There's no need for that anymore, however — Bondurant was so impressed with the Mustang that he switched to Ford cars, and the school now has a whole fleet of them.

One of the key things Petersen and Ford chairman Philip Caldwell have

The family cars Tempo and Topaz followed the same aerodynamic theme as the Thunderbird.

done is to move their company back into active and highly visible involvement in motorsports. Ford pulled itself out of a very stodgy image through performance and racing once before, in the 1960s, then dropped out again in the '70s. I asked Petersen how well he thought the program was working this time around in terms of re-establishing a youthful, exciting, engineering-oriented image?

"There's no question that it helps the perception of the company among young people, and anyone who enjoys motorsports, to see that we truly like our products and are really interested in how they perform, that we know how to go about it and how to be winners. I think it's a very powerful merchandising tool. Take, for example, the reputation almost anyone will give Porsche as an outstanding engineering company, a company that makes outstanding automobiles — even though they make very, very few of them. To me, very clearly, if they did not participate in racing they'd have one whale of a time developing that reputation.

"Also, what we're trying to do through SVO is to get a link between performance driving and racing and our own product development. This time, we want to keep the desire for that link very much in our minds. In some prior cases when Ford got heavily involved in racing, it became a pure effort in and of itself and really didn't have much relationship with ongoing engineering and development of our production cars. We're trying harder this time to develop that link, to get a cross-flow, a synergism that I just know is valuable and desirable to both advanced and more current development of cars.

Ford's current management team also has moved the company in some very bold new directions in manufacturing, labor relations and styling. I asked if Peterson had experienced much difficulty in selling such major changes of direction to his board of directors and getting them implemented?

"We were experiencing a very rapid decline in sales. There was a recession — triggered by the revolution in Iran — and we were losing market share at the same time. We had to take some very major steps toward getting our costs under control, and we were very worried about the quality level of our passenger cars. I think there was such complete agreement at Ford that we needed major changes in our approach to the passenger car business in North America that it was not a significant problem to make such changes.

"And there was another reason to make some major changes: a revolution, a sharp turn in consumer priorities that everyone could see was permanent this time. The battle to meet CAFE (Federal Corporate Average Fuel Economy) requirements and the obsession with fuel economy had eased enough that it was easy to plant the idea that we really should offer both kinds of cars. We ought to have extremely fuel efficient automobiles in our lineup, but there still are people who want cars that are a lot of fun, that have really good performance. It was easy to work that into the program and get a lot of new powertrain work started, because we knew there would be enough ongoing demand for small, fuel-efficient cars that we could blend a mixture of performance vehicles in there and still meet the law.

"One of the first things I did was to go to the Design (styling) Center and meet with a group of our designers. I asked what they thought of the designs they were coming up with for '83 and beyond . . . did they really like them? They told me, 'no, not really.' I didn't go into the 'why' too much because I figured I knew the 'why' . . . that they had been given so many constraints, so many directions, regulations and interpretations of the events of the 1970s that they had somehow gotten boxed in. I asked them to go back and design automobiles that they would love to be seen in on the road, that they would be proud to park in their driveways. And underlying their thinking at that time was a very clear belief that aerodynamics has such a positive effect on fuel efficiency that it was going to influence the design of automobiles

very significantly in the future. It was already demonstrating itself in Europe."

Ford's top designers say they are not relying on consumer surveys as much as before, that they are operating more on gut instinct. Is this true?

"I probably leave a little more room for market research in my thinking than do the designers, who would really love to be left completely on their own. I don't put down market research, but I do question the people who misuse it. There's nothing wrong with the sort of research where you simply show people some physical products, get their reactions and then use them as one of the devices you have available to help make decisions. Where it can go wrong, and has gone wrong many times in the past, is when people have thought it could give you the definitive answer; that you could have an actual, literal decision-making clinic where whichever one scores highest, that's the one we'll produce.

"To me, there are too many imponderables, too much emotion in the car buying process. What is it that triggers someone to buy this car instead of some other one? There's no way to evaluate those things accurately through market research. Also, you're asking people for opinions and judgments that are clearly correct for right now; but if you're doing it on a product that you're going to introduce three years later and hope to use for six years, you're asking them to help predict what's still going to look good nine years down the road. So you really want a design with a bit of "out there" aspect as you introduce it, so it's right-on about halfway through its life. We still do clinics and ask people for their opinions, but now we've injected what we call the qualitative element, where we get them into a coversation and talk about various models. It's very interesting the kinds of things that come out of that type of discussion, which you'd never get from just a rating."

It has been said that it's not enough to build cars that people will buy only when they have to. A successful automaker also needs some that people will buy just because they want to, such as performance cars, fun cars, convertibles. Ford apparently has recognized this need and is bringing more exciting and emotionally appealing new products back into its line alongside the more practical ones. I asked whether this was part of the plan?

"Exactly. The other campaign I went on very early was to reintroduce all of us to the customer. Because, if you ask yourself how something could go wrong as much as it obviously had in our case, the only answer is that we really had stopped keeping track of what the customers were telling us they wanted. If we had bothered to do that properly, we would not have done some of the things we did. We had to find a way to ask ourselves daily: where is the consumer in my thinking? Am I serving the customer? I think that has borne a lot of fruit."

Petersen has said that the biggest challenge for U.S. automakers today is competing head-to-head with some of the imports. I wondered what Ford has done to better meet that challenge.

"The first thing was to get our employees involved. Employee Involvement at Ford got started right after the 1979 labor contract was settled, and more and more of our plants have been coming on-stream since then. We have found that our people really want to do their jobs better. Nobody likes working on something that doesn't come out well. The flow of ideas on how to improve the process at each station has been very dramatic, and so the first surge of our quality improvement came largely as a result of just opening the system to the good ideas of all our employees.

The next step, which we started very soon after that, was adoption of Dr. D. Edwards Deming's system of statistical quality control. At first we thought of that as strictly a statistical approach, but it's really that, plus a whole management philosophy of never being satisfied. You're forever trying to improve, always working to make things better. The key dif-

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ference between his approach and the previous way of thinking is defect *prevention* instead of defect *detection.* For too long, American industry was on a defect detection system, with lots of inspectors; but that built up an ethic where people felt that if there's anything wrong the inspectors will catch it. This has really been the heart of what has permitted us to make such dramatic gains initially. The quality level of Ford products in 1982 was twice as good as in 1980. We have that on the basis of good statistical samples where we've asked people what was going wrong with their cars. Last year they only had half as many things going wrong. We were better still in '83, and we're going to keep improving from now on, continuously, annually, forever. There is no good reason not to.

"Another important thing that came from the Deming involvement was the realization that we just had to make a massive change in our management style — sweep out the confrontational, hierarchical approach that has existed for so long in this country. We have been making a very strong effort to get participative management going, which dovetails totally with Employee Involvement. If you are bona fide in your quality goals, if you are managing in a way that you're getting everyone to participate, where you're acknowledging the professional qualities of people in the various skills, you'll find that you're also getting tremendous improvements in productivity. It's a synergistic thing."

What about cost control?

"That is where productivity comes in. Our plant and operations managers have been finding that their results, in terms of improved efficiencies, are better than they projected. This has been constantly true for the last three years. I chalk that up to the synergism I've just described. I don't think any of us understood just how important EI was going to be. And the continuous application of improved automation is clearly in the cards for years to come, to work down the labor hours per vehicle as dramatically as possible. Robotics are definitely going to be a big part of that because they are so much more flexible than the automation we used to use, which cost a fortune to change once it was in place."

Less waste?

"Yes. That's another Deming principal. There used to be a philosophy that you had to trade off between productivity, or quantity of production, and quality — when in fact we find they are two sides of the same coin. If you are getting a process to where you know it's under control and clicking like so-called clockwork, there is no scrap, no rework. The minutes per piece can be improved progressively. You find all sorts of ways to continuously improve both efficiency and quality. The ethic of assuming that any waste is bad is a pretty good ethic."

Can U.S. automakers really compete with the Japanese on a cost basis?

"I feel progressively more optimistic. We are making great progress internally toward the goal of bringing the automotive wage in line with the average industrial wage. But what we're worried about most are external problems. Specifically, the yen/dollar relationship is just overwhelming what we can accomplish in cost efficiency improvements. We gain a few hundred dollars [per car] on cost efficiency and lose a thousand on yen/dollar. If you take what has happened to the two economies in terms of inflation difference since the yen floated free from the dollar in 1973, just by that one measure the yen is undervalued by 40 percent, or about $1500.

"Another major problem is the way the United States hobbles its industry by the approach it takes on taxes. Most other developed countries use sales taxes of some sort, typically called "value added" taxes in Europe and "commodity" taxes in Japan. Under GATT — the General Agreement on Tariff and Trade, which came about after World War II to get trade moving again and prevent the awful protectionism mess we had in the 1930s — those taxes are legally removable as products are shipped into export markets. Any country that

Racer Bob Bondurant was so impressed with the Mustang SVO that his high-performance driving school at Sears Point Raceway now has a whole fleet of them.

has such a tax can put on its own when imported products come in, but we don't. Our tax structure is primarily based on income taxes, personal and corporate, which are not removable under GATT; so our tax is built in and stays there when we ship to other countries. Then our export products are taxed again when they get there. We're hit both ways. These inequities are extremely difficult for us as automakers, but also for anyone engaged in international trade. If our government can do something about them, it will have helped all U.S. industry in a very substantial way."

Perhaps the greatest continuing problem in the auto business is customer satisfaction, a significant part of which comes down to the dealers' treatment of people, both in selling and servicing. I asked what a manufacturer can do to improve the dealer/customer relationship?

"Well, as I went around to all our plants, talking with the workers and thanking them for their support and the obvious progress we're making, I invariably got that question. 'We are working very hard to improve,' they said, 'but what about the dealers?' I promised to bring that up at the next Dealer Council meeting, and I did. That was in March of 1982. They (the dealers) concluded that they should form a Council level effort to study what they must do to make meaningful, significant improvement in the overall treatment of customers. They totally accepted the need, which was step one; and now that is underway.

"We have done surveys for them, in-depth discussions with owners, which we have on video tape. When we had our annual get-together the following August to talk about what was coming for '83, we had a major review of all that with the dealer task group. They have starting a whole variety of experimental approaches to see what they can do to make real improvement. We've done several studies that show there is a lot to be accomplished in training . . . how to deal with different types of people. We had two tests undertaken to see how women felt they were being treated, for example, and how we could improve the treatment they receive."

Doesn't it really boil down to ensuring that the car is right when it's delivered? And, if something does go wrong, ensuring that it's fixed right the first time?

"On that score, obviously our quality efforts are bound to improve things, because there is no better solution than having nothing go wrong. And electronics will come to bear very importantly at Ford on the evolution of a 50,000-mile trouble-free car. Our fourth-generation Electronic Engine Control system, EEC IV, goes almost 90 percent across the board this year. That gives us memory capability so we can store what made an engine stumble, for example, and retrieve it later in service. We also can go strongly toward a module system approach, where you wouldn't ask the dealer to have the knowledge and skill to work on an electronic component. He would simply take it out, put a new one in and ship the defective one to us for diagnosis and repair.

"On the one hand, it's scary to a lot of people to think of all the electronic complexity going into an automobile. But in reality it's the gateway to optimizing both reliability and the ability to fix any problems that do occur."

No, Don Petersen is not your average, stereotyped big-business executive, concerned only with his bonus and this year's bottom line. He obviously cares deeply about his company's products and the people who buy them. The major changes at Ford that he has helped bring about already are paying dividends in better cars and trucks, stronger sales and, yes, even profits.

Watch out, General Motors!