

Masters of Scale: Rapid Response Transcript – Jochen Zeitz

“How Harley-Davidson set a foundation for the long term”

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All of us have to evolve our lifestyle, what we eat, how we live, how we consume, what we do, and Harley is a great example of a true American icon that is in a great transformation.

It's not just a motorcycle. This is about freedom. As we say, the freedom for the soul, the adventure that the brand stands for.

You have a 118 year old company, there's never an end to it. So it's not about five years. It's about setting the foundation for a long-term future.

BOB SAFIAN: That's Jochen Zeitz, president, CEO, and chairman of Harley-Davidson. With factory closures last spring, Harley's business and its stock price plunged.

But there was another turn in the road ahead.

I'm Bob Safian, former editor of Fast company, founder of the Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk with Jochen because he chose to aggressively restructure Harley's business in the midst of the pandemic's highest uncertainty.

And that defiance quickly paid off, settling investors and refocusing the company.

He trimmed the product line, set up equity grants for employees including factory workers, and doubled-down on Harley's brand power.

Jochen is a longtime motorcycle rider but also a longtime champion of sustainability. How he plans to square those two passions underscores the importance of an entrepreneurial perspective, even for a company well into its second century.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Jochen Zeitz, CEO and chairman of Harley-Davidson. Jochen is talking to us from outside of London, as I ask my questions from outside of New York. Jochen, thanks for joining us.

ZEITZ: Thanks Bob. Nice to be with you on your show.

SAFIAN: So your tenure as CEO has coincided with the most extraordinary period in modern history. You became CEO in February of 2020, just as the pandemic was taking hold. Previously, you took over as CEO of Puma in a different kind of crisis, more company-specific. Are there things that are reminiscent about the two experiences or has Harley-Davidson been just completely different?

ZEITZ: Yeah. I mean, every situation is very different, and I was 29 when I took over as CEO of Puma, and the company was in a very different situation at the time. I mean, also a crisis for sure, but it was more a homemade crisis. The crisis we've experienced with Harley was a global crisis, which led to the closure of our factories. So some parallels, but I'd say overall, a very different situation.

SAFIAN: Yeah. When you took over, you implemented a new approach immediately that you called Rewire. Some people say a crisis is a terrible thing to waste. Did the pandemic make that harder or easier or simpler, making the changes that you saw that Harley needed to make?

ZEITZ: It made it in a way easier, but of course, as I took over, we first had to make sure that we had enough liquidity to get us through the crisis. So making sure with factories being closed, that we had enough cash to operate safely and do what we needed to do as a company was priority. And of course, foremost, making sure that our workers and our employees were safe and protected. But yes, there was an opportunity for us to change things, and when you are in such a difficult situation, you realize very quickly what's working, what's not working.

SAFIAN: Of course, we had no idea how long this crisis was going to last, right? And obviously in some places in the world it continues and persists, but where I am in the states where Harley is, where you are now in the UK, it feels like we're over the crest of it. But in the beginning, how did you think about how far out you needed to plan?

ZEITZ: Well, you just didn't know how long this would last. So we felt that we needed liquidity for up to 12 months just to make sure that we could keep operating. Even with our factories being shut, just not knowing how long we wouldn't be able to manufacture. And as I said, I think establishing a protocol and going overnight to a virtual setting, it worked extremely well from the beginning.

SAFIAN: You mentioned the factories that you had to close. I know you've been to factories since then that have reopened. How was the decision to reopen the factories? What was the experience like going to visit after they were reopened?

ZEITZ: Well, first of all, establishing a safety protocol that protected our workers in the factories was critical, and that required a remodeling of our facilities, our canteen, our offices. So safely reopening was a number one priority, and I think we managed it really well.

SAFIAN: I saw that you visited the factory in York, Pennsylvania recently where the first Pan-America rolled off the line. I know you've been to that factory before. Are there things you learn when you go to make these factory visits?

ZEITZ: Always. I always learn something on the factory floor. First of all, getting to appreciate the craftsmanship and the incredible work our workers are doing to deliver those extraordinary bikes to our customers. I think it's just incredible to see the dedication and how proud they are to work for Harley-Davidson and to build those bikes. And I think that was the one thing. Our workers were working in the factory as soon as we opened, and all my hats off to everyone who was showing up on the first day and building bikes during a pandemic, socially distancing, and really making sure that we were able to deliver our products as soon as we could.

SAFIAN: Riding is inherently socially-distanced when you're on a bike, and during this time, it offers experience and adventure that a lot of people crave during lockdowns. Demand for the bikes was strong as the pandemic went through. Other areas that did well during the pandemic – online grocery, gaming – they get a lot of questions about what kind of post boom pullbacks they might experience. Is that something on your mind about what the trajectory of the business will be given what it was during the last year?

ZEITZ: Well, we needed to do a lot of rewiring also of our product line. There was quite a significant complexity within our product portfolio. So we needed to streamline our product portfolio considerably, internationally and nationally. We had too many bikes in the lineup, unprofitable bikes. And now we're, of course, also challenged because the supply chain is a big issue for everybody. Trying to get semiconductors to come on time, resin, raw materials, making sure that bikes and our product arrive at our customer on time, which is a challenge because shipping and logistics are challenged as a whole. So we face new challenges now, and it's a constant battle every day.

SAFIAN: Last spring, last year at this time, there was a lot of talk about supply chain concerns because things were stopping. It sounds like it's a different supply chain concern now because there's so much demand?

ZEITZ: Well, there is good solid demand, but overall, everything is just slower. Things used to be shipped much quicker and raw materials and supply chains were not really an

issue. You took it for granted, but through COVID, we've learned that actually a global supply chain has its challenges as soon as you start interrupting it and catching up with and getting it back to normal, it takes a lot of time.

SAFIAN: So a year into the CEO job, you announced this five-year strategy called “The Hardwire,” and this included an equity grant to thousands of employees, including the hourly factory workers. Why was this part of the plan?

ZEITZ: I believe it's important that when the company wins, our shareholders win, our employees need to win, and that includes our hourly workers. As I said, these bikes are built by hourly workers in our factories every day, and they should be part of the upside. And I felt that it was a really important thing to do, to get everybody to participate in a win-win.

SAFIAN: I mean, that doesn't happen in that way at a lot of companies, even at other places you've worked. Is there something that you saw in Harley, or you've seen more recently, that made you feel like this is a best practice to adopt?

ZEITZ: Well, it's the first time I'm working in a U.S.-based manufacturing company, and everything I've learned about manufacturing in the U.S. made me believe that this is the right thing to do. I think other companies should maybe take that as an example and really make everybody contribute and win together. And if you think about our customers, a lot of our bikes are being bought by union workers and first responders and others, and that are on the frontline every day. So why not make them part of the upside of the company and of our success as well?

SAFIAN: Harley is a quintessentially American brand. You're not American. Is that a challenge? Are there new things you have to learn in that regard? I know you spend a lot of time in the States.

ZEITZ: I spent over 15 years of my life in the U.S. My first job I had in New York in the '80s. I started in America. So I feel like an American with German roots, I would say.

SAFIAN: I know at Puma, you put a lot of attention into expanding the global footprint. Is that also one of your hopes for Harley to be more global in that way?

ZEITZ: Yeah, very much so. At Puma, I actually moved a lot of the headquarter functions from Europe to America. I moved myself to America, working out of Boston because I felt that it was important to have a presence in the U.S., and some things, I felt we could do a lot better in the U.S. With Harley, we do a lot of great things in the U.S., but I feel that there is more opportunity outside of the U.S. as well, to grow our global market's name to Europe and Asia. I'm putting more emphasis also on the international regions, whereas in Puma, it was a little bit the other way round. We had no presence in America at the time.

SAFIAN: Another part of the Hardwire strategy is growth beyond bikes, which sounds like leveraging the brand for maybe non-bike, non-riding things. How important are non-riders to Harley's future?

ZEITZ: Well, first of all, if you think of apparel or other general merchandise, it's a huge opportunity. Harley-Davidson is a lifestyle. It's not just a motorcycle. This is about freedom. As we say, the freedom for the soul, the adventure that the brand stands for, and I truly believe that's a huge opportunity also beyond bikes. You buy a Harley t-shirt. That means you identify with the brand. That's the first step towards buying a bike or becoming a rider, and it's not something that I believe the company has really capitalized on in the past.

SAFIAN: I was reading your mission. You mentioned the timeless pursuit of adventure and freedom for the soul, that doesn't require a motorcycle. I mean, a motorcycle is a route to that, or can be, but it doesn't require that.

ZEITZ: Totally. Adventure starts in your mind, in your head, and especially now, I think we all want a bit of an adventure and get out there, but you can identify with a brand even when you don't ride, and that's where the opportunity is. Obviously we want more and more people to think about riding, getting into the sport of riding, but it doesn't mean that you always have to ride or become a rider, it's a lifestyle that you sign up for.

SAFIAN: So you've shown through your career, an ongoing commitment to climate issues. You led sustainability at Kering. You helped found the B Team with Richard Branson, a nonprofit dedicated to climate support from businesses among other things. So it might seem a little odd that you're now running a company based on combustion engines and fossil fuels. Is that a conflict at all? How do you think about that? I know you've been connected with Harley for a long time, so this is not a brand new thing, but how do you think about that?

ZEITZ: Well, I think all of us have to evolve our lifestyle, what we eat, how we live, how we consume, what we do, and Harley is a great example of a true American icon that is in a great transformation. We're investing into electric motorcycles. We just decided to launch a new brand, electric brand called LiveWire. So we are taking this inclusive stakeholder management, as we call it, very seriously, and that starts with things like making our workers in our factories shareholders. That's an important aspect. Riders are a very diverse community, also something we want to celebrate as a company, but environmental concerns are very much our concerns as well, and we're working diligently at finding solutions for the long run. It's not something that happens overnight, but through the electrification of the sport and our new brand, LiveWire, we're taking a very important step forward, and over time, we will also have Harley-Davidson electric bikes.

SAFIAN: You mentioned the LiveWire, the electric motorcycle business. It's still a small part of the business and the market, electric motorcycles, but why is LiveWire a separate brand from Harley? Why not just have it be part of Harley? What does that do for you?

ZEITZ: Well, LiveWire, the product that we have developed and are developing is more geared towards the urban consumer. Harley as a brand has its core mostly in the touring segment. Yes, we have sports bikes as well, but the core customer is very much about touring with our bikes, and that requires a range of several hundred miles that you just don't get with electric motorcycles quite yet. So not trying to do too much under the Harley brand and introduce not just an electric motorcycle, but also get going after a new customer that is more urban would just be asking too much for the Harley brand. So we want to focus Harley on what it is, and that will mean over time, electrifying traditional core segments as well, but initially the focus is really on the urban consumer when it comes to electrification.

SAFIAN: With LiveWire, is the mission the same? Is it still about freedom and adventure, or does that shift too because it's more urban-based?

ZEITZ: LiveWire is part of the lineage of Harley-Davidson. It's part of the family, and that's very important to us. So that freedom for the soul, timeless pursuit of adventure very much resonates with the LiveWire brand, but the brand in itself is more positioned as an urban brand for the urban consumer. But you can still have a lot of urban adventure at the same time.

SAFIAN: You were on the Harley board for a long time before becoming CEO for a decade. What's the difference between the perspective of a board member and a CEO? Do you see things differently?

ZEITZ: Yeah, I compare it with flying in an airplane at 30,000 feet and looking down and seeing what's happening. You see an overall picture, but you never get into the trenches to see what's working, what's not working. So running a business is very different from governing in a business and controlling a business from a board perspective based on the responsibility. You appoint a CEO, and then you have to trust the new CEO to do the right things, and then you sign off on a strategy, but it's very much a very high level look that you're getting without ever being able to really get into the nitty-gritty of a business.

SAFIAN: So are there things that as you became CEO, that you learned and appreciated about Harley differently than you could necessarily see or appreciate when you were on the board?

ZEITZ: Well, you get to know the team that works with you everyday much better, how well an organization functions or doesn't function, how complex it is, how agile, how fast they can make decisions. And then on a board level, you form an opinion, but you're not really able to substantiate it until you actually are a CEO. As a board member, you don't

always agree with your CEO, but there's very little you could do about it other than having a voice on the board.

SAFIAN: You feel like there's progress being made? I know that the Hardwire is a five-year plan. You mentioned the pace of the way an organization works. How do you feel like that is evolving at Harley?

ZEITZ: I think it's evolving a lot and very fast. First of all, we had to. We're adjusting to a different way of working, and it's something that we want to say for the future as well. I think there were a lot of positives of allowing people to work from home rather than having them come into the office every day. So there's a lot of lessons we've learned, but the agility, and the speed, and really focusing on the things that matter and getting rid of unnecessary complexity is something that was very important. And establishing a new culture, we say the HD number one culture of winning, being a winning team is something that we had to really work on. When you have a 118 year old company, there's never an end to it. So it's not about five years. It's about setting the foundation for a long-term future.

SAFIAN: You're looking back at that 118 years and saying, "Okay, which of the things in that legacy do you want to preserve, and which are the things that we have to mature beyond or graduate from?"

ZEITZ: That's exactly right. I mean, this is an incredible brand, incredible company. I mean, it's the American icon and one of the most recognized brands in the world. There's a lot to build on, but of course, you always have to look into the future, what's coming? What are the things that are changing? You can never stand still, but having this heritage and this history and innovating on that platform is a huge asset.

SAFIAN: So I was reflecting about you a little bit. You're active in conservationism in Africa, you co-produced the Netflix documentary, *Breaking Barriers*, the 10-minute clip of which was shown at President Biden's climate summit earlier this year. These are busy areas. Why not just focus on these passions and avoid the headaches and the complications of being a public company CEO? Why go back into this?

ZEITZ: Well, I love a challenge, first of all, and if it wasn't for Harley and for such an iconic and extraordinary company brand, I probably wouldn't have done it. I've been a busy man ever since I left my last assignment as a CEO, but this was a great opportunity for a fantastic company and brand, and there was a crisis that needed somebody to step in. So the board asked me if I was willing to step in, and I felt that there was a need to do this, and also, a commitment towards this great brand.

SAFIAN: One of your colleagues said to me, "He's your man in a crisis." What do you like about crises?

ZEITZ: I like change, and in a way, I've always been comfortable in changing things for the better and that's what excites me. So the status quo is not something that inspires me. Let's put it this way.

SAFIAN: What's at stake for Harley right now?

ZEITZ: I'm not sure if you can say what's at stake. I think we have a great strategy. We need to execute it. There will always be bumps in the road, like with everything, but I think we are on a good path, we have a good strategy. We are implementing as fast as we can. We want to build on the legacy and the legend of the brand in the next years to come, and I think there's a lot to build on.

SAFIAN: You're a rider yourself? Yes? And have been for a long time. Is that what drew you to the board in the first place?

ZEITZ: Yes, and I love brands, and I love iconic brands. And Harley to me is just that brand that has unlimited potential, and that's why I was really attracted to it.

SAFIAN: With Puma, you tapped into culture a lot with the brand. Do you have an idea yet what that might look like for Harley? Whether you would tap into culture in similar kinds of ways?

ZEITZ: Well, riding is a lifestyle, right? That is a culture. If you look at our riders around the world, that is an extraordinary culture that is incredibly diverse, and you just have to spend some time with the different riding groups, the different subcultures within riding. It's incredible to see that whether you go to Japan, whether you go to China, to Europe, or even within America, Harley brings you to what you want to be I think. What unites Harley-Davidson riders is the community.

SAFIAN: With Puma, you made the brand aspirational, even maybe to folks who weren't sports or athletes, right? In part, by tapping into athletes or entertainers or things like that. Is that part of the playbook that you see at some point for Harley or because Harley already has such a robust community, it's more going to come from the inside out?

ZEITZ: Definitely also bringing new customers into the brand is critical. At Puma, we decided that we wanted to be a lifestyle beyond just doing sports, particular sports, and it's the same thing for Harley-Davidson. We are a lifestyle, an adventurous mindset. The freedom that we bring as a brand that we stand for, and that can be expressed when you ride, but it can also be expressed by just wearing the Harley-Davidson brand. So that is really a great opportunity, and you can never stand still.

SAFIAN: For a lot of people, the last year and dealing with the pandemic was very stressful. You seem very calm. Was it a stressful year for you? I mean, obviously it was an engaged year because you were obviously engaged with many things with Harley. Was it a stressful year?

ZEITZ: Well, in the first few months, not knowing what the pandemic would bring, I'd say that was a level of uncertainty that I've certainly never seen in my life, but I barely ever lose my balance. So I think I'm a pretty balanced guy no matter how big the crisis might be.

SAFIAN: You just don't really get that stressed.

ZEITZ: Probably not. Having my family and my three and five-year old children, that's the best way to relax. They can be a challenge too, but my family is the most important to me. And then to really switch off, I play my guitar. So that's meditation for me.

SAFIAN: Well, parenting, in my experience, it's the best business. It also endlessly puts you in your place, reminds you of the things that you don't control. Right?

ZEITZ: And that really matters. Absolutely.

SAFIAN: Well, Jochen, I really appreciate you taking the time to talk with us today. It's been great. Thank you.

ZEITZ: Thank you very much, Bob. Appreciate it.