

Deere and Company

William Hewitt served as chief executive officer of Deere and Company between 1955 and 1982. It was during his years of leadership that the company took the farm equipment industry lead away from International Harvester. That accomplishment was the overriding corporate goal set by Hewitt at the time he was elected company president and CEO.

Background

Hewitt was born and raised in California. He attended the University of California at Berkeley where he majored in economics. Among the classmates with whom he associated socially were Robert McNamara (later a top Ford Motor Company executive and U.S. Secretary of Defense), Robert Haas, Jr. (later chairman of Levi Strauss), William Goodwin (later chief urologist at U.C.L.A.) and Stanley Johnson (later a prominent trial lawyer in San Francisco).

After graduation Hewitt, McNamara and Haas enrolled in the Harvard Business School. Hewitt ran out of money at the end of one year and had to return to California. There he worked took a job in accounting with the Standard Oil Company of California. He left that job to work as an advertising copywriter for a men's clothing chain.

Following the Japanese attack on Pearl Harbor Hewitt joined the United States Navy. He served on the battleship California and rose to the rank of Lieutenant Commander. His cabin mate was Gabriel Hauge, later chairman of Manufacturers Hanover Bank.

After the war Hewitt became a territory manager for a Ford-Ferguson farm equipment distributor. While representing Ford he met and began to court Patricia Wiman, daughter of the president of Deere and Company. The courtship ended in marriage and a job offer from Deere and Company. Hewitt accepted the job offer and became a territory manager for the San Francisco branch of Deere. Within a relatively short time he was promoted to branch manager in San Francisco.

Although his marriage to a member of the Deere family clearly helped Hewitt's advancement, he also exhibited outstanding management skills. A Fortune magazine editor who interviewed branch personnel concluded with the following assessment of Hewitt, " He conducted himself with grace ... a good listener ... did not throw his weight around ... disarmingly cordial and acutely sensitive to others ... a good leader " (Broehl, p. 606).

In 1950 Hewitt was elected a member of the board of directors of Deere and Company. Four years later his father-in-law, Charles Wiman, became terminally ill. In 1954 Hewitt was named to the newly created post of executive vice president. On May 12, 1955 Wiman died. Hewitt was elected president of Deere and Company two weeks later.

COMPANY BACKGROUND

The company had a long history of strong leadership. The history began in 1837 when John Deere opened his blacksmith shop in Grand Detour, Illinois. There he invented the steel plow that became an American legend. The plow became the basis of a profitable manufacturing business that was eventually moved to Moline, Illinois on the banks of the Mississippi River.

Founder John Deere gave the company a strong emphasis on product quality. But he lacked formal training in business management skills. His solution to that problem was to have his son, Charles, schooled in business methods and then brought into the company as a top manager. Charles Deere joined the company in 1853 and assumed the responsibilities, though not the title, of chief executive officer in 1857. John Deere retained the title of president until his death in 1886.

For the next 49 years Charles Deere led the company. Among his accomplishments were the establishment of an effective marketing organization, maintenance of the commitment to quality established by his father,

and an increased emphasis on new product development.

Charles Deere died in 1906 and was succeeded as company president by his son-in-law, William Butterworth. Trained as a lawyer, Butterworth ushered in an era of conservative management with an emphasis on group decision-making by the board of directors. His team orientation included a deep concern for the welfare, loyalty and trust of employees. He recognized and perpetuated the Deere tradition of total commitment to quality. By the mid-1920s he was actively Charles Wiman, Charles Deere's nephew, for the company presidency. In 1928 Butterworth was elected president of the U.S. Chamber of Commerce and Wiman assumed the presidency of Deere and Company.

Wiman held a college degree in engineering from Yale University and his distinctive contribution to Deere was to make engineering a company strength. Under his prodding the company became a leading manufacturer of farm tractors (second only to International Harvester). Particularly impressive was Wiman's insistence on maintaining research and development programs in the midst of The Great Depression.

CHANGES WROUGHT BY HEWITT

The company inherited by William Hewitt was profitable, had a strong balance sheet and was in the process of making a major change in its tractors to accommodate changes in customer preferences. But Deere and Company ranked second in its industry in terms of sales and innovations. And, unlike its major competitors, Deere did not operate in foreign countries.

Deere's board of directors seemed satisfied with this second place standing. As author and historian Wayne Broehl put it, " Had one queried Deere's then-top management, they most likely would have said, ' We're a good No.2 to International Harvester – Let IH innovate!' " (Broehl, p. 615).

Hewitt could not accept the board's complacency. In a planning document written shortly after he became president, " He ...wrote out a set of broad objectives, maintaining that the company should, ' lead the industry' in six key indices – sales, profit ratios, quality, new designs, safety of operations and excellence in employee, dealer, stockholder, and public relations" (Broehl, p. 615).

Over the next three decades those objectives would be accomplished under Hewitt's determined leadership.

HEWITT'S FIRST DECADE

One of the major changes at Deere and Company during Hewitt's first decade was the change from two cylinder tractors to three, four and six cylinder tractors. That change had been initiated by Wiman but it was not until 1960 that the company was able to introduce the first of the "New Generation" of tractors. Hewitt strongly supported Wiman's initiative because customer demand was clearly shifting toward tractors with greater horsepower.

Hewitt used the 1960 introduction of the new line of Deere tractors to publicize his new vision for the company. Instead of introducing the new models to a dealer gathering in Waterloo or Dubuque as had traditionally been the case, Hewitt had dealers flown to Dallas, Texas where the company put on a lavish public unveiling. The spectacular program included a showing of a diamond studded new tractor, fireworks, a concert by the famous Al Hirt band and a Texas barbecue. Amidst all the hoopla plenty of hard selling took place. But the significance of the Dallas introduction was its role in communicating to dealers the company's new industry leadership goal.

The most dazzling result of Hewitt's image building campaign was the creation of a new administrative center in Moline, Illinois. In Broehl's view, " For Hewitt's period of leadership at Deere and Company, the initiation and completion of the new office building – the Deere Administrative Center – epitomizes what he hoped to stand for " (Broehl, p.635).

Hewitt personally undertook the search for an architect and eventually chose the world famous architect's architect Eero Saarinen. For a short period of time the two men worked together quietly, formulating the plan that would be presented to Deere's board of directors. The plan that was finally presented was

expensive, perhaps extravagant. And there were objections both because of the cost involved and because of the fear that the project might create a negative image in the farm customer's mind. Hewitt responded by stressing his leadership theme, " ... asking the board to enlarge its concept of the company – to see itself as a major, nationally important entity, on its way to becoming the pre-eminent firm in the industry. In effect a statement was to be made by the company. One that Hewitt hoped would reverberate through the organization at all levels and out among the dealers, the customers and the general public " (Broehl, p.639). Hewitt firmly believed that in making that statement the new center would have a positive impact on the company's image among its farm customers. Equally important, he believed that the leadership would help the company attract and retain high quality employees.

The plans were approved by the board of directors in 1957. Seven years later the new Administrative Center was completed. It immediately received international acclaim and won dozens of architectural awards over the next few years. Perhaps more important was the fact that, according to historian Wayne Broehl, it contributed to winning the allegiance of the "old guard" in management ranks to Hewitt's vision of the company's goals and standards.

A third major development during Hewitt's first decade was an organizational shakeup. Hewitt initiated the shakeup by hiring Booze, Allen and Hamilton to analyze organizational structure and executive compensation. The company had addressed both issues periodically in the past but had always conducted the studies "in house." Most of the board still felt that the company was too idiosyncratic for outsiders to understand. They were not enthusiastic about bringing in an outside consultant. But the board nevertheless showed its support for Hewitt by granting his request for the study.

The report was presented in 1956 and resulted in major changes in structure, compensation and personnel. Structure was altered to give the home office more authority to coordinate the work of the branches and factories; executive compensation was brought in line with the rest of the industry; and key older executives were eased into newly created advisory positions to make way for a new generation of Deere managers. The result, in historian Broehl's words was that, " Hewitt had put his mark on the management structure decisively and with sensitivity and aplomb...There was little doubt...about 'who was in charge' " (Broehl, p. 626).

A fourth major development during Hewitt's first decade was a serious commitment to international operations. The company had considered establishing manufacturing facilities abroad prior to Hewitt's arrival. But the board of directors had not been willing to make an irrevocable commitment. Hewitt saw Deere's lack of foreign operations as a major handicap in his quest for industry leadership. Determined to eliminate that handicap, he sent his senior decision-makers abroad to study possible opportunities for Deere. They came back enthused about the possibilities and that enthusiasm enabled Hewitt to get the board's endorsement of a serious and long term commitment to establishing manufacturing facilities abroad.

The first move was made in 1956 when Deere acquired a German farm equipment firm. That same year the board authorized the construction of an assembly plant in Monterrey, Mexico. Two years later Deere joined with three small French firms in a manufacturing project which began to produce diesel engines in 1965. Manufacturing operations were also established in Argentina, South Africa and Spain during this period.

The foreign operations were not profitable for many years. Deere encountered problems learning what foreign customers wanted and learning how to deal with foreign government regulations. But the company was patient and profits finally began to appear in the 1970s.

One other initiative during Hewitt's first decade was the formation of an industrial equipment division in 1956. By 1979 this initiative was generating close to one billion dollars in sales.

William Hewitt achieved most of his objectives during his first decade as chief executive officer. By 1965 Deere and Company had become the market share and profit leader in its industry. It had modernized its management structure. It had created a new public image of a successful corporation dedicated to quality, style and outstanding financial performance. And it had made a serious, if not yet profitable, commitment to manufacturing abroad.

HEWITT'S LAST TWO DECADES

Hewitt's remaining two decades were devoted to maintaining Deere's competitive edge. A state-of-the-art new manufacturing plant was conceived and constructed. It was capable of generating a profit even while operating at forty percent of capacity. A consumer products organization was established in 1963 and became the company's fastest growing business segment. And during the severe farm depression of 1980-84 Deere avoided incurring a loss while boosting capacity and efficiency.

Management expert James O'Toole was so impressed that he included the Deere and Company of Hewitt's tenure on his list of truly outstanding corporations. O'Toole listed the key elements of Deere's success under Hewitt as follows (O'Toole, pp. 271):

- “ 1. A strong dealer organization
2. Low-Cost Manufacturing
3. Excellence in Engineering and Development
4. A Future Orientation
5. A Commitment to Quality
6. Viewing the (Labor) Union as a Stakeholder
7. High Moral Purpose and Ethical Principles
8. Strong Financial Controls
9. A Three-pronged Strategic Plan
- Diversification into Construction Products
- International Expansion
- Focus on the Top 20 Percent of Farmers”

O'Toole described Hewitt's role as inspiring an already excellent group of Deere managers to raise their standards even higher. As O'Toole put it (O'Toole, p. 337):

“ He renewed the company's historical commitment to excellence quoting John Deere (‘ I won't put my name on a plow that doesn't have in it the best that is in me'). Hewitt knew he couldn't order the company to rekindle the fire of excellence that burned in the breast of founder Deere, but Hewitt believed he could lead them by his own examples of integrity, honesty, competence, responsibility, receptivity, supportiveness, vision and imagination. When they were tempted to play it safe, he showed them that they were really made of more entrepreneurial stuff. When they were tempted to be satisfied with second best, he showed them the greatness that was hidden in them”

REFERENCES

Broehl, Wayne G., Jr. John Deere's Company. New York: Doubleday and Company, 1984.

O'Toole, James. Vanguard Management. New York: Berkley Books, 1987.