

Behind the Wheel of an American Icon

Books Essay: Cruise control

By Jeffrey E. Garten

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It is not easy these days to see big business through a clear lens. The focus is clouded by too many ambiguities and contradictions. On the one hand, the reputation of many multinationals is sullied by everything from accounting scandals to insensitivity towards environmental protection. On the other, we marvel at new technologies that emerge from private enterprise, we rely on the business sector for more jobs that pay well and are fulfilling and we expect global companies to deliver increasingly better products and services.

The automobile industry, more than any other, has been at the crossroads of these conflicting perceptions. And few corporations so embody these doubts and hopes as much the maker of one of the world's best-known brand - the Ford Motor Company. This month, Ford celebrates its centennial anniversary and historian Douglas Brinkley has written an excellent guide to understanding this extraordinary and world-transforming company. Finely balanced and beautifully written, it is a panoramic view of Ford's achievements and failings, as well as its role in the evolution of American society.

Brinkley's story is several histories combined in one. It takes us through the last stages of the industrial revolution in America, the first world war, the depression, the second world war, the cold war and the information age. Although its focus is on the period between 1903 and 1947, within each era we are treated to a story of business innovation, of changing industrial organisation, of the ebbs and flows of globalisation.

There is a strong cultural dimension to the tale, too. Like Coca-Cola, Ford is an American icon. The city of Detroit, home of the "Big Three" automobile companies, evokes powerful images. In the 1950s, it was hugely prosperous for the burgeoning working and middle classes; in the 1960s and 1970s, it was a focus for riots and racial antagonism. Like soft drinks or movies, cars in America evoke the mythology of a world without limits, a world in which consumers can have the newest, the biggest and the best of everything. That mythology remains: at the New York Auto Show in April, cars the size of trucks boasted GPS-navigational systems and seats that can turn hot and cool. Smaller, low gasoline-usage cars were the sideshow. The US has been unable - indeed, unwilling - to shake off its love affair with the "big car": the Hummer is just the latest and the grossest.

Brinkley spins his tale through the lives of several strong personalities. He confirms that as grand as companies can be, the institution, as Ralph Waldo Emerson said, is still the shadow of the man. We grow to understand Henry Ford, the eccentric genius and social revolutionary who started the company in 1903 with the help of 11 friendly investors (today they would be called "angel investors") and led it like a personal kingdom for half a century. We commiserate with Edsel Ford, his son, with whom he maintained strained relations and who could never escape from his father's total grip on the company. We grow to admire Henry Ford II, the founder's grandson, who brought professional management to the company in the late 1940s and early 1950s.

We meet and are invited to approve of non-family chief executive officers such as the technocratic and uncharismatic Philip Caldwell and Sir Alex Trotman, a former pilot in the Royal Air Force who successfully upgraded Ford's focus on quality manufacturing after the decimating import surge of Japanese cars in the 1970s and 1980s. We are less impressed with Jacques Nasser, the plain-spoken Australian who was replaced in 2001 because of a failed strategy that relied too heavily on diversification into auto-related businesses and on internet marketing. Finally, we meet William Clay Ford, Jr., 48, the great-grandson of the first Henry, and now

chairman and chief executive, who came to the company wanting badly to be an effective, "caring capitalist".

Through these men, Brinkley paints a generally favourable portrait of the company. But he doesn't bury the dark spots, such as Henry Ford's notorious anti-semitism, nor the corrupt private police force he hired to infiltrate his unionised workforce, nor his habit of hiring the best lieutenants and then pushing them out if they challenged him or took too much of the limelight. There are disastrous episodes, too, such as the heralded introduction of the Edsel and its humiliating rejection by the public, and the roll-out of the Pinto, a car with rear-end fuel tanks prone to exploding when hit by another.

The book sheds light on some enduring aspects of business across industries and generations. Most businesses do best when they stick to basics, and so it was with Ford. Its greatest triumphs occurred when it built great cars - the Model T, the Mustang, the Taurus. Its failures came when it diversified, as into aircraft production during the two world wars and, more recently, during the dotcom craze when it tried to turn itself into a consumer products company - a debacle from which it is still recovering.

The 20th century also taught the lesson that the most successful business leaders had a "true north" - an inner core that emitted a strong signal of how a chief executive would act in a difficult situation, and a set of values that the entire company could and did understand. The first Henry Ford was the epitome of such centredness when he set out to build the Model T, the "people's car", one that everyone could afford, that needed little maintenance and would last for years. Everything in the company was subordinated to perfecting this one car. In the late 1990s, Nasser was the antithesis of "true north."

The Ford saga illuminates the stages and the complexities of globalisation as well as anything I have read. Ford was a pioneer in moving US manufacturing production abroad, first through exports, then through direct investment. It understood before most other US companies that other cultures demanded different kinds of products, even in the same industry - in this case, they demanded smaller and more sporty cars. Eschewing the arrogance of so many American multinationals, it was among the first to understand that one of the benefits of globalisation is to learn from others - Ford USA was quick to import crucial style and design ideas from Europe and production techniques from Japan.

All along, the company was flexible enough to experiment with organisational techniques - sometimes centralisation, sometimes decentralisation and autonomy for foreign subsidiaries - for managing a global company. By the end of the century, Ford not only built cars around the world; it owned a string of upscale brands such as Jaguar, Aston Martin and Volvo.

It is not possible to read this book without thinking about where Ford will go in its second century - a question Brinkley poses but does not answer. Much depends on Bill Ford, Jr., who himself embodies so many of the tensions in the evolving environment for global companies. I interviewed him in 1999 for a book I was writing about chief executives. He is impressively smart, sincere and determined. He exhibited a sense of proportion, a realistic perspective of the relationship between what he wanted to do and where he was on the spectrum of his goals. The automobile industry, he told me, was stuck in a time warp, opposing all progressive causes. As a committed environmentalist for two decades, he wanted to change that, but he was under no illusion that it would be easy. His youthful appearance, his palpable passion for the subject, the way his eyes made contact with mine and never disengaged - these things all made me feel that he just might pull it off. During our two-hour talk, he was passionate about creating a new model for manufacturing, one that would set environmental standards that no car-maker had contemplated, and one that would substantially raise the bar on providing social benefits for the workforce.

But it is not an easy road. Since I saw Bill Ford, the company's profitability has declined dramatically - it has lost some \$6bn (£4bn) over the past two years - although it did return to profitability in the last quarter. Ford has overseen the explosive growth of the company's big money maker, the sports utility vehicle, an environmentally unfriendly gasoline-devouring car that US government officials have said is prone to deadly rollovers. His rationale was that consumers were demanding them and if Ford wasn't in the market, it would not be financially viable, rendering all other issues moot. In April the company backed off from certain targets for the reduction of auto emissions, an act that may well usher in an era of more intense governmental regulation. Not so long ago, too, Bill Ford promised extensive social services to his employees, but today he faces an acute problem of massively underfunded pension and healthcare costs.

As if that's not problem enough, it is fast becoming economically essential for the company to outsource more work to China.

When he made it to the top, Bill Ford, Jr. liked to talk about "people before profits".

I have no doubt that he still believes strongly in this credo. But that goal is turning out to be far more difficult than it appeared to be a few years ago - and maybe more so than he ever thought. Moreover, the challenge of even coming close to that dream is not just Bill Ford's. Many global companies in the US and abroad - such as BP or Merck or Intel - share the same dream. Just how can big, publicly listed corporations serve shareholders when they are under agonising financial pressure and facing vicious competition, and at the same time balancing the need to devote attention to the workforce, customers, suppliers, and communities? At the beginning of the 21st century, this is one of the biggest and most intractable questions of our time.

The Ford Motor Company is today bigger than it ever was; production techniques are more complex and the market is more truly global than at any time in history. At the most fundamental level, however, the challenges of being a major multinational company may not have changed all that much.

In the end, Brinkley's fast-moving tale brings us full circle to what Ford faced in its early years - building a great product that consumers want, an institution that society respects and a company that is beneficial to its shareholders - and trying to do all this at once. But in a world where every action by multinationals is becoming increasingly transparent, and when society's expectations of what companies can do for it are rapidly escalating, this challenge will only become more difficult as the company begins its second century.

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