CHAPTER SIX

Harley-Davidson: Building an Enduring Mystique

This century-old firm has exhibited stark contrasts in its history. In its first sixty years it destroyed all of its US competitors and had a solid 70 percent of the motorcycle market. Then in the early 1960s, its staid and unexciting market was shaken up, rocked to its core, by the most unlikely invader. This intruder was a small Japanese firm that had risen out of the ashes of World War II and was now trying to encroach on US territory.

Almost inconceivably, in half a decade Harley-Davidson's market share was to fall to 5 percent, and the total market was to expand many times over what it had been for decades. This foreign invader had furnished a textbook example of the awesome effectiveness of a carefully crafted marketing effort. In the process, this confrontation between Honda and Harley-Davidson was a harbinger of the Japanese invasion of the auto industry.

Eventually, by the late 1980s, Harley made a comeback—but only after more than two decades of travail and mediocrity. As it surged forward in the last years of the old century, it had somehow built up a mystique, a cult following, for its big bikes. On January 7, 2002, *Forbes* declared Harley to be its "Company of the Year," a truly prestigious honor. But let us go back first to the dire days of the Japanese "invasion."

THE INVASION

Sales of motorcycles in the United States were around 50,000 per year during the 1950s, with Harley-Davidson, Britain's Norton and Triumph, and Germany's BMW accounting for most of the market. By the turn of the decade, Honda began to penetrate the US market. In 1960 fewer than 400,000 motorcycles were registered in the United States. While this was an increase of almost 200,000 from the end of World War II fifteen years before, it was far below the increase in other motor vehicles. But by 1964, only four years later, the number had risen to 960,000; two years later it was 1.4 million; by 1971 it was almost 4 million.

In expanding the demand for motorcycles, Honda instituted a distinctly different strategy. The major elements of this strategy were lightweight cycles and an advertising approach directed toward a new customer. Few firms have ever experienced such a shattering of market share as did Harley-Davidson in the 1960s. (Although its competitive position declined drastically, its total sales remained nearly constant, indicating that it was getting none of the new customers for motorcycles.)

Reaction of Harley-Davidson to the Honda Threat

Faced with an invasion of its static US market, how did Harley react to the intruder? It did not react! At least not until far too late. Harley-Davidson considered itself the leader in full-size motorcycles. While the company might shudder at the image tied in with its product's usage by the leather-jacket types, it took solace in the fact that almost every US police department used its machines. Perhaps this is what led Harley to stand aside and complacently watch Honda make deep inroads into the American motorcycle market. The management saw no threat in Honda's thrust into the market with lightweight machines. The attitude was exemplified in this statement by William H. Davidson, the president of the company and son of the founder:

> [W]e don't believe in the lightweight market. We believe that motorcycles are sport vehicles, not transportation vehicles. ... [A]round World War I, a number of companies came out with lightweight bikes. We came out with one ourselves. They never got anywhere. We've seen what happens to these small sizes.[1]

Eventually, Harley recognized that the Honda phenomenon was not an aberration, and that there was a new factor in the market. The company attempted to fight back by offering an Italian-made lightweight in the mid-1960s. But it was far too late; Honda was firmly entrenched. The Italian bikes were regarded in the industry as of lower quality than the Japanese. Honda, and toward the end of the 1960s other Japanese manufacturers, continued to dominate what had become a much larger market than ever dreamed.

Aftermath of the Honda Invasion: 1965–1981

In 1965, Harley-Davidson made its first public stock offering. Soon after, it faced a struggle for control. The contest was primarily between Bangor Punta, an Asian company, and AMF, an American company with strong interests in recreational equipment, including bowling. In a bidding war, Harley-Davidson's stockholders chose AMF over Bangor Punta, even though the bid was $1 less than Bangor's $23 a share offer. Stockholders were leery of Bangor's reputation of taking over a company, squeezing it dry, and then scrapping it for the remaining assets. AMF's plans for expansion of Harley-Davidson seemed more compatible.

[1] Tom Rowan, "Harley Sets New Drive to Boost Market Share," *Advertising Age*, January 29, 1970

But the marriage was troubled. Harley-Davidson's old equipment was not capable of the expansion envisioned by AMF. At the very time that Japanese manufacturers—Honda and others—were flooding the market with high-quality motorcycles, Harley was falling down on quality. One company official noted that "quality was going down just as fast as production was going up."[2] Indicative of the depths of the problem at a demoralized Harley-Davidson, quality-control inspections failed 50–60 percent of the motorcycles produced. This compared to 5 percent of Japanese motorcycles that failed their quality-control checks.

AMF put up with an average $4.8 million operating loss for eleven years. Finally, it called it quits and put the division up for sale in 1981. Vaughan Beals, vice president of motorcycle sales, still had faith in the company, and he led a team that used $81.5 million in financing from Citicorp to complete a leveraged buyout. All ties with AMF were severed.

VAUGHAN BEALS

Beals was a middle-aged Ivy Leaguer, a far cry from what one might think of as a heavy motorcycle aficionado. He had graduated from MIT's Aeronautical Engineering School and was considered a production specialist.[3] But he was far more than that. His was a true commitment to motorcycles, personally as well as professionally. Deeply concerned with AMF's declining attention to quality, he achieved the buyout from AMF.

The prognosis for the company was bleak. Its market share, which had dominated the industry before the Honda invasion, now was 3 percent. In 1983, Harley-Davidson would celebrate its 80th birthday; some doubted it would still be around by then. Tariff protection seemed Harley's only hope. And massive lobbying paid off. In 1983, Congress passed a huge tariff increase on Japanese motorcycles. Instead of a 4 percent tariff, now Japanese motorcycles would be subject to a 45 percent tariff for the coming five years.

The tariff gave the company new hope, and it slowly began to rebuild market share. Key to this was restoring confidence in the quality of its products, and Beals took a leading role in this. He drove Harley-Davidsons to rallies where he met Harley owners. There he learned of their concerns and their complaints, and he promised changes. At these rallies, a core of loyal Harley-Davidson users, called HOGs (for Harley Owners Group), were to be trailblazers for the successful growth and mystique to come.

Beals had company on his odyssey: Willie G. Davidson, grandson of the company's founder and the vice president of design. Willie was an interesting contrast to the more urbane Beals. His was the image of a middle-age hippie. He wore a Viking helmet over long, unkempt hair, while a straggly beard hid some of his windburned face. An aged leather jacket was compatible. Beals and Davidson fit in nicely at the HOG rallies.

[2] Peter C. Reid, *Well Made in America—Lessons from Harley Davidson on Being the Best*, New York:

THE STRUGGLE BACK

In December 1986 Harley-Davidson asked Congress to remove the tariff barriers, more than a year earlier than originally planned. The confidence of the company had been restored, and it believed it could now compete with the Japanese head to head.[4]

Production Improvements

Shortly after the buyout, Beals and other managers visited Japanese plants both in Japan and Honda's assembly plant in Marysville, Ohio. They were impressed that they were being beaten not by "robotics, or culture, or morning calisthenics and company songs, [but by] professional managers who understood their business and paid attention to detail."[5] As a result, Japanese production costs were as much as 30 percent lower than Harley's.

Beals and his managers tried to implement some of the Japanese management techniques. Each plant was divided into profit centers, with managers assigned total responsibility within their particular area. Just-in-time (JIT) inventory and a materials-as-needed (MAN) system sought to control and minimize all inventories both inside and outside the plants. Quality circles (QCs) were formed to increase employee involvement in quality goals and to improve communication between management and workers. See the following Information Box for further discussion of quality circles. Another new program called statistical operator control (SOC) gave employees the responsibility for checking the quality of their own work and making proper corrective adjustments. Efforts were made to improve labor relations by more sensitivity to employees and their problems as well as better employee assistance and benefits. Certain product improvements were also introduced, notably a new engine and mountings on rubber to reduce vibration. A well-accepted equipment innovation was to build stereo systems and intercoms into the motorcycle helmets.

The production changes between 1981 and 1988 resulted in:[6]

Inventory reduced by 67 percent
Productivity up by 50 percent
Scrap and rework down two-thirds
Defects per unit down 70 percent

In the 1970s the joke among industry experts was, "If you're buying a Harley, you'd better buy two—one for spare parts."[7] Now this had obviously changed, but the change still had to be communicated to consumers, and believed.

Marketing Moves

Despite its bad times and its poor quality, Harley had a cadre of loyal customers almost unparalleled. Company research maintained that 92 percent of its customers

[4] "Harley Back in High Gear," *Forbes*, April 20, 1987, p. 8.
[5] Dexter Hutchins, "Having a Hard Time with Just-in-Time," *Fortune*, June 19, 1986, p. 65.

INFORMATION BOX

QUALITY CIRCLES

Quality circles were adopted by Japan in an effort to rid its industries of poor quality and junkiness after World War II. Quality circles are worker-management committees that meet usually weekly to talk about production problems, plan ways to improve productivity and quality, and resolve job-related gripes on both sides.

At the height of their popularity they were described as "the single most significant reason for the truly outstanding quality of goods and services produced in Japan."[8] At one time Mazda had 2,147 circles with more than 16,000 employees involved. They usually consisted of seven or eight volunteers who met on their own time to discuss and solve the issues they were concerned with. In addition to making major contributions to increased productivity and quality, quality circles gave employees an opportunity to participate and gain a sense of accomplishment.[9]

The idea—like so many ideas adopted by the Japanese—did not originate with them: it came from two American personnel consultants. But the Japanese refined the idea and ran with it. In the 1980s, American industry, unable to match the quality of Japanese imports, saw quality circles as the elixir in quality enhancement. Firms also found them a desirable way to promote teamwork, good feelings, and to avoid some of the adversarial relations stemming from collective bargaining and union grievances.

Despite the glowing endorsements for quality circles, in the United States they were more a fad that quickly faded. Workers claimed they smacked of "tokenism," and were a facade and impractical, with no lasting benefits once the novelty had worn off. Others saw them as time wasted and, unlike Japan, few US workers accepted the idea of participating in quality circles on their own time.

How would you feel about devoting an hour or more to quality circle meetings every week or so, on your own time? If your answer is, "No Way," do you think this is a fair attitude on your part? Why or why not?

Invitation to Research: Can you find any US firms that are still using quality circles?

[8] "A Partnership to Build the New Workplace," *Business Week*, June 30, 1980, p. 101.

[9] As described in a Mazda ad in *Forbes*, May 24, 1982, p. 5.

remained with Harley.[10] Despite such hard-core loyalists, the company had always suffered a serious public image problem. It was linked to an image of the pot-smoking, beer-drinking, woman-chasing, tattoo-covered, leather-clad biker: "When your company's logo is the number one request in tattoo parlors, it's time to get a licensing program that will return your reputation to the ranks of baseball, hot dogs, and apple pie."[11]

[10] Mark Marvel, "The Gentrified HOG," *Esquire*, July 1989, p. 25.

Part of Harley's problem had been with bootleggers ruining the name by placing it on unlicensed goods of poor quality. Now the company began to use warrants and federal marshals to crack down on unauthorized uses of its logo at motorcycle conventions. And it began licensing its name and logo on a wide variety of products, from leather jackets to cologne to jewelry—even on pajamas, sheets, and towels. Suddenly retailers realized that these licensed goods were popular and were even being bought by a new type of customer, undreamed of until now: bankers, doctors, lawyers, and entertainers. This new breed soon expanded their horizons to include the Harley-Davidson bikes themselves. They joined the HOGs, only now they became known as Rubbies—rich urban bikers. And high prices for bikes did not bother them in the least.

Beals was quick to capitalize on this new market by expanding the product line with expensive heavyweights. In 1989 the largest motorcycle was introduced, the Fat Boy, with 80 cubic inches of V-twin engine and capable of a top speed of 150 mph. By 1991, Harley had twenty models, ranging in price from $4,500 to $15,000.

The Rubbies brought Harley back to a leading position in the industry by 1989, with almost 60 percent of the super-heavyweight motorcycle market; by the first quarter of 1993, this had become 63 percent. The importance of this customer to Harley could be seen in the demographic statistics supplied by the *Wall Street Journal* in 1990: "One in three of today's Harley-Davidson buyers are professionals or managers. About 60 percent have attended college, up from only 45 percent in 1984. Their median age is 35, and their median household income has risen sharply to $45,000 from $36,000 five years earlier."[12]

In 1989 Beals stepped down as CEO, turning the company over to Richard Teerlink, who was chief operating officer of the Motorcycle Division. Beals, however, retained his position as chairman of the board.

SUCCESS

By 1993 Harley-Davidson had a new problem, one born of success. Now it could not even come close to meeting demand. Customers faced empty showrooms, except perhaps for rusty trade-ins or antiques. Waiting time for a new bike could be six months or longer, unless the customer was willing to pay a 10 percent or higher premium to some gray marketer advertising in biker magazines.

Some of the six hundred independent US dealers worried that these empty showrooms and long waiting lists would induce their customers to turn to foreign imports, much as they had several decades before. But other dealers recognized that somehow Beals and company had engendered a brand loyalty unique in this industry and perhaps in all industries. Assuaging the lack of big bike business, dealers were finding other sources of revenues. Harley's branded line of merchandise, available only at Harley dealers and promoted through glossy catalogs, had taken off. Harley black leather jackets were bought eagerly at $500; fringed leather bras went for $65; even shot glasses brought $12—all it seemed to take was the Harley name and logo. So substantial was this ancillary business that in 1992 noncycle business generated $155.7 million in sales, up from $130.3 million in 1991.

Production

In one sense, Harley's production situation was enviable: it had far more demand than production capability. More than this, it had such a loyal body of customers that delays in product gratification were not likely to turn many away to competitors. The problem, of course, was that full potential was not being realized.

Richard Teerlink, the successor to Beals, expressed the corporate philosophy to expanding quantity to meet the demand: "Quantity isn't the issue, quality is the issue. We learned in the early 1980s you do not solve problems by throwing money at them."[13]

The company increased output slowly. In early 1992 it was making 280 bikes a day; by 1993, this had risen to 345 a day. With increased capital spending, goals were to produce 420 bikes a day, but not until 1996.

Export Potential

Some contrary concerns with the conservative expansion plans of Teerlink surfaced in regard to international operations. The European export market beckoned. Harleys had become very popular in Europe. But the company had promised its domestic dealers that exports would not go beyond 30 percent of total production until the North American market was fully satisfied. Suddenly the European big-bike market grew by an astounding 33 percent between 1990 and 1992. Yet, because of its production constraints, Harley could only maintain a 9 to 10 percent share of this market. In other words, it was giving away business to foreign competitors. To enhance its presence in Europe, Harley opened a branch office of its HOG club in Frankfurt, Germany, for its European fans.

Specifics of the Resurgence of Harley-Davidson

Table 6.1 shows the trend in revenues and net income of Harley from 1982 through 1994. The growth in sales and profits did not go unnoticed by the investment community. In 1990 Harley-Davidson stock sold for $7; in January 1993 it hit $39. Its market share of heavyweight motorcycles (751 cubic centimeters displacement and larger) had soared from 12.5 percent in 1983 to 63 percent by 1993. Let the Japanese have the lightweight bike market! Harley would dominate the heavyweights.

Harley acquired Holiday Rambler in 1986. As a wholly owned subsidiary, this manufacturer of recreational and commercial vehicles was judged by Harley management to be compatible with the existing motorcycle business as well as moderating some of the seasonality of the motorcycle business. The diversification proved rather mediocre. In 1992 it accounted for 26 percent of total corporate sales, but only 2 percent of profits.

TABLE 6.1 Harley-Davidson's Growth in Revenue and Income (millions of $), 1983–1994

Year	Revenue	Net Income
1982	$210	def. $25.1
1983	254	1.0
1984	294	2.9
1985	287	2.6
1986	295	4.3
1987	685	17.7
1988	757	27.2
1989	791	32.6
1990	865	38.3
1991	940	37.0
1992	1,100	54.0
1993	1,210	68.0
1994	1,537	83.0

Source: Company annual reports.
Commentary: The steady climb in sales and profits, except for a pause in 1985, is noteworthy. The total gain in revenues over these years was 631.9 percent, while income rose more than eighty-fold since 1983.

Big motorcycles, made in America by the only US manufacturer, continued to be the rage. Harley's 90th anniversary was celebrated in Milwaukee on June 12, 1993. As many as 100,000 people, including 18,000 HOGs, were there to celebrate. Hotel rooms were sold out for a sixty-mile radius. Harley-Davidson was up and doing real well.

Toward the Millennium and Beyond

The 1990s continued to be kind to Harley. Demand grew, with the mystique as strong as ever. The company significantly increased its motorcycle-production capacity with a new engine plant in Milwaukee completed in 1997 and a new assembly plant in Kansas City in 1998. It expected that demand in the United States would still exceed the supply of Harley bikes.

The following numbers show how motorcycle shipments (domestic and export) increased from 1993 to 1997 (in thousands of units):

	United States	Exports
1997	96.2	36.1
1993	57.2	24.5

Despite continuous increases in production, US consumers still had to wait to

The following shows the growth in revenues and income from 1993 to 1997:

	Revenues ($M)	Net Income ($M)
1997	$1,763	$174.0
1993	1,217	18.4

Indicative of the popularity of the Harley-Davidson logo, Wolverine World Wide, original maker of Hush Puppies but now one of the largest manufacturers of footwear worldwide, entered a licensing agreement with Harley to use its "sexy" name for a line of boots and fashion shoes that came out in late 1998.[14]

In its January 7, 2002 issue, *Forbes* declared Harley to be its "Company of the Year," a truly prestigious honor. In supporting its decision, *Forbes* noted that while hundreds of companies experienced a disastrous year, Harley's estimated 2001 sales grew 15 percent, earnings grew 26 percent, and shares were up over 40 percent (even as the S&P stock averages fell 15 percent).

> Since Harley went public in 1986, its shares have risen an incredible 15,000 percent. Since 1986, GE, generally considered the paragon of American business, had risen only 1,050 percent.[15]

Jeffrey Bleustein, a 26-year company veteran and Harley CEO, was diversifying into small, cheaper bikes to attract younger riders as well as women who had shunned the big lumbering machines and who represented only 9 percent of Harley riders. The cult image was stronger than ever. Half the company's 8,000 employees rode Harleys, and many of them appeared at rallies around the country for pleasure and to promote the company. In 2002, there were 640,000 owners, the parts-and-accessories catalog numbered 720 pages, and the Harley-Davidson name was on everything from blue jeans to pickup trucks.[16] Harley celebrated its 100th birthday in 2003, and some 250,000 riders attended a rally in Milwaukee, up from 100,000 for the 90th birthday.[17]

By 2005, a rental program, which started in 1999 as a tool for Harley-Davidson to hook customers on riding and thereby entice them to buy, had ballooned from six participating dealers to 250, including fifty-two in such countries as Canada, Mexico, Costa Rica, Australia, France, and Italy. The number of days the motorcycles were rented zoomed from 401 in 1999 to 224,134 in 2004. Harley found that 32 percent of rental customers bought a bike after renting, and another 37 percent planned to buy one within a year. About half of the renters spent more than $100 on Harley accessories such as T-shirts and gloves.[18]

[14] Carleen Hawn, "What's in a Name? Whatever You Make It," *Forbes*, July 27, 1998, p. 88.

[15] Jonathan Fahey, "Love into Money," *Forbes*, January 7, 2002, pp. 60–65.

[16] *Ibid.*

[17] Mark Yost, "Harley-Davidson Centenary Bash Brings Out Armchair 'Rebels,'" *Wall Street Journal*, September 3, 2003, p. D4.

[18] Ryan Nakashima, Associated Press, as published in "Harley Rents Bikes to Boost Sales," *Cleveland*

In 2006, Harley-Davidson's sales peaked at 349,000 motorcycles. The popularity of Rallies and the eagerness of many communities to welcome these bikers seemed insatiable. The following Information Box describes this phenomenon.

While Harley suffered financial losses and employee layoffs from the 2008–2009 recession, it reported 2011 revenues of $4,662 million and net income of $599 million. Harley's 2011 shipments totaled 233,117, with almost 35 percent of the bikes exported from the US. It owned about 56 percent of the US market share for motorcycles and almost 14 percent of the European market.[19]

INFORMATION BOX

THE BOOM IN HARLEY RALLIES

Imagine this: It is an early week in August 2006, and your town of Sturgis, with all of 6,500 people, situated on the rolling Dakota plains nestled against the Black Hills, is playing host to half a million bikers from around the world for the 66th Sturgis Motorcycle Rally. For weeks motorcycles have been roaring around Sturgis, clogging the main streets and nearly doubling the state's population. The blaring of classic rock and country music almost drowns out the sounds of the revving engines. All available rooms have long been filled and biker tents are pitched on every available space, while shops and saloons are open from dawn to midnight and beyond. Still, you wonder how the town can accommodate such a horde.

Your neighbors couldn't be happier. "We do like to see them come. They're fun, good people," says the executive director of the chamber of commerce.

Why? You wonder. But then you know. These rallies are great for business. With the average Harley owner making about $75,000 a year, they are free spenders "and good tippers." A one-week event can bring several hundred million dollars to the local economy and to the state in sales taxes.

Sturgis is not alone in attracting bikers. Laconia, New Hampshire, and Daytona Beach, Florida also host hundreds of thousands of bikers, while hundreds of smaller events appear across the country every year. Johnstown, Pennsylvania is one of the fastest growing rallies, starting in 1998 with 3,500 bikers, and by 2006 drawing 200,000. The social calendar for motorcyclists has been rapidly filling up in recent years, as communities offer such popular activities as vintage bike shows, parades, stunt shows, races, scenic rides, and live music. "The residents come down, bring their kids. You'll see people here who don't even own motorcycles dressed like bikers." The old Viking and Hell's Angel image of outlaws, barbarians, and wild men seems no more.[20]

How do you personally feel about motorcycles? Do you have one? Would you rent one? Would a rally attract you? Do you think the public's willingness to promote biker rallies is reaching a saturation point? Why or why not? How does your prediction influence Harley?

[20] Adapted from Peter Schroeder, "Their Economic Engines Are Harleys," *Wall Street Journal*, August 24, 2006, p. D8.

ANALYSIS

One of Vaughan Beals's first moves after the 1981 leveraged buyout was to improve production efficiency and quality control. This became the foundation for the strategic-regeneration moves to come. In this quest, he borrowed heavily from the Japanese, in particular in cultivating employee involvement.

The cultivation of a new customer segment for the big bikes had to be a major factor in the company's resurgence. To some, discovering that more affluent consumers embraced the big, flashy Harley motorcycles was a surprise of no small moment. After all, how could you have two more incompatible groups than the stereotyped black-jacketed cyclists and the Rubbies? Perhaps the change was owed in part to high-profile people such as Beals and some of his executives participating frequently at motorcycle rallies and charity rides. Technological and comfort improvements in motorcycles and their equipment added to the new attractiveness. Dealers were coaxed to make their stores more inviting.

Along with this, expanding the product mix not only made such Harley-branded merchandise a windfall for company and dealers alike, but also piqued the interest of upscale customers in motorcycles themselves. The company was commendably aggressive in running with the growing popularity of the ancillary merchandise and making this well over a $100 million revenue booster.

Questions remained. How durable was this popularity, both of the big bikes and the complementary merchandise, with this affluent customer segment? Would it prove to be only a passing fad? If so, then Harley needed to seek diversifications as quickly as possible, even though the Holiday Rambler Corporation had brought no notable success by 1992. Diversifications often bring earnings disappointments compared with a firm's core business. (Note Harley's recognition of this with its sale of Holiday Rambler in 1996.)

Another question concerned Harley's slowness in expanding production capability. Faced with a burgeoning demand, was it better to go slowly, to be carefully protective of quality, and to refrain from heavy debt commitments? This had been Harley's most recent strategy, but it raised the risk of permitting competitors to gain market share in the United States and especially in Europe. The Issue Box discusses aggressive versus conservative planning.

ISSUE BOX

SHOULD WE BE AGGRESSIVE OR CONSERVATIVE IN OUR PLANNING?

The sales forecast—the estimate of sales for the periods ahead—serves a crucial role because it is the starting point for all detailed planning and budgeting. A volatile situation presents some high-risk alternatives: Should we be optimistic or conservative?

On one hand, with conservative planning in a growing market, a firm risks underestimating demand and being unable to expand its resources sufficiently to handle the potential. It may lack the manufacturing capability and sales staff to handle growth potential, and it may have to abdicate a good share of the growing business to competitors who are willing and able to expand their capability to meet the demands of the market.

On the other hand, a firm facing burgeoning demand should consider whether the growth is likely to be a short-term fad or a more permanent situation. A firm can easily become overextended in the buoyancy of booming business, only to see the collapse of such business jeopardizing its viability.

Harley's conservative decision was undoubtedly influenced by concerns about expanding beyond the limits of good quality control. The decision was also influenced by management's belief that Harley-Davidson had a loyal body of customers who would not switch despite the wait.

Do you think Harley-Davidson made the right decision by expanding conservatively? Why or why not? Defend your position.

Invitation to Make Your Own Analysis and Conclusions

Do you think Beal's rejuvenation efforts could have been better handled? Support your conclusions.

WHAT WE CAN LEARN

A Firm Can Come Back from Adversity

The resurrection of Harley-Davidson almost from the point of extinction proves that adversity can be overcome. It need not be fatal or forever. This should be encouraging to all firms facing difficulties, and to their investors. Harley, however, is noteworthy in the time it took to grasp opportunities and counter competitors—it was decades before a Vaughan Beals came on the scene as change maker.

What does a turnaround require? Above all, it takes a leader who has the vision and confidence that things can be changed for the better. The change may not necessitate anything particularly innovative. It may involve only a rededication to basics, such as better quality control or an improved commitment to customer service brought about by a new, positive employee attitude. But such a return to basics requires that a demoralized or apathetic organization be rejuvenated and remotivated. This calls for leadership of a high order. If the core business has still been maintained, it at least provides a base from which to work.

Preserve the Core Business at All Costs

Every viable firm has a basic core or distinctive position—sometimes called an