

IACOCCA

- An Autobiography

LEE IACOCCA WITH WILLIAM NOVAK

Made In America

1. The Family

Iacocca's father, Nicola, arrived in America in 1902 at the age of twelve - poor, alone and scared. He returned to Italy to marry Antonette and returned to America as a new American citizen. Nicola saw America as the land of freedom - the freedom to become anything you wanted to be, if you wanted it bad enough and were willing to work for it.

Lee Iacocca was born 15th October 1924. By that time, his father had opened a hot-dog restaurant in Allentown. He drilled two principles into Lee; never get into a capital-intensive business because the bankers will end up owning you. And when times get tough, get into a food business because people will always need to eat. (Lee came very close to actually starting a food franchise in 1952, long before McDonalds was a gleam in Ray Kroc's eye. He decided against it in the end).

As a teenager, Lee worked outside a hotel offering to take people's shopping home for them. He also had a weekend job in a fruit market for which he was paid \$2 per day plus all the fruit and vegetables he could carry home with him.

His father was passionately involved in motor vehicles, and invested in a very early car rental business called U-Drive-It. This soon built up to a fleet of 30 cars. By the time Lee was 15 years old, he had decided that his future lay in the automobile business and all his energies were directed towards that goal.

Lee credits his father with his instinct for marketing. He owned a couple of movie theatres which were widely known for special offers. People still talk about the day he announced that the ten kids with the dirtiest faces would be admitted free.

In the 1920's, the Iacocca family did very well. Then came the Depression. The Iacocca's survived, but that was about all. His father got quite a shock when he saw all the money he had made lost almost overnight. He did, however, have a lot of irons in the fire which enabled him to weather the worst of the Depression. He had always kept to a very strict policy of paying for things as he went along, refusing to allow any of the family to charge anything or even possess a credit card. He insisted on his children paying back any money they

borrowed from anyone else.

Some of his father's favourite sayings included;

- "You've got to accept a little sorrow in life. You'll never really know what happiness is unless you have something to compare it to."*
- "If you borrow anything, be sure to write it down so you won't forget to pay it back."*
- "It looks bad right now, but remember, this too shall pass."*
- "Why walk when you can run?"*
- "If he's bigger than you are, don't fight back. Use your head instead of your fists."*

Lee Iacocca's father died of leukemia in 1973.

2. School Days

Lee was 11 years old before he realized he was Italian. He remembered actually looking on a map of Europe for places named Dago and Wop. Being exposed to bigotry as a kid left its mark, and even today still leaves a bad taste in Lee's mouth. Prejudice was not limited just to school, but invaded every area of Lee's life.

The most important thing he learned in school was how to communicate. He learnt how to write clearly, speak in public and how to increase his vocabulary. Joining the debating team was a great move, as it taught how to express ideas well and how to think on your feet.

While recovering from a bout of rheumatic fever, Lee started reading books. This soon became a passion for reading everything he could get his hands on. This had a good effect on school grades and he graduated near the top of all his high school classes. Extracurricular activities included big band music, drama club, debating teams, Latin club, baseball, politics and plying the tenor sax.

Lee was in the middle of his senior high school year when Japan attacked Pearl Harbour. He couldn't wait to join up but he was classified as medically deferred due to his bout of Rheumatic fever. Most of his classmates were called up, however, and many of them died. Lee felt disgraced and a second-class citizen. He buried his head in his books.

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Lee decided to go into engineering and after being turned down by Purdue University, he went to Lehigh University in Bethlehem, Pennsylvania (about half an hour's drive from his family home Allentown).

While at College, Lee established a time schedule that has stuck with him ever since. He works hard Monday to Friday afternoon, takes the weekend off for his family and then outlines his goals for the coming week every Sunday night. He works on the principle that you have to decide on your priorities and give it all you've got.

The war was a blessing in disguise for Lee. Classes that normally had fifty students often had only five students while everyone was away fighting. This meant he received a very high quality education. Lee changed his major from Mechanical to industrial engineering and eventually to business courses such as labour problems, statistics and accounting. He graduated with high honours. He also took courses in psychology and abnormal psychology.

Even before graduating, Lee decided he wanted to work for Ford. This was simply because he drove a 1938 Ford. He used to joke with his friends while driving his car, "These guys need me. Anybody who can build a car this bad can use some help." In those days, owning a car was an excellent way to learn about them, as the war made all spare parts very scarce. There was also a shortage of gas. Lee went to see the Ford recruiter, went through the interviews and was eventually selected to begin working for Ford.

The Ford Story

3. Getting My Feet Wet

In August 1946, Lee Iacocca began working at Ford as a student engineer. The program was known as a loop operation which involved working for a few days or weeks in every department in the company. The goal was to become familiar with every stage of manufacturing a car. He was assigned to the River Rouge plant, the largest manufacturing complex in the world.

This was an excellent opportunity to see the practical application of everything previously read about in his books. He had the chance to work hands-on in every step of the manufacturing process from mining the raw materials to the steel foundry to the final assembly line. During a four week stint on the assembly line, his parents came to visit him. His mother, observing him in overalls, said, "*Seventeen years you went to school. See what happens to dummies who didn't finish first in their class?*"

Lee was eager to be where the real action was - marketing or sales. He realized he liked working with people more than machines, even though his formal education had been in engineering. His supervisors were not amused, but decided he could move into sales in the company if he found a job in a sales department on his own. He promptly went to New York and talked a District Manager into hiring him for a low-level desk job in fleet sales.

The first forays into sales were awkward affairs. It actually took Lee about two or three years before he found his feet. However, he did have one factor in his favour. It was now the end of the Second World War, and people were clamoring for new cars again after years of war time shortages.

By 1949, Lee was zone manager in Wilkes-Barre, Pennsylvania. His job was to work closely with 18 dealers. He soon realised that it is the dealers who are the guts of the entire car business. While they have a relationship with the car company, they are really entrepreneurs at the heart of the Capitalist system itself. And they are the ones actually selling and servicing the cars the factory turns out.

Most auto company executives have failed to grasp this concept. However, to Lee, the dealers are the only customers the company has. So it is only common sense to listen very carefully to what they have to say, even if you don't always like what you hear.

A mentor of Lee's at this time was Charlie Becham. Some of his sayings included;

- "Make money. Screw everything else. This is a profit-making system. The rest is frills."
- "The only thing you've got going for you as a human being is

your ability to reason and your common sense. That's the only real advantage you've got."

- "Everybody makes mistakes. The trouble is that most people won't own up to them. When a guy screws up, he will never admit it is his mistake. So if you screw up, don't give me any excuses - go look at yourself in the mirror."

Ford was in the throes of reorganization which meant there was plenty of room for advancement.

4. The Bean Counters

When sales of the 1956 Fords were slow, Lee came up with a novel new plan - to offer the cars for 20% down followed by three years of monthly payments of \$56 per month. Within three months, the Philadelphia sales district moved from last place in the country to first. The concept was picked up by national headquarters, and Lee was promoted to District Manager, Washington D.C.

Lee Iacocca was married on 29th September 1956 to Mary McCleary, a receptionist in a Ford assembly plant. Just before leaving on his honeymoon, he was told that he was being promoted to head of car & truck sales for the Ford Division, which would involve moving to Detroit. Within a year, Lee became head of car marketing. It was March 1960. His boss was Robert McNamara.

McNamara had begun working for Ford when the War ended in 1945. A group of ten officers from the Air Force Office of Statistical Control wanted to continue working as a team. They met with Henry Ford and told him they could improve cost efficiency at Ford as they had in the Air Force. They were offering him a package deal, requiring hiring all ten of them or none at all. Wisely, Henry Ford agreed and from within their ranks McNamara and Arjay Miller would eventually become Presidents of Ford.

McNamara and numerous other financial analysts brought to Ford much needed financial controls. They instituted controls so each section in the company could be accountable for its own profit and loss. By their very nature, the financial men (or bean counters) tended to be defensive, conservative and pessimistic. On the other side of the fence are the guys in sales and marketing - aggressive, speculative and optimistic. Any company needs both as the natural tension between the two groups creates its own system of checks and balances. If the bean counters are too weak, the company will spend itself into oblivion. But if they're too strong, the company won't meet the market or stay competitive.

When McNamara was made President of Ford on 10th November 1960, Lee was promoted the same day to fill his old position of Vice-President and General Manager of the Ford division.

5. The Key To Management

At the age of thirty-six, Lee Iacocca was the general manager of the biggest division in the world's second largest company. At the same time, he was virtually unknown within the company.

One of his first moves as General Manager of the Ford Division was to introduce a quarterly review system in which all executives had the opportunity to sit down and write out their goals and targets for the next three months. At the end of three months, an evaluation session reviewing the progress over the last three months and setting goals for the next three months was then held. The discipline of writing the ideas down on paper forced them to get down to specifics and do away with all kinds of vagueness and fuzziness.

This turned out to be an excellent way to control the operation of the company. It also increased the dialogue between the managers and other employees, as well as making sure no one gets lost in the system.

Lee Iacocca's thoughts on his management style; *If I had to sum up the qualities that make a good manager, I'd say that it comes down to decisiveness. You can use the fanciest computers in the world and you can gather all the charts and numbers, but in the end you have to bring all your information together, set up a timetable and act.*

My Management style has always been conservative. Whenever I've taken risks, it's been after satisfying myself that the research and the market studies supported my instincts. I may act on my intuition - but

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