

Ford Motor Company

Executive Communication

To: Mr. L. A. Iacocca
cc: Mr. W. D. Innes
Mr. J. H. Passano
Mr. D. E. Petersen
Subject: "Hot Rod" Magazine Article



BEH - could you find a copy of the article?

Your note dated October 2, 1967 asked what we were going to do about the problems discussed in the subject article, and when.

While the article was critical of Ford products in general, I assume you are referring to the street performance problem. Our product answer to the problem involves the following principal steps:

March (approx.) of 1968 (Mustang, Cougar, Fairlane, Montego)

- . 427 Cobra Jet option
- . Competitive high ratio axles
- . Torque sensitive locking axle

Early to mid 1969 Specialty Models

- . Image models under consideration to dramatize the return to street power

Job #1, 1970 (Fairlane, Montego)

- . 429 Cobra Jet option
- . Specialty models to feature the engine

Job #1, 1971 (Mustang, Cougar)

- . 429 Cobra Jet option

We believe the 427 Cobra Jet package will put us back in the ball game in 1968. One of the reasons we proposed the 1970 front end tear up for Fairlane and Montego is that we need the 429 base to have the chance to move ahead in this field. In addition to the above actions, we are proceeding with the development of "top up" equipment to permit the performance minded customer to take our engines further up the performance scale.

I should point out that there are three pieces to this problem. The first is sheer performance and falls to Bill Innes and me for solution; I believe we are now honestly on the road to recovery in this area. The second involves image models to dramatize the power. We are working on this with Gene Bordinat and will advise you of our progress. The third is advertising, promotion, and public relations, which obviously must follow product. The only reason I mention it is that the tone of this article and other like it suggests we will have a tough rebuilding job in this area once we get the product fixed.

Donald N. Frey

SECRET PERFORMANCE

The purpose of this paper is to discuss how we got in trouble on street performance and what we can do about it. There are, or were, five principal problem areas:

Priorities

Street performance has not been, until several months ago, a consensus top priority item. There was little question that big time racing was a top priority, and little question that we did a good job once that priority was made clear. However, we did more than want it, we organized to do it. For example, we had forty nine people on racing in the Ford Division as compared to fifty five on all of Product Planning (including three on powertrain planning). Further, it is no secret that the first team at Engine and Foundry has been off racing for some time. Long before street performance was agreed to be a top management concern, Product Planners and Engineers were trying to upgrade the performance of the 390 and even on an improved 428 (which "couldn't be done") with almost no response from Engine and Foundry. It was not until the 12th floor sounded off on street performance that the Cobra Jet got moving.

Back in the early days of our response to safety, there was even some debate (legitimately so) on the question whether it was moral to put more power in our cars.

"Style and Performance" (not forgetting quality) are now solidly in our minds as the keys to success in this business, but it may be some time before we have complete consensus on this around the Company.

Racing Policy

The policies adopted in racing are somewhat questionable in our minds. For example, we subsidized the rich mens' sports and neglected the kids who buy the cars. Chrysler's policy may be sounder here than ours. They compete on all stock car fronts and win (as we should), they advertise their wins (if it's wrong to advertise, it's wrong to race) and they avoid excursions into non stock areas with everything aimed at romancing the cars on which they can make profit.

It seems that our policy may have hampered the development of better stock car engines and limited the "word" on our accomplishments. Finally, now the "rod" magazines are using the extremes of our excellence at the non stock track and poor performance in street stocks to make "good press."

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Merchandising

There is a bit of 3 minute flavor to many of our products....too often we seem not to bet the last five percent to make a GTO or a Roadrunner. More and more we are convinced that the policy "do fewer things very well" versus "many things poorly" is something we should not forget.

Also, on the merchandising front but not so directly in our own backyard, we are somewhat unimpressed with our performance advertising job. Take a look at the fairly exciting Chrysler ads on pages 51, 52, 79 through 87 versus the Fairlane ad on pages 88 and 89. Their material impresses us as "exciting and jumpy" versus our "midwest nondescript," not to mention the page count differences.

All of these factors contribute to the public image, although the product must be there first.

Public Relations

The beautiful words and romanced technical descriptions used by the writer on pages 33 to 35 to describe the Chrysler engines were probably not invented by the writer....they were probably supplied in large part by eager press relations people at Chrysler. The way in which we covered these kinds of things with the technical press this year, including poor cars for show, was less than ideal. In short, while we are short of hardware (the original sin), we have the impression that we could learn from General Motors and Chrysler on the care and feeding of the technical press.

Organization

One of our problems in street performance may be that everybody is in charge.... with the usual result that nobody's in charge. The basic difference between Ford and its competitors in street performance could be in simplicity of organization, and therefore, in clear definition of responsibility. At both General Motors and Chrysler, all the tools for excellence in performance fall basically under a single Vice President versus our system in which the tools are not joined until the Executive Vice President level. At General Motors, each divisional Vice President has his own engineering (and incidental-ly manufacturing) on the parts that make a car go. At Chrysler, Central Engineering is consolidated under one man. In either case, once someone says street performance is desirable, the job can be done quicker and easier. In our case, we have chassis engineering, transmission and axle engineering, and engine engineering all separated. While the systems engineering approach will hopefully pull the whole together, it is questionable whether we can, by awesome effort and many meetings, overcome the "natural law" that "component engineering" done under the management of men held responsible for all things manufacturing breeds "black box quality," whereas "consolidated engineering" produces real "system design efficiency" although Chrysler seems to do both. In the final analysis, if we want General Motors or Chrysler excellence in these areas (without constant supervision) we may have to move from "middle" to either the General Motors or Chrysler (probably the latter) approach to the problem. While the Chrysler approach probably makes more sense for us, the genius of Sloan's organization is that the job gets done even when management isn't looking.

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Organization

Time alone will tell whether systems engineering can do what a less complex organization can do at General Motors and Chrysler. In the short term, we can probably help things by making it even more clear who's in charge of street performance. Once the objective is set, CPEO should feel singularly accountable; the staff review from CPEO on the 427 Cobra Jet letter appears a little less than certain of superiority and states that certain things like ram air and weight distribution would not be available until later. If CPEO felt a more intense feeling of accountability, would they not "insist" these things be done if they are needed? No criticism is intended since there may be some confusion on accountability.

In the critical area of "hop up" equipment, it appears we need a clear definition of responsibility. For the most part, these items will be accessories, so they fall out of the normal domain of Product Planning and Engineering. If we leave it to "everybody," the job may not get done. The essential elements are detection (recognition of need, from people like the Special Vehicle specialists), engineering (not through the main line standard or RPO network), and merchandising the "talk to youth" task force and Autolite). Would it make sense to assign the first two to Powertrain Systems including a couple of Jacques' people on a direct reporting basis and identifying a small cadre (officially as a department) at Engine and Foundry to work on nothing else?

Summary

- . Clarify and reconsider our racing and advertising policies.
- . Make the new sense of priority more meaningful by adding to Engine and Foundry capability.
- . Put the pressure on Product Planning for new image models.
- . Awaken a new sense of the problem at the Marketing Divisions.
- . Within the limits of the present organization, clarify the accountability and organize to do a better job on both street options and the "hop-up" accessories as discussed.