



## The Last Automotive Entrepreneur? Lee Iacocca Saves Chrysler, 1978-1986

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In this paper, I situate Lee Iacocca's role in the Chrysler bailout within a broader automotive entrepreneurial community, and attempt to understand how his actions in helping Chrysler stave off bankruptcy in the 1979-1981 period contributed to reshaping not only the automotive industry, but business-government relations and the very nature of "brink management" in post-industrial America. I also address the question: Did Iacocca fundamentally change how automotive management operated in Detroit, or will his actions in saving Chrysler remain an isolated, unique case within auto business history. I argue that one cannot understand Iacocca without understanding the changing pre-1980 milieu and its impact on the wider automotive industry and economy of the post-1980, post-Chrysler bailout period. Iacocca and the Chrysler situation were unique, yet they remain essential to any understanding of the direction of the U.S. auto industry, and, more broadly, of the end of American industrial hegemony.

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Lee Iacocca is unquestionably famous—the dust jacket of his latest book reassures us that he is “the most widely recognized business executive of all time.” Iacocca has been on the cover of *Time* magazine no less than four times, and has had three *New York Times* bestsellers. By the 1980s, Iacocca had become a cultural icon, instantly recognized by millions. He was heralded as a possible presidential candidate; motivational speakers talked about “Lessons from the Great Leaders: From Hannibal to Iacocca”; theses and scholarly articles explored Iacocca as “An American Western Mythical Hero,” or placed him at the center of investigations into “Entrepreneurial Masculinity: Re-tooling the Self-Made Man.” He was a television celebrity,

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appearing in Chrysler commercials and in an episode of *Miami Vice*; even a children's play was written about his amazing story.<sup>1</sup>

Americans not only know who Lee Iacocca is; they also know why he is so famous. He is, as the dust jacket reminds us, "a self-made man . . . [who] saved the Chrysler Corporation from financial ruin [and] masterminded the creation of the minivan." Iacocca is renowned because, when America was down, he was a business leader who exemplified the best of the American dream and personified all the archetypes of the automotive industry captains of old. Iacocca seemed to combine Henry Ford's vision, Billy Durant's "street smarts," Alfred Sloan's marketing genius, and Walter Chrysler's flair. He became, in many ways, the last great automotive entrepreneur—a business leader for the ages.

I examine two issues concerning our understanding of Iacocca and his role in saving Chrysler. First, exactly how did Iacocca "save" Chrysler given the broader implications of what the bailout meant to Iacocca himself, the company, and the American automotive industry?<sup>2</sup> Second, what was Iacocca's role in the Chrysler bailout within the broader automotive entrepreneurial community? Where does Iacocca fit within the historiographical and biographical sweep of the auto industry? Does he deserve a place alongside Ford, Sloan, Durant, or Chrysler? I examine whether Iacocca fundamentally changed how automotive management operated in Detroit, or whether his actions in saving Chrysler remain an isolated, unique case within auto business history.<sup>3</sup>

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<sup>1</sup> Michael D. Fox, "Lee Iacocca: The Man, the Myth, the Corporation: Iacocca's Development as an American Western Mythical Hero and the Exploitation of this Condition in Chrysler Television Commercials, 1981-85" (M.A. thesis, Miami University, 1988); James V. Catano, "Entrepreneurial Masculinity: Re-tooling the Self-Made Man," *Journal of American & Comparative Cultures* 23 (Summer 2000): 1-9; Albert Lewis Linel and Darlene E. R. Resling, *Lee Iacocca: A Play* (Baltimore, Md., 1997); Jim Sires, "Lessons from the Great Leaders from Hannibal to Iacocca" (Shawnee Mission, Kansas, 1987).

<sup>2</sup> For contemporary views on the Chrysler bailout, see Robert Reich and John D. Donahue, *New Deals: The Chrysler Revival and the American System* (New York, 1986); Reginald Stuart, *Bailout: America's Billion Dollar Gamble on the 'New' Chrysler Corporation* (South Bend, Ind., 1980); Michael Moritz and Barrett Seaman, *Going for Broke: Lee Iacocca's Battle to Save Chrysler* (New York, 1983); Steve Jefferys, *Management and Managed: Fifty Years of Crisis at Chrysler* (New York, 1986).

<sup>3</sup> In exploring Iacocca, his role in the bailout and its wider meaning, I situate the project on which I based this paper within three streams of vibrant automotive historiography. First, I build on our understanding of the Chrysler Corporation by sharpening the focus on the bailout. Works such as Charles K. Hyde's *Riding the Roller Coaster: A History of the Chrysler Corporation* (Detroit, 2003) have by necessity only briefly examined this issue. Second, I attempt to distinguish the Chrysler episode in automotive business-government relations by providing a contrasting approach to that of works such as Stan Luger's *Corporate Power, American Democracy, and the Automobile Industry* (New York, 2000). Finally, I

### Chrysler's Crisis

The period between 1968 and 1973 was actually a very good one for the American auto sector.<sup>4</sup> Yet difficulties emerged by the early 1970s. Detroit was far too dependent for profit on large cars and had not paid enough attention to safety or fuel-efficiency. The energy crisis, regulatory demands, and a cyclical downturn in the market were instrumental in pushing Chrysler, the weakest of the “Big Three” automobile manufacturers, to the edge. Yet the company also faced a number of problems clearly of its own making. In 1979, Iacocca admitted, “We’ve had problems not only in making decisions, but also in implementing them quickly.”<sup>5</sup> Critics pointed to chairman John Riccardo’s decision to cull the engineering, styling, and marketing departments to trim costs, prompting one Chrysler executive to remark that the “only engineers around were working on government regulations.”<sup>6</sup> Even the popular new Horizon and Omni subcompacts did not help. The cars were a hit, but in 1976 Chrysler decided that instead of building small engines it would buy 300,000 units from Volkswagen, far too few to meet demand. Then there was Chrysler’s dependence on “gas guzzlers,” a standard critique of the company from observers and customers alike.<sup>7</sup>

In July 1979, Riccardo went public with the depth of Chrysler’s difficulties. At a dramatic Detroit press conference, he admitted that Chrysler was bleeding red ink. Second-quarter losses reached \$207 million. Chrysler owed \$4 billion, nearly 10 percent of all U.S. corporate debt. Eighty thousand unsold vehicles worth over \$700 million sat on dealer lots.<sup>8</sup> Riccardo called for immediate federal assistance: a \$1 billion U.S. tax holiday, a two-year postponement of federal exhaust emission standards (worth \$600 million to

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also explore the literature on automotive entrepreneurship found in business biography, such as Vincent Curcio’s *Chrysler: The Life and Times of an Automotive Genius* (New York, 2005), and contrast this with Iacocca’s brand of entrepreneurship.

<sup>4</sup> The industry sold 73.5 million vehicles, a total just slightly lower than for the entire period between 1950 and 1965; see Motor Vehicle Manufacturers’ Association, *Motor Vehicle Facts and Figures*, 1974.

<sup>5</sup> Richard Conrad, “Surging Sales Iacocca’s Target,” *Toronto Star*, 13 March 1979.

<sup>6</sup> Moritz and Seaman, *Going for Broke*, 13; Irwin Ross, “Chrysler on the Brink,” *Fortune* (9 Feb. 1980), 39; Harry Anderson, “Can Chrysler be Saved?” *Newsweek* (13 Aug. 1979), 58.

<sup>7</sup> In the *New Republic*, Stephen Chapman argued that “In the early 1970s, when GM [General Motors] and Ford were beginning to go after the subcompact market with the Vega and Pinto, Chrysler decided to stick with big cars, traditionally the most profitable segment of the market. In fact Chrysler introduced a restyled line of full-sized cars practically on the eve of the embargo, and in the recession that followed suffered crippling losses.” “On the Hill: Welfare Chrysler” (4 and 11 Aug. 1979), 19.

<sup>8</sup> Harry Anderson, “Can Chrysler be Saved?” *Newsweek* (13 Aug. 1979), 52.

the company), and concessions from the United Auto Workers. Otherwise, he warned, the company would fail.<sup>9</sup>

As summer turned to fall, the news from Chrysler was bleak. Third-quarter losses were reported at a staggering \$460 million, and when the final tally was reached, Chrysler's 1979 \$1.2 billion loss was the largest recorded in U.S. corporate history. By the end of 1979, the company was teetering on the brink of bankruptcy. Lee Iacocca, the company's charismatic new president, echoed his predecessor and warned that without some sort of federal aid, Chrysler would most certainly fail. Chrysler's impending demise was potentially the largest in history, and for many the company's crisis represented the end of American postwar economic hegemony and the deindustrialization of North America.<sup>10</sup>

### **Iacocca and the Bailout**

Lee Iacocca's personal story and the outlines of the bailout and turnaround are well known, and we need retell only the essentials here. Born in 1924, the son of Italian immigrants, Lido Iacocca grew up in small-town Pennsylvania, where he distinguished himself academically before heading off to Lehigh University and then Princeton to study engineering. He immediately joined Ford upon completing his schooling in 1946, and soon switched from engineering to sales, where he excelled by the mid-1950s, then quickly moved up in the company to become general manager of the Ford Division in 1960. By 1964, Iacocca had already cemented a place in automotive history by bringing out the Mustang, which was an immediate and enduring success. Iacocca became Ford president in 1970, until Henry Ford II infamously fired him in 1978. He was hired as president of Chrysler in 1979, tasked with turning around the faltering company.<sup>11</sup>

Upon taking up the Chrysler presidency, Iacocca immediately called for government assistance for the company. As Congress and the Carter administration haggled over the final aspects of a bailout bill, Chrysler faced

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<sup>9</sup> "Statement by John Riccardo, Chairman of the Board, Chrysler Corporation," 31 July 1979. Walter Reuther Library (WRL), UAW-Chrysler Collection, box 11, file "Bailout."

<sup>10</sup> In his book *Industrial Sunset: The Making of North America's Rust Belt* (Toronto, 2004), 25, historian Steve High writes, "By 1979, the automobile, the symbol of the American Dream, mass production and conspicuous consumption, had come to symbolize what was wrong with the old industrial heartland. Detroit and the auto industry were represented as one by the national media. Crisis in the auto industry and the near-bankruptcy of the Chrysler Corporation in 1979 were also projected onto the image of the Motor City itself."

<sup>11</sup> On Iacocca's background and biography, see Lee Iacocca and William Novak, *Iacocca: An Autobiography* (New York, 1984). There are numerous other biographies of Iacocca, including David Abodaher, *Iacocca* (New York, 1982), and Peter Wyden, *The Unknown Iacocca* (New York, 1987). More critical views of Iacocca can be found in Doron P. Levin, *Behind the Wheel at Chrysler: The Iacocca Legacy* (New York, 1995).

its darkest days. In January 1980, Chrysler closed its famous Dodge “Main” plant in Hamtramck, Michigan, the symbolic heart of Walter Chrysler’s company. Within weeks, the company announced its spectacular 1979 loss. To avoid running out of money, the company simply stopped paying suppliers.<sup>12</sup> Finally, to the immense relief of over 100,000 Chrysler workers, in January 1980, President Jimmy Carter signed the bill into law. The plan provided \$1.5 billion in loan guarantees, but required the company to secure another \$1.43 billion in private financing, concessions from banks and suppliers, and mandated \$462.5 million in concessions from the company’s union employees, plus another \$125 million from salaried workers.<sup>13</sup> The company also sought exemptions from clean air standards that would allow them to meet the new requirements two years later than originally expected.<sup>14</sup>

The turnaround in Chrysler’s fortunes came swiftly and stunningly. In July 1981, just two years after Riccordero’s fateful admission of Chrysler’s dire financial straits, Iacocca announced that the company had turned a profit for the second quarter. Although it was a meager \$11.6 million (compared to the company’s 1979–81 losses of over \$3 billion), these profits were followed by a virtual tidal wave of income, and in 1983 Chrysler paid off its federally guaranteed loans seven years ahead of schedule.<sup>15</sup> Chrysler’s amazing recovery did seem, indeed, to be a miracle, and there was no doubt who had been the miracle worker behind the turnaround.

### **How Did Iacocca Do It?**

There are many reasons that help to explain Chrysler’s turnaround. After suffering such a decline in the period from 1978 to 1983, the industry experienced the benefits of a resurgence in consumer confidence that, while not inevitable, was expected in the highly cyclical auto sector. The more general economic turnaround, accompanied by a decline in record-high interest rates that benefited car sales significantly, boosted this confidence. Chrysler’s new products were also appealing to consumers.<sup>16</sup> Trade policies helped fuel the Chrysler and Big Three rebound. The 1981 “voluntary” export restraints imposed by President Ronald Reagan’s administration on Japan provided some relief for domestic carmakers. It is clear, however, that without Lee Iacocca as a central actor in the drama, Chrysler would likely

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<sup>12</sup> “Chrysler’s \$1.1 billion loss biggest ever in US” *Toronto Star*, 8 Feb. 1980; Irwin Ross, “Chrysler on the Brink,” *Fortune* (9 Feb. 1981).

<sup>13</sup> Chrysler Corporation, “Status of Chrysler Corporation Negotiations to complete the Requirements of the Loan Guarantee Act,” 1 April 1980. WRL, UAW-Chrysler Collection, box 11, file “Bailout.”

<sup>14</sup> “Extraordinary Costs From Disproportionate Burden Faced on Smaller Automobile Companies by Government Regulation,” 23 June 1979, Chrysler, Howard Paster to Douglas Fraser, WRL, D. Fraser Papers, box 51, file 51-9.

<sup>15</sup> Hyde, *Riding the Roller Coaster*, 255.

<sup>16</sup> Although products are clearly an essential aspect of the company’s recovery, I briefly address only the K-Car and the minivan in this paper.

have failed. Iacocca took four key steps in the period between 1979 and 1982 that help to explain the company's recovery.

First, Iacocca used Chrysler's dire situation to convince the vast number of individuals, groups, and interests affected by the crisis (as well as the public) that saving the company his way was the best and only option for Chrysler. In doing so, Iacocca utilized a form of "brink management." This contrasted with the traditional approach to "crisis management," in the sense that the crisis adversely affecting the company was not a product recall, a calamitous outside event, or sabotage.<sup>17</sup> Iacocca needed to keep the company afloat while emphasizing the organization's precarious situation of being "on the brink" to achieve management goals.

Iacocca understood the importance of leveraging a crisis. In *Where Have All the Leader's Gone?* Iacocca emphasized that good managers:

... create a sense of urgency: You're up against the wall, and you're getting hammered. Instead of hiding in the corporate offices, get out there and communicate. Tell it like it is: "We have a tough task ahead of us. The challenges are formidable. But together we can do it. It'll take everyone—the employees, the dealers, the suppliers, the union, the government—and we're asking for your help."<sup>18</sup>

Iacocca needed little help in publicizing Chrysler's situation. Headlines screamed that an estimated 400,000 workers would lose their jobs if Chrysler failed, and that unemployment in Detroit would jump from 8.7 percent to between 16 percent and 19 percent. The U.S. economy as a whole would lose \$30 billion of commercial production, or 1.5 percent of America's entire gross national product. Welfare costs would increase by \$1.5 billion a year, while \$500 million in Chrysler tax revenues would disappear. At a time when America's trade balance was already in sharp deficit, a Chrysler failure would add a further \$1.5 billion.<sup>19</sup>

These dire warnings became Iacocca's talking points to the nation. Everywhere he went, Iacocca walked the tightrope of emphasizing the trouble the corporation was in (which required government help and concessions) while maintaining that the situation was not irrecoverable. Testifying before Congress, where he stated that he was speaking for over two million Americans "who would be severely impacted by the failure of this company," Iacocca was succinct and direct: "The need for assistance is very real . . . it is essential that the legislation move through Congress as quickly as possible." Moreover, Iacocca stressed, "While it is clear that this company needs a federal loan guarantee, the importance of the money is almost overshadowed

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<sup>17</sup> Denis Smith and Dominic Elliot, eds., *Key Readings in Crisis Management: Systems and Structures for Prevention and Recovery* (New York, 2006).

<sup>18</sup> Iacocca, *Where Have All the Leaders Gone?* 168.

<sup>19</sup> Chrysler Corporation, "Analysis of Chrysler Corporation's Situation and Proposal for Government Assistance, Sept. 15, 1979," 29. Bentley Historical Library (BHL), William Milliken Papers, box 713, file "Chrysler Corporation." "400,000 jobs tied to Chrysler's survival," *Toronto Star*, 12 Sept. 1979.

by the importance of the government's vote of confidence needed to keep our present creditors in line." But at the same time he reiterated that Chrysler was "a good company" that was "worth saving."<sup>20</sup>

The crisis was so grave that Iacocca and his allies appealed to Americans to move beyond ideology. Michigan Republican Governor William Milliken felt that:

[T]here has been a good deal of public debate in recent months concerning the merits and wisdom of extending governmental assistance to Chrysler. Whatever economic theories each of us may subscribe to, the practical solution is that a Chrysler bankruptcy would be many times more costly to the state and federal government than properly drawn aid programs.<sup>21</sup>

This pragmatism toward saving the giant company instigated some unlikely bipartisanship. Michigan Democratic representative James Blanchard became a staunch ally of Milliken, and eventually became governor of Michigan himself, largely as a result of his success in helping to save Chrysler.<sup>22</sup>

Chrysler supporters also appealed to patriotism to save the floundering American giant. American autoworkers were particularly effective at generating support for some sort of intervention that played upon nationalism at a time when a symbol of America's economic might was under duress. One UAW (United Auto Workers) flyer made the case that "We Are Americans . . . Chrysler needs help," and that keeping the company going was "in the best interest of the nation." Those who supported government assistance argued that the idea of granting loans to companies was decidedly not "Un-American": both the UAW and Iacocca in his testimonials made much of the fact that in 1979, the U.S. government budgeted \$409 billion in loan guarantees, including \$6.4 billion to loan foreign governments to help purchase U.S. arms.<sup>23</sup> When he finally announced the legislative package in 1980, President Carter stated that the bailout was necessary "to avoid the loss of hundreds of thousands of American jobs among automobile workers and to keep a highly competitive automobile industry in our country."<sup>24</sup>

In the end, Iacocca's dramatic calls to save the company won the day. Pragmatism with a dash of patriotism proved to be Iacocca's most effective tool in convincing Americans of both the severity of the crisis and the need

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<sup>20</sup> "Statement of Lee Iacocca to Congress, 18 Oct. 1979," National Archives and Records Administration (NARA), RG 56, Subject Files Related to the Chrysler Corporation Bailout, 1979-1980, Office of the Assistant Secretary for Domestic Finance, box 5, file Chrysler Testimony of Others.

<sup>21</sup> Milliken to Blanchard, 1 Nov. 1979. BHL, Milliken Papers, box 713, file "Chrysler."

<sup>22</sup> James Blanchard as told to Jennifer Holmes, "How Chrysler Went to Washington and Blanchard Went to Bat," *Detroit Magazine* (Detroit Free Press), 25 May 1980.

<sup>23</sup> "We Are Americans . . . Chrysler needs help," n.d., WRL, UAW-Chrysler Collection, box 11, file "Bailout."

<sup>24</sup> Eduardo Porter, "Auto Bailout Seems Unlikely," *New York Times*, 14 April 2006.

for aid. In governments across the country, regardless of their philosophical beliefs about government intervention, it was clear that legislators had no stomach for a Chrysler failure.

Second, Iacocca challenged the historical relationship of the Big Three auto companies to government by asking for aid. Convincing Americans and their politicians that Chrysler needed help was only part of the battle. Iacocca also had to persuade them that the notion of government aid through loan guarantees was not only necessary, but also not un-American. Iacocca recalled that during the debate over Chrysler's fate, "Everybody was beating on us. Everybody saying, 'How dare you violate the altar of free enterprise and ask for a loan guarantee?' . . . We did not take taxpayer money. We had a guarantee, but for fifty years they've guaranteed."<sup>25</sup> Unsurprisingly, many both within the auto industry and without saw this as anathema. From the Business Roundtable to commentators as disparate as Ralph Nader and Milton Friedman, Iacocca was skewered for what many saw as an unconvincing conversion to state intervention. The attitude was summed up by General Motors chairman Thomas Murphy: "I do not think," he stated about the prospect of bailout, "that is in accordance with what made this country great."<sup>26</sup>

Iacocca's response to this great wave of criticism was to emphasize again the pragmatism required to meet the crisis:

I could see only one way out of this mess. Believe me, the last thing in the world I wanted to do was to turn to the government. But once I made the decision, I went in with all flags flying. Ideologically, I have always been a free enterpriser, a believer in survival of the fittest. When I was president of Ford, I spent almost as much time in Washington as I did in Dearborn. Then I went to the capital only for one reason—to try to get the government off our backs. So naturally, when I was back in Washington as Chairman of Chrysler to make the case for government help, everybody said, "How can you? How dare you?" "What choice do I have?" I answered. "It's the only game in town."<sup>27</sup>

Iacocca's willingness to break the mould and head to Washington for help also illustrated his ability to navigate complex networks—in this case multiple governments. In getting government on his side, Iacocca was not simply dealing with the Congress and the administration, which in themselves were Herculean accomplishments of advocacy given the labyrinthine and competing interests within those bodies. Iacocca also needed to convince dozens of state, local, and even foreign governments. In his travels to save Chrysler and to convince governments to aid in the recovery effort, Iacocca

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<sup>25</sup> Iacocca often pointed to the fact that American Motors had received loan guarantees, as had Lockheed in 1971, and the City of New York; see Tom Nicholson and James C. Jones, "Iacocca's 'Little Miracle'," *Newsweek* (3 Aug. 1981), 64.

<sup>26</sup> Anthony Whittingham, "A Giant's Fragile Kingdom" *Maclean's* (20 Aug. 1979).

<sup>27</sup> Iacocca, *Autobiography*, 192.



traveled countless miles all over the Midwest and even north to Toronto and Ottawa.

Some governments were more willing to help than others. As the epicenter of the Chrysler crisis, Michigan had taken action within days of Riccardo's July statement. Governor William Milliken announced a number of initiatives designed to support the company. The state government purchased eight hundred Chrysler vehicles, pledged \$185 million in loan guarantees, and purchased the \$150 million mortgage on the company's Highland Park headquarters. Milliken also contacted all of the governors whose states had Chrysler facilities and informed them of the "importance of the continuing sound operation of the company."<sup>28</sup> However, in places like Ottawa and Toronto, governments were a bit more reluctant to help the company, especially because it was an American firm.<sup>29</sup> Nonetheless, Iacocca did eventually manage to get all levels of government on his side.

Third, Iacocca successfully managed and negotiated the myriad networks of management, unions, suppliers, and banks within the Chrysler constellation to position the company to take advantage of the government loan package. Among Chrysler employees, Iacocca had to fire thousands of managers and salaried staff. On the union side, the UAW leadership was mostly onside and agreed to concessions, though not without acrimony. There was serious grumbling in many American locals, and the Canadian side of the union was not interested in concessions.<sup>30</sup> Similarly, many suppliers initially balked at the concessions required by the company, though they all eventually agreed. Perhaps most difficult of the stars within the Chrysler constellation were the banks. The agreement to the plan of all 442 lending institutions was required before it could go forward and Chrysler could collect on the loan guarantees.<sup>31</sup>

Finally, Iacocca made a conscious decision to become the very public face of the company and utilized his skills as a salesperson to create a marketing

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<sup>28</sup> Michigan even considered measures such as the creation of a state lottery whose proceeds would go to the beleaguered company. Bill Lukens (Michigan Department of Commerce), "Program for Governor Milliken's Involvement in Federal-Chrysler Issues," 8 Aug. 1979. "News Conference Transcript, Gov. William G. Milliken," 10 Aug. 1979." BHL, Milliken Papers, box 7B, file "Chrysler"; Tom Nicholson, "Chrysler's Big Boost," *Newsweek* (12 Nov. 1979), 86.

<sup>29</sup> On the difficulties Iacocca faced with the Canadians, see Dimitry Anastakis, "Industrial Sunrise? The Chrysler Bailout, the State and the Reindustrialization of the Canadian Automotive Sector, 1975-1986" *Urban History Review* 35 (Spring 2007): 37-50.

<sup>30</sup> The battle over concessions, and the unwillingness of the Canadian side of the UAW to accept concessions, eventually led to the breakup of the international union, and the creation of the Canadian Auto Workers, in 1985.

<sup>31</sup> The Chrysler bailout was, at its core, a deal to protect bankers from losses. It is noteworthy that the Treasury took the lead in the negotiations, and that the administration did not see this as any type of industrial policy precedent, but as a one-time financial transaction.

and communications strategy that made him the central actor in this Chrysler turnaround strategy. Iacocca not only leveled with the politicians about Chrysler and its problems; he leveled with all of Chrysler's employees and stakeholders about what they needed to do to save the company. As he tells it,

Communication is the lubricant that makes an organization run—and never is that more true than during times of crisis. It always amazes me how big corporations will spend millions of dollars telling the public what's happening, but forget to tell their own employees. A good leader will make every person feel personally involved in the recovery. Many years ago, when Chrysler was fighting for its life, I went to every single plant so I could speak directly to the workers. I thanked them for hanging in there during those hard times, and asked them to join me in restoring the company to greatness. There were a lot of cheers and some boos, but I got them involved.<sup>32</sup>

Along with communicating to the company's workers, Iacocca took the step that was perhaps the most pivotal in the Chrysler turnaround story. He leveled with the American people. This effort started small, with Iacocca signing "open letters" to the American people, in the form of full-page newspaper and magazine articles placed at the height of the crisis. The ads attempted to debunk the "myth" of Chrysler's "gas guzzlers" and to be honest about Chrysler's situation.<sup>33</sup> Then came the commercials, which utilized Iacocca's marketing skills ("If you can find a better car, buy it!") and natural charisma to make him perhaps the most recognizable chief executive officer/spokesperson in business history. Perhaps more than anything else in the Chrysler saga, Iacocca's skill as a salesman (both to Congress and to the American people) not only reshaped the discourse surrounding the company, but also made Iacocca himself a star.<sup>34</sup>

### **Iacocca's Place in the Pantheon of Automotive Giants**

In many ways, the automotive industry is the wellspring of the modern American economy, providing some of the most famous examples of

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<sup>32</sup> Iacocca, *Where Have All the Leaders Gone?* 169.

<sup>33</sup> See, for example, "Does Chrysler Want to Stay in the Business Just to Build America's Gas Guzzlers?" *Newsweek* (13 Aug. 1979).

<sup>34</sup> On Iacocca's impact as a communicator, see, for example, Judie Mosier Thorpe, "Lee Iacocca and the Generation of Myth in the Spokesman Advertising Campaign for Chrysler from 1980-1984," *Journal of American Culture* 11 (Summer 1988): 41-45; George N. Dionisopoulos, "A Case Study in Print Media and Heroic Myth: Less Iacocca, 1978-1985," *Southern Speech Communication Journal* 53 (Spring 1988): 227-43. Two Ph.D. dissertations have been written on Iacocca and his role as a communicator and spokesperson in turning around Chrysler: Jayne Margaret Megginson, "The Rhetoric of Lee Iacocca: The Man, the Myth, the Message" (Louisiana State University, 1986), and Judith Mosier Thorpe, "The Role of Persuasion for a Corporate Spokesman: An Analysis of the Arguments Lee Iacocca Presented on Behalf of Chrysler Corporation to the American Consumer and to Congress from 1979 to 1982" (Ohio State University, 1986).

capitalism's enduring business archetypes. The first, of course, is the great Schumpeterian entrepreneurial innovator. Henry Ford rightly looms large over the American business history landscape, and remains the quintessential automotive innovator.<sup>35</sup> Others, such as Walter Chrysler, also easily fall within that model as visionary leaders who made brilliant technological or production innovations and in doing so reshaped the American business landscape.<sup>36</sup>

At the same time, the automotive industry has also bequeathed to American business its second great archetype, that of the entrepreneurial manager. Automotive leaders such as William Durant and Henry Ford II consolidated the early industry, and created and utilized the multidivisional model of Chandlerian business organization to manage effectively the size and scale required by the automotive industry.<sup>37</sup> Alfred P. Sloan took the multidivisional model and applied the others' marketing genius to it, making the auto industry the cornerstone of consumerism and advertising.<sup>38</sup> In doing so, these business leaders created a new class of entrepreneurial managers who led the automotive sector to the pinnacle of American and world industrial success for much of the twentieth century.

Lee Iacocca, of course, had made a small place for himself in the pantheon of automotive giants even before he went to Chrysler. As a life-long Ford employee and engineer by trade, Iacocca had followed in the footsteps of Ford's "whiz kids" to carve out his own legendary status at Ford, cemented by his mythical 1960s creation of the Mustang and his marketing prowess. By the time he completed the turnaround of the floundering Chrysler Corporation, Iacocca could lay claim to the top tier of the automotive world. Although he did not fit the classic Schumpeterian innovator archetype, he was certainly considered among the greatest business leaders in the history of

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<sup>35</sup> Ford and his company have inspired a mass of academic and non-academic works. Classic treatments of Ford include Allan Nevins and Frank Ernest Hill's three volumes, *Ford* (New York, 1954-1963). Recent reassessments of Ford are Stephen Watts, *The People's Tycoon: Henry Ford and the American Century* (New York, 2005); and Douglas Brinkley, *Wheels for the World: Henry Ford, His Company and a Century of Progress* (New York, 2003).

<sup>36</sup> Chrysler himself is the subject of a few good biographies, such as Curcio's, though he does not engender as much examination as Ford or some of the other auto pioneers.

<sup>37</sup> On the M-Division and its creation, see Alfred D. Chandler, Jr.'s classic, *Strategy and Structure: Chapters in the History of the Industrial Enterprise* (New York, 1962). On Henry Ford II's reorganization of Ford, see David A. Hounshell, "Assets, Organizations, Strategies and Traditions: Organizational Capabilities and Constraints in the Remaking of the Ford Motor Company, 1946-1962" in *Learning by Doing in Markets, Firms and Countries*, ed. Naomi R. Lamoreaux, Daniel M.G. Raff, and Peter Temin (Chicago, 1999), 185-208.

<sup>38</sup> David Farber, *Sloan Rules: Alfred P. Sloan and the Triumph of General Motors* (Chicago, 2002).

the auto sector. Nevertheless, we can examine how he ranks among the titans of the auto industry.

To begin to understand Iacocca's place within this story, and where he stands, we must assess Iacocca on the criteria that shaped the great names in automotive history. First, and most important, as a manager: did Iacocca develop some original management technique that profoundly changed Chrysler's, or Detroit's, practices? Second, is he responsible for innovative production advances, as Henry Ford? Or does his time at Chrysler reflect a significant shift in operational procedures, such as those Toyota made famous? Finally, was he an organizational guru, like Sloan, or a financial genius, like Durant?

Let us first consider Iacocca's own management approach. After all, Iacocca became famous as a manager—and a management guru—for orchestrating and managing Chrysler's turnaround. Observers called the Chrysler recovery Iacocca's "Little Miracle."<sup>39</sup> Books and papers were written heralding "the Iacocca Management Technique," and business leaders, teachers, and millions of average Americans learned, read, wrote, and taught about Iacocca's "management" and Chrysler's miracle recovery.<sup>40</sup>

Did Iacocca create a new management philosophy that changed how Chrysler or the auto sector operated? We can derive the core of Iacocca's management "philosophy," as it were, from his three books. In his 1984 bestselling autobiography, he focused on simple principles: quarterly reviews, information gathering, being a motivator, teamwork, and interpersonal skills, with an emphasis on communications. However, there was no radical "method" attached to his approach. Indeed, Iacocca considered his style "pretty conservative."<sup>41</sup> In *Talking Straight*, Iacocca devoted a whole chapter to his "commandments of management" which were general and not related to the Chrysler crisis. In summary, he stated that "management is a code of values and judgments . . . that's why, in the end, you have to be yourself."<sup>42</sup>

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<sup>39</sup> Tom Nicholson and James C. Jones, "Iacocca's 'Little Miracle'," *Newsweek* (3 Aug. 1981), 64.

<sup>40</sup> The two Iacocca books both reached the top of the bestseller lists, and there have been many reprints. Examples of works that examine the "Iacocca Management Technique" include Maynard M. Gordon, *The Iacocca Management Technique: A Profile of the Chrysler Chairman's Unique Key to Business Success* (New York, 1985), and Rosemary Papa-Lewis and Louis Markert, "The Iacocca Management Technique: Make It Work for You" *NASSP Bulletin* 72 (April 1988): 98-99. In the 1980s, Iacocca and the Chrysler case became a staple of business and administrative courses at universities.

<sup>41</sup> Iacocca, *Autobiography*, 50. In this chapter, however, he does address the wisdom of Vince Lombardi and Iacocca's unflinching belief in the virtues of Dale Carnegie.

<sup>42</sup> Iacocca, *Talking Straight*, 75-92. The "commandments" included: 1. Hire the Best; 2. Get Your Priorities Straight and Keep a Hot List of What You're Trying to Do; 3. Say It in English and Keep it Short; 4. Never Forget the Line Makes Money; 5. Lay Out the Size of the Playing Field; 6. Keep Some Mavericks Around; 7. Stay in Business During Alterations; 8. Remember the Fundamentals.

In his book *Where Have All the Leaders Gone?* Iacocca's "management method" reads more like a set of new-age principles. The "Nine C's of Leadership" include terms such as "Curiosity," "Creative," and "Communicate." In the book, Iacocca actually makes only passing reference to the basis for his management reputation, the Chrysler bailout, referring to the event on only a few pages.<sup>43</sup>

Assessing Iacocca's views on management shows that he did not really develop a particularly original or innovative management technique in dealing with the Chrysler crisis. We cannot compare Iacocca's "approach" to other CEO luminaries such as General Electric's Jack Welch, who became closely identified with the famous "Six Sigma" quality initiative, or Louis Gerstner, who radically transformed IBM (International Business Machines) by the time he had left the company.<sup>44</sup> Iacocca was not really offering anything new. Nor can we say that others could follow Iacocca's management approach in the sector, because Chrysler's situation was unique.<sup>45</sup>

Iacocca also was not offering any significant differences in the way Chrysler operated or produced cars. He did not develop, for example, a corporate philosophy similar to Toyota's *kaizen*, or an operational approach such as the same company's emphasis on "Just-In-Time" operations.<sup>46</sup> Nor is he famous for instituting new production techniques, as Ford had for the moving assembly line, or Toyota for its "Production System." If anything, during the bailout period, the company did not innovate operationally, but focused on playing "catch-up" with others in the industry. Iacocca mostly instituted massive cost cutting, laying off thousands of white- and blue-collar employees, closing older plants, and selling off foreign holdings.<sup>47</sup>

Chrysler's greatest operational innovation was to shift more of its assembly north to Canada, where costs were lower and productivity and quality were higher.<sup>48</sup> There may have been a "New Chrysler," but there were not new Chrysler ways of running its operations. It was only in the late 1990s

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<sup>43</sup> Iacocca, *Where Have all the Leaders Gone?* 6-10, 15. Emphasis in original.

<sup>44</sup> Robert Slater, *Jack Welch & The G.E. Way: Management Insights and Leadership Secrets of the Legendary CEO* (New York, 1998); Louis V. Gerstner, *Who Says Elephants Can't Dance? Leading a Great Enterprise through Dramatic Change* (New York, 2003).

<sup>45</sup> Since the Chrysler crisis, neither the government nor the remaining Big 2 of General Motors or Ford have come close to suggesting a possible bailout, even during the industry's last terrible downturn; see Justin Hyde, "Aiding Car Companies: Lawmakers not likely to help auto industry," *Detroit Free Press*, 8 Dec. 2005.

<sup>46</sup> For views on Toyota's management and operational techniques, see James P. Womack, Daniel T. Jones, and Daniel Roos, *The Machine That Changed the World: The Story of Lean Production* (New York, 1991).

<sup>47</sup> For examples of crisis and corporate restructuring, see Ronald J. Burke and Cary L. Cooper, eds., *The Organization in Crisis: Downsizing, Restructuring, and Privatization* (Manchester, U.K., 2000).

<sup>48</sup> For a detailed assessment of this shift, see Anastakis, "Industrial Sunrise?"

and early part of the 2000s that Chrysler belatedly embraced Japanese-style “flex manufacturing”—the most significant shift in auto production in decades—along with the other Big Three.<sup>49</sup>

Iacocca can make some partial claims to being a “product guy.” He was already famous for the Mustang at Ford, and the Chrysler turnaround gave him credit for two more important vehicles. The K-Car literally saved the company in the dark times from 1980 to 1983, while the “category-busting” minivan paved the way for the company’s undeniable successes in the mid-1980s. Nevertheless, both these success stories came with caveats: in the case of the K-Car, the idea of a low-cost front-wheel drive vehicle had been in development even before Iacocca arrived at Chrysler. The minivan was clearly a Chrysler product, albeit one that Iacocca had conceptualized at Ford. Moreover, it is important to remember that Chrysler had really already recovered by the time the minivan was launched for the 1984 model year.<sup>50</sup> The minivan was more the icing for Iacocca, as opposed to the whole cake.

Though Iacocca might deserve some credit on the product side, he did not structurally reorganize the company in any significant manner. The Chrysler organization in 1985, after the turnaround, was much the same as it was in 1978, although it had lost most of its multinational structure. Shedding its international divisions was, of course, a condition of the bailout imposed by Congress, so Iacocca can really make no claim on this front. Iacocca did take the lead in the purchase of the dying America Motors Corporation (AMC) in 1987, with its lucrative Jeep nameplate. However, this did not mark any stroke of genius, such as Durant’s consolidation vision of the 1910s and 1920s, or Henry Ford II’s utter reorganization of his grandfather’s floundering company from 1945 to 1949. AMC was already on its last legs when Iacocca snapped it up, and it did not represent a departure for the way the company did things.

Then there is the question of Iacocca’s financial acumen. There is no doubt that Iacocca’s shepherding of the bailout through the various government and company obstacles was a masterpiece of financial chutzpah. Nevertheless, Iacocca himself will admit that the key player in Chrysler’s money management was his financial guru, Gerry Greenwald. It was Greenwald who led all the discussions with the Treasury Department (and the other government agencies), and who orchestrated the incredibly complex arrangements with Chrysler’s innumerable creditors and lawyers.<sup>51</sup> On the

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<sup>49</sup> Micheleine Maynard, “Business; Yes, Assembly Lines Can Mix Apples and Oranges” *New York Times*, 17 Aug. 2003.

<sup>50</sup> Hal Sperlich, who was the main force behind the K-Car (and the minivan), had been fired by Ford in 1976 and joined Chrysler. At Chrysler, Sperlich had begun working on the K-Car in early 1978, before Iacocca arrived; see Reich and Donahue, *New Deals*, 39-40.

<sup>51</sup> This is quite apparent from the voluminous, recently released materials at NARA, RG 56, Subject Files Related to the Chrysler Corporation Bailout, 1979-1980, Office

finance side, Iacocca may have been the coach, but Greenwald was the star quarterback.

If there is an area in which Iacocca truly excelled, it was in his ability to communicate and market both the idea of a bailout and Chrysler as a company and its products. In this measure, his actions during the Chrysler turnaround compare with Alfred Sloan's brilliance in creating a hierarchical division/product strategy at GM in the 1920s. At the same time, Iacocca also had an eye for talent; ironically, he was very much like his nemesis, Henry Ford II, in this capacity. As Ford had been successful in hiring excellent people in his own efforts to turn Ford around in the years after the war, Iacocca had also shown a knack for getting the best people—in this case, from Ford.<sup>52</sup>

This assessment in no way detracts from the monumental task that Iacocca accomplished, but it is important to realize that Iacocca was presented with a set of unique circumstances that allowed him to utilize his particular skill sets and position. Pared down to its essentials, Iacocca's turnaround of Chrysler was not a new departure in management techniques, or production innovation, or operational procedure, but a unique situation unreplicated in the auto sector (or in any other sector, though more bailouts both predated and followed Chrysler's bailout). Essentially, Iacocca was a sales person, and his greatest sale was Chrysler's crisis. His entrepreneurship, if we can call it that, was his ability to reach out to Americans, their government, and the many businesses in the Chrysler constellation, through his determination and force of personality, to salvage the company and set it on its path to recovery.

While these circumstances were unique, in dealing with them Iacocca became the greatest example of the last great type of automotive archetype, "the savior." In a previous generation, Henry Ford II had been an earlier, milder iteration of this archetype, but Iacocca truly made it his own. Indeed, Iacocca's ownership of the automotive "savior" archetype has been so powerful that it has transcended business boundaries. In the nearly three decades since the Chrysler bailout, there have been numerous other government bailouts and amazing turnarounds. None, however, has ever created a star in the way that the Chrysler crisis and bailout created Iacocca. The most recent pretender to the savior archetype throne is Nissan-Renault's brilliant turnaround master Carlos Ghosn, whose own spectacular accomplishment nevertheless remains in second place when compared to Iacocca's successes. This is why, in the end, Lee Iacocca remains in a class by himself as the last great automotive entrepreneur.

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of the Assistant Secretary for Domestic Finance. These records will constitute a significant portion of the data for this ongoing project.

<sup>52</sup> An entire chapter of Iacocca's autobiography is devoted to hiring people from Ford in the wake of his own firing.