

The Eternal Debate – Traditional Management vs. Professional Management

Prof. (Ms.) Neha Jagtiani,

Senior Lecturer, Department of Commerce R.D. National College, Mumbai

Abstract: *This paper is an attempt to explore the eternal debate which has existed since time immemorial, over supremacy above traditional style of management over the professional. It elucidates the case study of general Motors versus Lee Iaccoca.*

Section 1 introduces the concept and the thought behind the selection of the topic.

Section 2 makes a case in point by discussing in detail the case study of Lee Iacocca versus General Motors.

Section 3 concludes the research paper.

I. CASE:

From time immemorial, there has been a debate as to whether a person, man or woman is rich by birth or by his / her deeds. Our ancient scriptures discussed and analyzed this tussle. If you read our great Indian epic 'Mahabharata', it provides a classic example. Guru Dronacharya wanted Arjun to be the best archer in the world. He trained and encouraged him to achieve this goal. Karna was also, an exceptionally talented archer with the potential of being arguably the best archer in the world. But in the eyes of the world, he was a shudra – putra, a low caste person. Actually, he was the first born son of Kunti, a kshatriya prince. But Kunti, could never admit to Karna being her son since he was born before her marriage. He died without getting his due because publicly his mother could never acknowledge him and lower caste persons were not given the status of Kshatriya princes. Our scriptures have always debated whether a person is rich by birth or by his / her deeds or 'Karma'. One cannot choose which family we are born to rich / poor, higher caste / lower caste, Hindu / Muslim / Christian / Parsi / Jew. What is in our hands is what we make of ourselves. The mindset of people does not change. Our society expects the politician's son / daughter to be a politician, corporate's son / daughter to take over from their father, same for an actor's.....so on. A person born in an accomplished family automatically inherits status, power, and position. He / she is born with a golden spoon. It takes an individual many years, almost a lifetime to prove that his worth. He / she has to struggle very hard to prove that it is merit, talent, capability and hard work that gives an individual his place at the top of the rung of the ladder. It takes an individual extreme grit and determination to change the mindset of people that it is talent, merit and hard work which takes a person to earn his place not just being born into the field or merely inheriting it.

II. DISCUSSION:

To illustrate this struggle, let us examine the case study of Lee Iacocca vs. General Motors. The famous management wizard Lee Iacocca had a very humble beginning. He was the youngest child amongst eight siblings. He was born to very poor Jewish parents who could not afford to educate him. He had formal education only till he was 13, after which he had to drop out. He made his living by doing odd jobs. By the time he was 18, he was working with as an assistant with a petrol pump. An executive at General Motors, America's largest automobile company, got friendly with him and offered him a job as a junior car salesman. His knowledge of cars was so accurate that within three months of his joining he was able to record the maximum sales in his division. Within six months, he was made the head of the sales division. He had so many new ideas and innovative methods to sell, that within a span of two years, the sales division that he was head of recorded the highest sales in the entire country. Slowly and steadily, he was progressing at General Motors. From sales head, he was made divisional head, progressed to area head and went on to become country head. Henry Ford, the third recognized his talent and made him the CEO of General Motors. He took General Motors to great heights and made it America's largest selling automobile. His marketing schemes of pay by installment and cars for the middle class made Ford cars the highest selling cars at all categories. At that time, he was considered the highest paid executive in America. He lived the high – end lifestyle, jet setting across the globe with private yachts, private jets and a huge mansion. 'Time' magazine reported him as one of the most influential person in the automobile industry. Henry Ford, the third was due to retire and made his son Henry Ford, the fourth, his successor. Here was this young lad, who inherited the position as Chairman of America's largest automobile company and thought no end of himself.

Lee Iacocca could not get along with him from day one. They fought on every issue, so much so that they started avoiding each other. Lee Iacocca had joined General Motors at the junior most level and knew Ford motors like the back of his hand. At one issue they locked horns.

There was an old plant at Ohio which did not fetch returns .Henry Ford, the fourth wanted to spend all the profits and revenue that they generated from their foreign markets into a sick unit which had no market. Lee Iacocca could not allow that to happen as it took them a lot of hard work to generate that kind of profits and revenue to be pumped into a sick unit. He knew General Motors like the back of his hand as he had worked at the grassroots level. When two big stalwarts clash, it becomes a clash of their egos and issue becomes unimportant. They could not resolve it. Lee Iacocca said I am the CEO of the company and I will not allow it to pass. Henry Ford, the fourth said I am the Chairman of this company, the company belongs to me and I will see to it that this project goes through. The matter went to the Board of Directors. Everyone knew what Lee Iacocca was talking made sense. At the same time, they also knew that the company belonged to Henry Ford, the fourth and the company would have to go by his decision. The Board of Directors was divided on this issue and could not arrive at any solution. The matter reached the shareholders. There, too, the same thing happened. Everyone knew that Lee Iacocca was right but the company would have to go by the Chairman's decision. They too, were divided. The conflict could not be resolved. Finally, Henry Ford, the third had to be called out of retirement. Internally, he too, knew that what Lee Iacocca is talking makes sense. He was the one who had made Lee Iacocca the CEO of the company, recognizing his exceptional talent and capability. But, when it came to the crux, he had no guts to go against his own son. 'Blood is thicker than water'. His decision was that the company belongs to Henry Ford, the fourth and the company will go by his decision.

There, itself, in the meeting, Lee Iacocca threw the resignation on his face. He said, "You, too, know what I am saying makes sense. I will prove to you that it is not the company which makes the individual but the other way around. Put me in America's worst company and I will turn it around and make it America's top company." As soon as he resigned, America's topmost companies were after him with the best of offers. Being the most respected man, he was a much sought after man. He shunned all of them and joined Chrysler. Since the past eighteen months, not a single Chrysler car had been sold in the market. They were facing losses to the tune of 18 million and debts totaling to about 12 million. It was a matter of time that the company was to be declared a bankrupt company and a sick unit by the government. The day he joined, he called for a meeting. For the first time in American corporate history, he called the workers for a board meeting. America was facing a recession at that time. The top brass would typically ask the workers for a wage cut while themselves maintaining their lifestyle and plush offices. He told them "I never expect from anyone else what I don't expect from myself. For being the CEO of the company, I will take home a salary of one dollar. In return, I am only asking for a 33 % wage cut. I will work in this company for 14 hours a day. I return, I expect you to put in 12 hours a day "

He said he would work for 14 hours but he actually worked for 18 hours. Many days, he slept in office. All this happened with the co-operation of his family, to whom he is eternally grateful. His family consists of wife and two daughters. Overnight, from leading a high end lifestyle of living in mansions and travelling all over the world, they had to shift to a middle class locality, take trains and his wife and daughters had to take up jobs to make ends meet. He says it was his challenge, not imposed on them. But they accepted, co-operated and adjusted without a complaint. He toiled day and night. Within, three months, Chrysler launched its new car. It was a sleek design, something the American market had never seen before. Easy to drive, easy to park, fuel efficient and a feast to the eyes. With his marketing wizardry, he offered irresistible offers to the public. Within 6 months, they managed to sell more than 10000 cars. Within eighteen months, they wrote off 10 million dollars of losses. Within three years, they wrote off 18 million losses and showed the first dollar of profit. The day they showed the first dollar of profit, Lee Iacocca went home and slept. He felt he had a point to prove which he proved. Chrysler went on to become America's No.2 automobile Company, second only to General Motors. General Motors was a 100 year old established company whereas Chrysler had been facing bankruptcy and closure till about three years ago. After that Lee Iacocca was flooded with offers to become chairman of leading companies, become a consultant to the government, even a nomination to run for the president of United States. But he feels society has given him a lot and it's time to return. He has no materialistic goals. He is working on the world's first electric car, which would solve the increasing depletion of fuel resources in the world and solve the problem of increasing environmental pollution. He prays for health from God that he should fulfill his dream and contribute to making the world a better place to live in.

Similar cases have taken place all over the world and continue to take place. It will take a change in mindset for an individual to prove that it is an individual's capability and merit and not merely by birth that one can achieve status, position, respect and recognition in society.

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