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The Science of Success: Frank Stronach

Listen to Magna International founder **Frank Stronach** discuss his approach to business for a few minutes, and you quickly note a pattern to his language: senior managers act as 'surgeons', surveying the firm's overall health; company offshoots are 'like splitting cells'; and the company is run according to a 'genetic, industrial formula'. When it comes to building a staggeringly successful, world-class company, Stronach

clearly has it down to a science.

Speaking in the *Rotman Integrative Thinking Seminar Series* in January, Stronach recounted how he came to Toronto in 1954, and by 1957, had saved enough money to rent some space at Dufferin and Dupont, buy some basic machinery, and hire a few people.



Magna founder Frank Stronach at Rotman in January.

Fast-forward 50 years, and Magna is a leading global supplier of technologically-advanced automotive components, systems and modules with 74,000 employees in 241 operations in 22 countries.

Business is easy, he says, when you have the right principles and the right people. "If their hearts aren't in it, you have no hope," he says. Another key to Magna's success is good money management. "We have no debt, and we always have cash in the bank. I've never seen a company go broke with money in the bank."

Magna is the only company in the world with a Corporate Constitution that predetermines where its profits go: 10 per cent to employees; 20 per cent to shareholders in the form of a dividend; six per cent to managers;

seven per cent to R&D; two per cent to charities and social projects; and the rest is invested.

Stronach views Magna as a 'bank of human capital' that is run according to 'an industrial, genetic formula': Six major operating groups oversee between 10 and 30 factories each; the group man-

agers are 'like doctors', surveying the big picture and making sure the system is healthy. "If they see a 'cancer', they operate to remove it," he says. Every factory is a separate profit center, where the manager gets three per cent of the profits and the assistant manager gets two per cent. Managers can go off and set up a new factory at any time. "Everything is driven by incentives."

"Our company has a built-in ability to continually renew and grow, replicating itself through separate public companies with the same entrepreneurial culture and clearly-defined operating principles," he says. "It's like splitting cells – it regenerates itself. This type of structure can – and will, I believe – endure for generations."

Turning to societal concerns,

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Stronach says that the key to better living standards for the poor involves a re-thinking of our education system. "We need more inventive, 'lifestyle education'. We need to teach children how to be upstanding citizens." Rotman students are lucky to be attending such a great business school, he says, "but they should be asking themselves how they can contribute to society. We need to focus on these things, or the increasing gulf between the rich and the poor could threaten the peace of the world."

Having passed the leadership baton on to his daughter (Magna president and CEO Belinda), Stronach has not stopped dreaming about what Magna could still become. "We currently have three per cent of the world market – but I see no reason why we can't grow that to 20 per cent."

Despite his scientific approach to business, Stronach remains philosophical overall. "Life is a question of fate and circumstances," he says. "With the right ingredients, anything can happen."

-by Karen Christensen

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