

Henry Ford

He produced an affordable car, paid high wages and helped create a middle class. Not bad for an autocrat

By LEE IACOCCA

The only time I ever met Henry Ford, he looked at me and probably wondered, "Who is this little s.o.b. fresh out of college?" He wasn't real big on college graduates, and I was one of 50 in the Ford training course in September 1946, working in a huge drafting room at the enormous River Rouge plant near Detroit. One day there was a big commotion at one end of the floor and in walked Henry Ford with Charles Lindbergh. They walked down my aisle asking men what they were doing. I was working on a mechanical drawing of a clutch spring (which drove me out of engineering forever), and I was worried that they'd ask me a question because I didn't know what the hell I was doing — I'd been there only 30 days. I was just awestruck by the fact that there was Colonel Lindbergh with my new boss, coming to shake my hand.



Henry Ford with a Model T in 1921. About one million Model T's were produced that year

The boss was a genius. He was an eccentric. He was no prince in his social attitudes and his politics. But Henry Ford's mark in history is almost unbelievable. In 1905, when there were 50 start-up companies a year trying to get into the auto business, his backers at the new Ford Motor Co. were insisting that the best way to maximize profits was to build a car for the rich.

But Ford was from modest, agrarian Michigan roots. And he thought that the guys who made the cars ought to be able to afford one themselves so that they too could go for a spin on a Sunday afternoon. In typical fashion, instead of listening to his backers, Ford eventually bought them out.

And that proved to be only the first smart move in a crusade that would make him the father of 20th century American industry. When the black Model T rolled out in 1908, it was hailed as America's Everyman car — elegant in its simplicity and a dream machine not just for engineers but for marketing men as well. Ford instituted industrial mass production, but what really mattered to him was mass consumption. He figured that if he paid his factory workers a real living wage and produced more cars in less time for less money, everyone would buy them.

Almost half a century before Ray Kroc sold a single McDonald's hamburger, Ford invented the dealer-franchise system to sell and service cars. In the same way that all politics is local, he knew that business had to be local. Ford's "road men" became a familiar part of the American landscape. By 1912 there were 7,000 Ford dealers across the country.

In much the same fashion, he worked on making sure that an automotive infrastructure developed along with the cars. Just like horses, cars had to be fed — so Ford pushed for gas stations everywhere. And as his tin lizzies bounced over the rutted tracks of the horse age, he campaigned for better roads, which eventually led to an interstate-highway system that is still the envy of the world.

His vision would help create a middle class in the U.S., one marked by urbanization, rising wages and some free time in which to spend them. When Ford left the family farm at age 16 and walked eight miles to his first job in a Detroit machine shop, only 2 out of 8 Americans lived in the cities. By World War II that figure would double, and the affordable Model T was one reason for it. People flocked to Detroit for jobs, and if they worked in one of Henry's factories, they could afford one of his cars — it's a virtuous circle, and he was the ringmaster. By the time production ceased for the Model T in 1927, more than 15 million cars had been sold — or half the world's output.

Nobody was more of an inspiration to Ford than the great inventor Thomas Alva Edison. At the turn of the century Edison had blessed Ford's pursuit of an efficient, gas-powered car during a chance meeting at Detroit's Edison Illuminating Co., where Ford was chief engineer. (Ford had already worked for the company of Edison's fierce rival, George Westinghouse.)

After the Model T's enormous success, the two visionaries from rural Michigan became friends and business partners. Ford asked Edison to develop an electric storage battery for the car and funded the effort with \$1.5 million. Ironically, despite all his other great inventions, Edison never perfected the storage battery. Yet Ford immortalized his mentor's inventive genius by building the Edison Institute in Dearborn.

Ford's great strength was the manufacturing process — not invention. Long before he started a car company, he was an inveterate tinkerer, known for picking up loose scraps of metal and wire and turning them into machines. He'd been putting cars together since 1891. Although by no means the first popular automobile, the Model T showed the world just how innovative Ford was at combining technology and markets.

The company's assembly line alone threw America's Industrial Revolution into overdrive. Instead of having workers put together the entire car, Ford's cronies, who were great tool- and diemakers from Scotland, organized teams that added parts to each Model T as it moved down a line. By the time Ford's sprawling Highland Park plant was humming along in 1914, the world's first automatic conveyor belt could churn out a car every 93 minutes.

The same year, Henry Ford shocked the world with what probably stands as his greatest contribution ever: the \$5-a-day minimum-wage scheme. The average wage in the auto industry then was \$2.34 for a 9-hr. shift. Ford not only doubled that, he also shaved an hour off the workday. In those years it was unthinkable that a guy could be paid that much for doing something that didn't involve an awful lot of training or education. The Wall Street Journal called the plan "an economic crime," and critics everywhere heaped "Fordism" with equal scorn. But as the wage increased later to a daily \$10, it proved a critical component of Ford's quest to make the automobile accessible to all. The critics were too stupid to comprehend that because Ford had lowered his costs per car, the higher wages didn't matter — except for making it feasible for more people to buy cars.

When Ford stumbled, it was because he wanted to do everything his way. By the late 1920s the company had become so vertically integrated that it was completely self-sufficient. Ford controlled rubber plantations in Brazil, a fleet of ships, a railroad, 16 coal mines, and thousands of acres of timberland and iron-ore mines in Michigan and Minnesota. All this was combined at the gigantic River Rouge plant, a sprawling city of a place where more than 100,000 men worked.

The problem was that for too long they worked on only one model. Although people told him to diversify, Henry Ford had developed tunnel vision. He basically started saying "to hell with the customer," who can have any color as long as it's black. He didn't bring out a new design until the Model A in '27, and by then GM was gaining.

In a sense Henry Ford became a prisoner of his own success. He turned on some of his best and brightest when they launched design changes or plans he had not approved. On one level you have to admire his paternalism. He was so worried that his workers would go crazy with their five bucks a day that he set up a "Sociological Department" to make sure that they didn't blow the money on booze and vice. He banned smoking because he thought, correctly as it turned out, that tobacco was unhealthy. "I want the whole organization dominated by a just, generous and humane policy," he said.

Naturally, Ford, and only Ford, determined that policy. He was violently opposed to labor organizers, whom he saw as "the worst thing that ever struck the earth," and entirely unnecessary — who, after all, knew more about taking care of his people than he? Only when he was faced with a general strike in 1941 did he finally agree to let the United Auto Workers organize a plant. By then Alfred P. Sloan had combined various car companies into a powerful General Motors, with a variety of models and prices to suit all tastes. He had also made labor peace. That left Ford in the dust, its management in turmoil. And if World War II hadn't turned the company's manufacturing prowess to the business of making B-24 bombers and jeeps, it is entirely possible that the 1932 V-8 engine might have been Ford's last innovation.

In the prewar years there was no intelligent management at Ford. When I arrived at the end of the war, the company was a monolithic dictatorship. Its balance sheet was still being kept on the back of an envelope, and the guys in purchasing had to weigh the invoices to count them. College kids, managers, anyone with book learning was viewed with some kind of suspicion. Ford had done so many screwy things — from terrorizing his own lieutenants to canonizing Adolf Hitler — that the company's image was as low as it could go.

It was Henry Ford II who rescued the legacy. He played down his grandfather's antics, and he made amends with the Jewish business community that Henry Ford had alienated so much with the racist attacks that are now a matter of historical record. Henry II encouraged the "whiz kids" like Robert McNamara and Arjay Miller to modernize management, which put the company back on track. Ford was the first company to get a car out after the war, and it was the only company that had a real base overseas. In fact, one of the reasons that Ford is so competitive today is that from the very beginning, Henry Ford went anywhere there was a road — and usually a river. He took the company to 33 countries at his peak. These days the automobile business is going more global every day, and in that, as he was about so many things, Ford was prescient.

Henry Ford died in his bed at his Fair Lane mansion seven months after I met him, during a blackout caused by a storm in the spring of 1947. He was 83. The fact is, there probably couldn't be a Henry Ford in today's world. Business is too collegial. One hundred years ago, business was done by virtual dictators — men laden with riches and so much power they could take over a country if they wanted to. That's not acceptable anymore. But if it hadn't been for Henry Ford's drive to create a mass market for cars, America wouldn't have a middle class today.

Lee Iacocca was president of Ford, later chairman of Chrysler, and last year founded EV Global Motors

