

Chrysler Management: An Anatomy of Success 1924-1940

Most observers inside and outside of the automobile industry believed that the Chrysler Corporation was the most successful of the Big Three in the 1930s and the most innovative and interesting. *Automobile Topics*, one of the premier auto industry trade journals, ran a special issue devoted to Chrysler in December 1933 and *American Machinist* did the same in May 1936. *Fortune* ran long articles on Chrysler in August 1935 and December 1940, both focusing on the automaker's remarkable performance in the difficult decade of the 1930s. All of these observers emphasized two major themes – the competence and dedication of Walter Chrysler's chief lieutenants and the critical contribution of Chrysler Engineering to the automaker's success.

In describing the Chrysler Corporation in a 1935 article, *Fortune* argued that there were only two significant personalities in the auto industry – Henry Ford and the Chrysler Corporation. What industry insiders said about the Chrysler Corporation was that “it was vigorous, it was tough, and it was no respecter of the established opposition. Those attributes it owed and still owes in general to seventeen men and in particular to four.” The 17 were the members of the Operation Committee. The four were Walter P. Chrysler; K. T. Keller, general manager in charge of Production; B. E. Hutchinson, vice-president and treasurer; and Fred M. Zeder, chief engineer. In describing Chrysler's leaders five years later, *Fortune* remarked that Keller, Hutchinson and Zeder “probably make a combination that under present conditions is hard to surpass.” The three were “a first-rate production man, first-rate financial man, and first-rate engineer.”

Some general observations should be made about the three men – Keller, Hutchinson and Zeder. Walter Chrysler’s lieutenants, sometimes referred to as “the princes,” served him and his company well during the first quarter century of the firm’s existence. Hutchinson was the first to join Walter Chrysler, as treasurer for the Maxwell Motor Corporation in 1921. Zeder arrived in May 1923, along with Owen Skelton and Carl Breer. Keller was the last to join the management team, hired by Chrysler in April 1926, after the Company was already successful. They remained at Chrysler until the early 1950s. If Walter P. Chrysler was the king, he chose gifted and hard-working men to serve as his “princes” and had the wisdom to grant them wide-ranging power and responsibility. The contrast with Henry Ford’s management style is striking.

Walter P. Chrysler took much of his own pay from the corporation in the form of profit-sharing and stock options and believed this was an appropriate incentive system for his executives as well. Chrysler’s employment contract with Maxwell, which ran for four years starting on June 1, 1923, included profit sharing and stock options. He signed a new contract with Chrysler Corporation covering his employment from June 1, 1927, through October 1, 1933. For the first six months, Chrysler would be paid a salary of \$96,400 a year and 5 percent of the net profits of the automaker. From January 1928 on, his salary increased to \$150,000 per year and he would receive 10 percent of the Chrysler’s net profits after taxes, interest, depreciation and dividends were paid.

In that contract and in later ones, the corporation agreed to pay the expenses of maintaining his office in New York City. His profit-sharing payments closely mirrored the corporation’s performance – \$907,211 in 1927, \$2,466,941 in 1928, \$1,550,000 in 1929 and no additional payments until 1933,

when he collected \$370,000. In his last employment contract, which ran from October 1, 1933, until his death, Chrysler agreed to an annual salary of \$200,000, but with no profit sharing.

Chrysler's top managers were well paid, in terms of salaries and "management bonuses," normally in the form of stock. In 1937, when Chairman Walter P. Chrysler drew a salary of \$200,700, President K. T. Keller earned \$100,500, Vice-President B. E. Hutchinson was paid \$90,600, and Fred M. Zeder drew a salary of \$80,616.

Chrysler Corporation, much like many other industrial firms, also paid substantial bonuses to its managers in the form of cash and stock. The firm paid out \$980,000 in bonuses to its salaried workers in 1928, with \$650,000 of the total paid in cash and stock to about 50 top executives.

Chrysler Corporation's survival and success in the 1930s and afterward was no accident. Walter Chrysler surrounded himself with competent, energetic, farseeing men beginning in his days with Maxwell, while emphasizing innovative engineering of automobiles and other Chrysler products. Walter Chrysler could not have predicted the events of the late 1930s, including labor strife and economic recession, much less the Second World War, but he left the company that bore his name prepared to deal with the turbulent years to come.