

CUSTOMER CARS, CUTTING COSTS, AND THE FUTURE OF F1. McLAREN GROUP CEO **RON DENNIS** SPEAKS OUT

COST-CUTTING: Does Formula 1 really need it?

McLaren team principal (and chairman and CEO of McLaren Group), Ron Dennis considers the question carefully. Twelve months on from the catastrophe that overtook his team in the aftermath of the Stepneygate spying scandal, he looks relaxed, healthy and... happy. And with his protégé Lewis Hamilton in with a great chance of winning his first World Championship, life seemed very good in Fuji early in October 2008.

"Prior to any strategy to cut costs in Formula 1, I think it is important to determine whether the objective is to allow a team to compete, or to produce a strategy for all teams to be competitive," he says eventually. "And each of these objectives requires totally different strategies. When various stakeholders meet to discuss this, the problem is that these two things become, understandably, mixed.

"If we all raced identical cars, I very much doubt that there would be much change in terms of who was competitive, and who was uncompetitive. That's because the most experienced teams would attract the more experienced or talented drivers, who would earn a fortune because they would be the primary differentiator. And there would be great effort and focus based on the operational things that make a difference. The grid would tighten. The overall costs would be lower. But the question is, would it be Formula 1?"

It is, after all, the high level of technology that makes F1 what it is, isn't it?

"I know I'm often like a broken gramophone record, but I can't understand why people are still mystified about why there isn't more overtaking when all the practice and qualifying has put the fastest car at the front and the slowest car at the back," Dennis continues. "If we want more overtaking, the only way to

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“The smaller teams have to harmonize and not be a source of friction in F1”

achieve it is to incentivize the teams, certainly by points, maybe money as well, to place greater emphasis on qualifying and then reverse the grid. But, again, is that Formula 1?”

Such things matter to a man who loves the sport with a real passion. The reverse grid might be gimmicky, but he says he doesn't reject the idea as a whole. “Maybe it would make F1 more colorful. I think it would enhance the show, but I'm not so sure it would necessarily lead to a worthy World Champion.”

The F1 regulations change yet again next year, with the reduced downforce based on findings from the Overtaking Working Group, one member of which is McLaren's Paddy Lowe. Does Dennis think the new rules will achieve their aim of promoting more overtaking?

“I'll answer the question in a somewhat unusual way,” he counters. “If a complete stranger asks, ‘What is McLaren?’, one of my favorite responses is to say that McLaren is a group of companies that excel in all the technological areas they pursue. Each is a technological center of excellence that applies its technology and engineering experience to a variety of different disciplines, one of which is Formula 1.

“So any set of new regulations that technically challenges us, we embrace,”

Below and below right: Ron Dennis's protégé, Lewis Hamilton has again challenged for the F1 title

Developing the next generation

Is McLaren already actively looking for the next Lewis Hamilton? It's a question Ron Dennis gets asked a lot, and his response is swift.

“We actively look for anything, whether it is driving expertise, engineering expertise, or commercial expertise,” he says. “We try to improve the quality of the people who work for McLaren at every opportunity. And one of the initiatives that has really been driven by Jonathan Neale [managing director, McLaren Racing], and totally supported by the management of the whole Group, is reinstating apprenticeships. We are extremely active in work experience programs, in interfacing with the technical universities, and we have post-graduate programs. We are very, very focused on going further down the food chain in every single area. We accept that we are going to train people who are perhaps going to leave the company. It's slightly frustrating when that happens, but it's an inevitable consequence of adopting that strategy: not everybody that you develop is going to stay with you.

“You can implement a range of legal mechanisms and commercial arrangements between you and these young students, but I just put loyalty at the top of the page and say, ‘That's the value that we really want you to buy into. If we give you this opportunity, remember: the real payback to an organization such as ours is loyalty.’”

he continues. “We embraced the work that we contributed to the understanding of aerodynamic influences regarding cars racing in close proximity to each other. We embrace our efforts to make cars less aerodynamically sensitive so that they can overtake, and from a technology standpoint we totally embrace KERS. It is hugely challenging. It is technically very interesting, and it may give us the chance to produce more overtaking opportunities. Having said that, though, it is an extremely costly technology, and that really doesn't sit well in the current economic climate.

“As you grow older, you have a much greater capacity for saying, ‘I was wrong.’ Do I think KERS is good for F1?” he asks. “Actually, I do. But, there are some real challenges to make it safe and to make it reliable, and it is most certainly an extremely expensive technology for us to pursue. But if we are going to rob Peter to pay Paul, let's at least have it as a declared objective.”

Ask him where he would most like cost-cutting to be focused, and he replies: “There is a variety of things. If we did them as a unified group, we could save money.”

He cites such expenses as transportation and the hotel reservations, and would like to source a neutral sponsor for which all the teams could generate a television advertisement that could feature each driver. The



Heikki Kovalainen has restored some harmony to the driver lineup after the turmoil of 2007

proceeds would then be shared out equally. Interesting...

Could that really happen, given how competitive everyone is?

“In this climate, yes. The smaller teams have to harmonize and not be a source of friction in F1, and not use their vote to stop the pace of progress.”

This year, McLaren should have been supplying cars and engines to Prodrive, and there is talk of a 2009 deal with Force India. So where does Dennis stand on the thorny subject of customer cars?

“I don't mind what set of regulations we have for them. But you have to go into these things with an absolutely clear understanding of what's going to happen – customer cars will lead to four Ferraris, four McLarens, four this, four that, and in the end they are going to squeeze the smaller manufacturers off the grid. If that's what Formula 1 wants to be, fine. But whatever the set of regulations is, it should be the same for everybody. I am not saying anything controversial at all; it is completely accepted that, other than the engine, the two Red Bull cars are completely identical. If there was a regulation saying that customer cars are permitted as long as the engine is different, then fine. But what you can't have are regulations that are interpreted differently from one team to another.”

The global financial crisis is manna from heaven for the doomsayers, but how does a racer view the situation at a time

when F1 teams have already been finding it difficult to find sponsors?

“It is very hard for a variety of reasons,” he concedes of the sponsorship issue, “but most of them fall under the heading of instability. If there is stability in the sport, then people will have a clear understanding of the ingredients needed to move forward. And the sport needs to have the highest level of integrity.

“We try to be a better racing team, a better partner,” he explains. “We go beyond the obligations of our contracts to come up with innovative ideas to provide sponsors with different tools to exploit for their involvement. I don't think any other team would have a different

ambition, it's just that we have more resources committed to it.

“I am very fortunate to have some good friends who work in very senior positions, some in banks and some in blue-chip companies, and over the last few weeks I have been privileged to get reports that are effectively independent research. There is a consistent message coming back. Peak unemployment will be probably a year from now, covering different segments of the markets, will span at least the next two years, and recovery will manifest itself in different forms. House prices won't go jumping back to where they were, they will plateau next year, then start to creep up again. Banks will wrestle with what they have to loan to people and who will be given a loan. In many ways, the first tranche of cash released should really go into industry – that's the powerhouse of revenue – so it's going to be a while before more money comes into the private sector and starts to move house prices. There is going to be unemployment, and there are going to be very tricky seas through which we have to sail.

“Maybe in an extreme situation, F1 will have to tighten its belt to a very uncomfortable position, but what is a little difficult for us,” he adds in reference



From left to right: Martin Whitmarsh (COO, McLaren Group), Ron Dennis, and Lewis Hamilton at the Australian GP, 2008

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"I am deeply involved with and very supportive of McLaren being a high-performance sports car manufacturer"

to the FIA's threat to choose cost-cutting measures, "is to be told how to run our businesses."

That is, after all, surely beyond the remit of a regulatory body, and one of the core differentiating skills that dictate why one team survives and another fails.

"We believe that we run our business well. Of course there are aspects of the past that I am not pleased about, but we have always faced up to the consequences of mistakes, and we accept that you pay for your mistakes – sometimes to a greater degree than you feel is justified. But nevertheless, we run a very tight ship," he asserts. "We have always driven the business on very low levels of debt, and that is what we will continue to do in the future. The message in any business is that you cut your coat according to your cloth. It is as simple as that. Because if you don't, you are going to fail."

And failure, for people like Dennis, is an unpalatable option. A successful entrepreneur after a few early false starts, he admits that most of his remaining ambitions fall outside motorsport.

"I am deeply involved with and very supportive of McLaren being a high-performance sports car manufacturer. We fully embrace the requirement of a modern sports car to be efficient and play its part in the ecological push that the world, especially the automotive world, has. Performance can come from efficiency, and that is one of the key drivers in our program.

"Of course, in the short term, I'm trying to contribute to this year's World Championship. But other things that would give me great pleasure, which you could put under the heading 'remaining ambitions', most of those things fall outside Grand Prix racing. I suppose my biggest motorsport ambition has nothing to do with my own efforts so it may be a contradiction in terms. But I would just love to see McLaren even more successful in the future than it's been in the past."

Dennis passionately believes in the management guru Jim Collins' Good to



A new McLaren sports car will be made at the McLaren Technology Centre in Woking, UK when production of the Mercedes-Benz SLR McLaren ceases in 2009



McLaren's development tools, such as the chassis rig pictured here, are among the best in Formula 1

Great methodology of Level 5 Leadership. Achieving that would be the ultimate satisfaction.

He agrees that it is surprising in F1 how many people fail to get the Level 5 Leadership thing of wanting to hand over to somebody who will take a business to new heights. Too often it is an insular sport in which one man wants to show the world how indispensable he is. "I know of executives who have almost deliberately appointed weaker successors just to amplify how good they were," he says. "I can never really understand that, but it does happen. But it's certainly not going to happen at McLaren." ❖