



General Motors

GM Communications
Detroit, Mich., USA
media.gm.com

Management Briefing Seminars
Center for Automotive Research
Traverse City, Michigan,
August 2, 2004

World Class Product Development
“Cadillac’s Renaissance: The Journey From Good To Great”
Dave Leone, Cadillac Chief Engineer

Thank you. It's great to be here to talk about something so near and dear to my heart - world class product development.

This is my first time at this seminar ... and I have the honor of being the first of GM's invited guests to speak, including several vice presidents and our Chief Financial Officer, John Devine.

I'm confident that my message will be consistent with what you hear from our leaders, because we truly are running as one company these days.

The theme of GM's message is that great products build great companies ... and using Cadillac as the example, I'd like to talk about what we believe goes into developing those great, "gotta have" products that in turn provide the capital to invest in more great products.

First let me say upfront that we do not believe Cadillac has attained greatness yet. We've had some solid hits with products like the CTS and XLR, and most recently the performance utility SRX.

The brand is experiencing a definite renaissance in the marketplace.

We're enjoying the fact that people are now saying "Cadillac is Back".

But we also realize that there is still much work to accomplish before Cadillac can make any claims about returning to its historic position as "the standard of the world."

Make no mistake, however ... that is the ultimate goal.

We have the passion, the pride and the people to make it a reality.

Now ... I'm sure many of you - especially those who work closely with General Motors -- have read the book Good to Great, by Jim Collins. It's an in-depth study to understand how some companies make the leap from good to great and sustain a high level of performance for fifteen years or more.

There are a lot of interesting findings in that book that apply to our business, but what really resonates to those of us in product development is Collins' observation that a lot of very good companies never make it to great because they grow complacent.

Being "good" becomes "good enough."

"Good enough" was definitely part of our vocabulary in the past. But we can no longer afford that mindset. The competition is too good and our mission too important. For GM to lead, we need Cadillac, its flagship, to lead the luxury segment ... over BMW, Mercedes-Benz, Audi, Lexus ... over everyone.

We know that we're not going to get there with great advertising ... or great retail strategies ... or even great engineering and manufacturing processes alone.

All those things are important.

But for Cadillac to be truly great again ... indeed, for any manufacturer to be great ... you have to get the product right first. Do that ... and everything downstream falls into place.

Cadillac's legacy of greatness was built upon this philosophy of product first and foremost. We led the industry in luxury cars with dramatic, break through designs ... explosive power ... refined performance ... and innovative features and technology.

It was a great ride.

So when the imports first sought to expand their presence in the States, we weren't concerned, as evidenced by this quote from a former Cadillac general manager.

We believed that Cadillac would always be great. That complacency, and sheer arrogance, led to our downfall ... a downfall that again centered on product - products we either didn't have or that didn't deserve to be called a Cadillac.

While many consumers in the late 80s and 90s were moving to imports for a tighter, sportier luxury vehicle... Cadillac's portfolio was still dominated by vehicles affectionately known as "land yachts"... like this '93 Fleetwood Brougham measuring a "sleek" 19 feet long.

The narrow focus of our lineup soon cost us our title as sales leader, and this chart shows you why.

While we crushed the competition in large lux sedans, the segment was rapidly shrinking. As recently as 1994 it was still the largest of the luxury segments with a 42 percent share.

Today, total segment sales barely top 100,000 units, and entry lux is far and away the biggest segment.

So we've won and lost on product... and now we're starting to win again.

The renaissance we're enjoying today is solidly based on extremely competent, high quality products that have the "gotta have" magnetism we're all seeking.

While we still dominate the large luxury segment, we've diversified Cadillac's portfolio with seven all-new products in seven different luxury categories. We'll complete the portfolio next year with an all-new DTS to replace the DeVille.

Very importantly, these new products deliver on the unique promise of the Cadillac brand with dramatic styling, powerful performance, refined road manners, innovative features, and uncompromising quality.

The market has responded to our efforts.

Cadillac's sales in 2003 were the best since 1990, and we've significantly closed the gap with the leader.

I want to point out that Cadillac's renaissance is taking place during one of the most competitive periods in the history of our industry. I've been doing this for 25 years, and I can tell you that the pressure to do more with less resource has never been greater.

It's a leaner, meaner world and we have to do things more efficiently. Not that long ago, we would have 75 to 100 pre-prototype and prototype builds for a new program. Today, we only do half that, leaving little margin for error.

But Cadillac offers proof that it can be done - you can live within those constraints and still create something exciting, extraordinary, desirable, and high quality that you and your team can take pride in.

That's not to say we didn't put some money into this renaissance. It's common knowledge that GM invested quite a bit to put Cadillac on the proper path to success, including building a state-of-the-art greenfield plant in Lansing.

That plant, by the way, earned the Gold Award for best plant in North and South America on the latest J.D. Power Initial Quality Survey ... which proves, counter to what Carlos Ghosn told Nissan stockholders, that you can, indeed, expect a new plant to deliver results!

But it takes more than money to get the right product. It takes vision.

Our vision, as I said, is to once again establish Cadillac as the standard of the world.

To achieve the vision, everyone associated with Cadillac follows a simple, clear blueprint called the Cadillac Premium Growth Plan. Contained within that plan are key elements that guide product development such as the markets in which Cadillac will compete and win.

As I mentioned, we filled the pipeline with all-new products, five of which are aimed at segments of the market dominated by imports.

We didn't just replace products in dealers' showrooms. We gave them products they never had before!

Importantly, the Premium Growth Plan details the competitive position to which Cadillac aspires.

Years ago, it was enough for Cadillac to simply be better than Lincoln. Today, we're benchmarking BMW, Mercedes, Lexus, Audi, VW, Porsche, Infiniti, Land Rover, and others.

Our goal is to put Cadillac in the thin air of the top premium luxury brands in each and every category we're in. That in itself has significantly changed our development process and program targets.

For example, four short years ago, Cadillac offered only one rear-wheel-drive product - the Catera.

Today, we have just one front-wheel-drive product remaining, and that's the DeVille. We're blessed to work with two of the finest RWD architectures in the business - the performance car architecture for the XLR, and Sigma for the CTS, SRX, and new STS. Flexible architectures are key to meeting the time and cost constraints we're faced with. It allows us to create highly differentiated products with multiple drive trains, transmissions and engines off the same assembly line.

For example, the only parts shared by the new Corvette and XLR are totally invisible to the customer. Yet the investment in the performance car architecture is amortized over both products. That's the kind of flexibility that we need to survive in this competitive environment and we're replicating that throughout the corporation on a global scale.

Sigma was the first new RWD Cadillac platform since the '77 Fleetwood Brougham. Many agree with us that this move to RWD has given Cadillac world-class credentials in terms of vehicle dynamics. Our new products are being routinely compared with BMWs ... unthinkable three years ago ... and the reviews are extremely flattering.

We're not only benchmarking the leaders - we're testing our new products where they test.

We spent months refining the chassis and suspension at the Nurburgring in Germany and other demanding tracks around the world, and it has raised the bar for all of us.

The CTS, XLR, SRX and STS were meticulously fine-tuned to stay confidently in control at high speeds under all driving conditions. They performed spectacularly.

So when our customer puts these Cadillacs to the test under normal conditions, say a 60-70 mph drive down I-75, the car is rock solid. That conveys to the customer a feeling of control and stability that supports our premium luxury image.

Our experience at the Nurburgring led to another major development in Cadillac's renaissance.

To further improve Cadillac's performance credentials against the top global competitors, Cadillac has added a new line of high performance variants of its rear-wheel-drive products called the V-series. The first to debut was the 400-horsepower CTS-V. This car put Cadillac on the map in a segment populated by elite entries like the BMW M-series and AMG series from Mercedes.

It's been rumored in the buff books that we'll introduce a 400-horsepower STS-V at next year's auto show in Detroit. Automotive News even claimed to have a spy photo. I can't confirm it ... but everybody knows you don't have a "series" with just one product. Let's just say we're serious about challenging the performance leaders, and leave it at that.

In fact, to further enhance our performance pedigree, we've entered the SCCA racing circuit with three CTS-V race cars. Like most racing programs, we're using this to develop new components for the production versions of the CTS-V and the base CTS. At the end of the day, it will raise the bar for all present and future Sigma products, and that's why we're doing it.

Our vision to be standard of the world has impacted product development in other ways. Competing at this premiere level means that it's no longer acceptable to bring out a new product and wait several years for a mid-cycle enhancement. We have to continually keep the line fresh and competitive with new features and technology.

CTS is a great example. We had an 18-month launch with the 2003 model, and in only its second year added an all-new high output V6 engine that has significantly improved what was already considered to be very competent performance. We've had very strong reviews for that engine, which is also available on the SRX.

We're still not resting. We'll have a 6-speed manual transmission with the 255 horsepower V6 for 2005, and more plans for improvements beyond that.

Another element of Cadillac's growth plan is a major push to make Cadillac a credible player in global markets outside the U.S. By the end of the decade, China will be Cadillac's second largest market, second only to the U.S. Our business in Europe, Japan, and the Middle East will significantly increase as well.

This has obvious ramifications for product development as well. Where once we had one gas engine and one transmission for a product program, today, we have multiple engines, automatic and manual transmissions, and multiple drive trains.

We have special requests from regional markets like China that must be considered.

In the past, frankly, those requests were a low priority. Okay ... they were a nuisance! Today, we see those requests as an opportunity to sell more volume and grow the brand.

We have to be more sensitive to cultural issues that impact product specifications. In China, for example, we're going to equip our vehicles with smaller displacement engines because the government officials who will buy luxury cars don't want to appear overindulgent.

Cadillac's vision also makes clear what will distinguish its products from other makes. A big part of that has been establishing a consistent family identity - something the brand sorely lacked in the 80s and 90s.

Cadillac has a unique design direction that started with the art and science theme first expressed on the Evoq in 1999. Each new product has its own personality, but it is clearly part of the family and more expressive than anything in its competitive set.

Our leadership, and Bob Lutz in particular, have elevated design to a new level of importance in the product development process. In the past, when conflicts arose between what design wanted a car to look like and what engineering felt it could build, more often than not engineering had the final say.

Today, there's much more respect for role of styling in the business case. A truly great product starts with a design that with one look makes you want to trade in the car you're driving. You're not going to get there if you never take risks. The CTS was definitely "out there" ... but it turned heads, and that's what we needed to do.

The STS represents a more mature variation on that theme, but still stands out from its competitors. The next generation CTS, however, will again push the envelope with the most daring styling in the lineup.

It's our challenge in product development to see that the designers' intent is not compromised. The XLR, for example, went from concept to production with very little variation on the theme. There's a striking resemblance that we worked hard to execute, and you're seeing that more and more from GM.

In many cases, design even leads the process, especially in areas like interior where we know we need to leapfrog the competition. We're already getting very positive feedback for our efforts. The XLR, for example, won "Car Interior of the Year" at the Auto Interior Show this past May.

And the response to the interior of our new flagship sedan has been equally encouraging.

Being standard of the world also means that we need to stay on the cutting edge of technology. The new STS, for example, is a technology showcase with adaptive cruise control, keyless access, 4-color heads-up display, an 8-inch DVD/navigation display, Intellibeam headlights, and the "piece de resistance" - a 15-speaker Bose 5.1 surround sound audio system that rivals anything you could put in your living room. But we are careful to apply technology only where it makes sense. We see it as a tool to add convenience and pleasure to the driving experience, not complexity.

Magnetic Ride Control is a great example. Without any intervention from the driver, this fast-acting suspension system responds to road inputs and changes the damping to maintain maximum contact with the road under all driving conditions.

I could bore you with the details of how that happens with a complicated discussion about algorithms and physics. Only serious gear heads would stay awake. But if you drove a new STS with MR against a competitive vehicle you'd recognize instantly its benefits - a rock solid, stable ride under even the harshest road conditions.

The amount of electronics on today's vehicles makes our job as systems integrators vital and challenging. Our methods to shake out all the potential issues must be more rigorous than ever before so that the customer is not testing out new technology for us.

I think we've been very successful, as evidenced by our performance on this year's J.D. Power IQS where the XLR - the most technically sophisticated and contented product in GM - came in at just 74 problems per hundred, one of the best IQS scores GM has ever had.

So ... Cadillac has a vision for its return to standard of the world that we use as our guide in product development.

The key to making that vision a reality, of course, is having the commitment and mandate to properly execute it.

I've already mentioned the financial commitment GM made to the brand.

We're also better organized to execute the vision today.

One of the most significant changes was the move in 1995 from what I call "unempowered program managers" to fully empowered Vehicle Line Executives with the authority to execute the product and business case.

Since then, further consolidations have made us even more efficient. All of the product development staffs are now aligned under one organization led by Bob Lutz, and every week the entire team - engineering, purchasing, manufacturing, and finance - gets together to review the program.

In addition, we've selected a team of individuals to work exclusively on Cadillac products. Many of these folks have spent their careers with Cadillac and understand its history, objectives and standards. They help us do more with less without compromising the key characteristics that make a Cadillac a Cadillac in the eyes of current and future customers.

They also make sure all of our suppliers understand what defines a Cadillac. If we're going to be a premium brand, we need suppliers who can execute to the same demanding standards we set for ourselves.

We're also raising the bar for the bill of materials and looking to work with suppliers with expertise in high end, premium goods that will set Cadillacs apart.

So to sum things up ... the journey from good to great starts with the right product ... conceived from a well-defined vision ... and executed in an environment that sets high expectations and fully supports the process to meet them.

The payoff for getting the product right has been rich thus far.

As I mentioned earlier, demand for new Cadillacs is strong. Retail sales thru June were up 11 percent. Dealers are requesting five to six times the number of XLRs we plan to build.

The CTS is still hot in its third year on the market, and Escalade continues to dominate its segment. Our image and the level of respect for the brand are on the rise, thanks in part to all the third party awards we're winning.

Dealer enthusiasm is sky high and over half of major market dealers are building brand new facilities.

People are once again anxiously looking forward to "what's next" from Cadillac, and I can tell you that we will not disappoint them.

Other than being dad to my two daughters, being chief engineer of the XLR was the most rewarding experience of my life ... and now that I have responsibility for a significant portion of Cadillac's portfolio, it's my goal to repeat that success many times over.

I told you upfront that Cadillac has not completed the transition from good to great yet. But we can see it, smell it, and taste it. We're obsessed with completing this renaissance and making Cadillac the standard of the world again.

I'm convinced we'll get there, because as far as we've come ... this is just the beginning.

Thank you for your attention.