

Automotive News

Ford and Mazda: A lesson in cooperation

Relationship has had ups and downs, but both sides have benefited

James B. Treece

Automotive News | June 16, 2003 - 12:01 am EST

It was headline news, but hardly an auspicious welcome.

On April 12, 1996, Mazda Motor Corp. President Yoshihiro Wada and Executive Vice President Henry Wallace sat before a throng of reporters in a Tokyo hotel ballroom. Ford Motor Co. was raising its stake in Mazda from 25 percent to 33.4 percent - enough to give it, under Japanese law, a veto over any board decision.

Wallace, who had been reassigned from Ford two years earlier, would be the first foreigner to be the president of a Japanese carmaker.

Wada hailed the closer ties between the two companies, reviewed the performance of the financially troubled Mazda, stressing the company's recently positive cash flow and then invited questions.

He did not introduce Wallace or even acknowledge his presence.

Wallace ignored the slight. Eventually, responding to a Japanese reporter's question, Wallace laid out his plans for rebuilding Mazda as an independent carmaker with a product program closely aligned with Ford's.

In a history that stretches over nearly one-third of Ford's 100 years, the Mazda-Ford relationship has survived numerous slights, cultural gaffes and suspicions of the other's motives. Yet the two sometimes-fractious partners have charted a course of steady progress toward greater cooperation.

Mazda has provided Ford with invaluable assistance in small-car engineering. At the same time, it has helped Ford learn how to work with an independent-minded affiliate.

Using the lessons

Today, Ford senior managers who honed their restructuring skills at Mazda are being asked to use that expertise as Ford seeks to find its way back into the black.

Mazda began in 1920 as Toyo Cork Kogyo Co. Ltd., a maker of cork. After branching into rock drills and machine tools, it began making small trucks in 1931. Ford initiated ties in 1971 by contracting to buy Mazda-built trucks for sale in Asia.

Henry Ford II approached the Hiroshima carmaker that year about buying a stake but was turned down.

The oil crisis of 1973 exposed Mazda's defining technology, the rotary engine, as a gas guzzler, and the company plunged into the red. Mazda's main creditor bank, Sumitomo Bank Ltd., replaced the founding, and foundering, family management with its own managers and sought a tie-up with Ford.

Ford didn't bite. But in 1979, just months after the fall of the Shah of Iran, Ford saw the wisdom of owning part of a company with a lineup of proven small cars. It bought a 25 percent stake in Mazda, paying in part by swapping a large plot of land in Yokohama that Ford had purchased in the 1920s in hopes of building a large assembly plant. Protectionist Japanese laws that essentially pushed Ford and General Motors, which had its own plant near Osaka, out of Japan, dashed those plans.

Despite numerous hurdles, Ford and Mazda moved closer, particularly in North America and Asia. They both invested in Korea's Kia Motors Ltd. When Ford wanted to import the Kia Festiva for sale in the United States, Mazda sent engineers to Kia to help with the launch.

By the early 1990s, rebadged Mazdas accounted for most of Ford's sales in Japan, making the U.S. automaker the best-selling foreign

nameplate there.

Impressed by Mazda's manufacturing expertise, Ford blatantly copied Mazda's Hofu No. 1 factory when it built a plant in Hermosillo, Mexico, in 1985. It videotaped Mazda workers as they built cars and used those videotapes to train Mexican workers. Hermosillo soon became Ford's top-ranked plant for quality.

In 1987, when Ford agreed to give Mazda the Navajo, a two-door version of its upcoming Explorer SUV, for sale in the U.S. market starting in 1990, Mazda engineers flew to Michigan.

They swarmed over the vehicle, plastering it with 400 triangular, color-coded stickers citing specific complaints and recommendations. For example, they criticized the Explorer's sluggish steering, a complaint that Ford engineers had registered earlier, to no avail. This time, it sank in with higher-ups at Ford, and both the Explorer and Navajo got tighter steering.

Mazda influence

Ford also enlisted Mazda's help when it developed a new Escort compact car for the United States in 1989. The cooperation spread to other vehicles. By 1991, one of every four Ford cars sold in the United States benefited from some degree of Mazda involvement. The list includes the Ford Escort, Festiva, Probe and Explorer, and the Mercury Capri and Tracer.

In contrast, Mazda and Ford of Europe rarely cooperated. Making cars roughly similar in size, each saw the other as too much of a rival - and was too proud to find ways to learn from the other. Ford of Europe's Escort never drew on Mazda's small-car expertise.

Mazda's pride took other forms. Falling prey to the hubris of Japan's so-called Bubble Economy in the late 1980s, Mazda expanded its Japan sales network to five channels, as many as at far-larger Toyota Motor Corp. It launched plans for a luxury channel in North America, Amati, to challenge Acura, Lexus and Infiniti. It lavished money on a state-of-the-art Hofu No. 2 factory to build Amatis.

Then the bubble burst. Japan's economy entered a funk in 1990 from which it has yet to recover. Mazda canceled plans for Amati. Mazda's Japan sales peaked at about 600,000 in 1991, then tumbled to fewer than 395,000 in 1994. That year, Mazda was losing more than 100 million yen, or about \$830,000, daily. Hofu No. 2 was running at less than 40 percent of capacity.

Ford steps up

Ford, which had bought half of Mazda's underutilized plant in Flat Rock, Mich., in 1992, increased its involvement. In February 1994, it sent a team of about a dozen managers, led by Wallace, to Hiroshima to offer management assistance.

Sumitomo Bank realized it was in over its head. It had continued to send managers to Mazda throughout the 1980s. Wada, for example, was a Sumitomo Bank official before he became executive vice president for finance at Mazda and approved the Amati and Hofu No. 2 plans.

But the burst bubble put even mighty financial institutions such as Sumitomo Bank at risk. Some of Japan's largest banks and securities companies were going bust. So Sumitomo Bank again asked Ford to become more active.

When Ford agreed and achieved a controlling stake in Mazda, Japan's press went ballistic. Ford's Western management would lay off thousands and ruin Mazda's engineering culture, the media warned.

There was no bloodbath, but Wallace and his team did introduce some Western management practices. They tightened Mazda's financial controls, insisting on monthly cash-flow numbers instead of the half-yearly ones prepared previously. They also improved Mazda's marketing.

For example, when they learned that some customers were buying Miatas from an Anfini channel dealer without knowing that the car was built by Mazda, they inserted the name "Mazda" into all sales channel names across Japan. They sold assets, trimmed Mazda's bloated lineup of low-volume models and consolidated the five sales channels into two.

Slowly, the restructuring worked. In 1999, Mazda posted its first consolidated profit in six years, aided by a favorable dollar-yen rate. It slipped back into the red the next year, then moved into the black again. Mazda remains profitable.

Paving the way

The Ford-Mazda ties continue to grow. In addition to the Flat Rock plant, which will build the next-generation Mustang, the two jointly own a factory in Thailand. The Mazda Tribute small SUV is built alongside its sibling Ford Escape at a Ford plant in Kansas City, Mo. Mazda cars are being built at a Ford of Europe plant in Spain. Mazda took the lead role in developing a new inline four-cylinder engine for use by both carmakers worldwide.

Not that relations are all rosy. Mazda's Japanese managers grouse about how Ford uses Mazda as a way station for rising executives who

may not have Mazda's long-term interests at heart. They back their complaint by pointing to the revolving door at the president's office, which has had four foreigner occupants in six years.

Ford managers, in turn, find Mazda's executives unwilling to embrace radical change.

Keeping their identities

By and large, though, the two companies still cooperate - with the understanding that each needs to guard its uniqueness. They may share some engines, and perhaps small- and medium-sized car architectures. But Ford will not allow Mazda to rebadge a Mustang any more than Mazda will allow Ford to rebadge a Miata.

With Ford now foundering, the relationship is taking a new step. Ford is recalling managers from Mazda to lead its own planned turnaround.

Former President Mark Fields was tapped to lead the Premier Automotive Group, which includes Jaguar, Volvo, Land Rover and Aston Martin. He brought his former CFO at Mazda, Robert Shanks, to take the same post at PAG. Ford of Europe President Martin Leach is a former head of product planning at Mazda. Mazda's former top purchasing executive, Paul Stokes, heads purchasing at Ford of Europe. And most recently, former Mazda product czar Phil Martens was named in March to head new-product development for Ford North America.

These days, it's obvious, nobody at Ford is reluctant to introduce a new senior executive as having come from Mazda.

PRINTED FROM: <http://www.autonews.com/apps/pbcs.dll/artikkel?Dato=20030616&Kategori=SUB&Lopenr=306160777&Ref=AR&template=printart>

Entire contents ©2008 [Crain Communications, Inc.](#)
