

Blind to Disruption: Lessons from CEOs Who Missed the Future



IN THE EARLY 20TH CENTURY, the United States was home to more than 4,000 carriage and wagon manufacturers. They were the backbone of mobility and the precursors of automobiles, used for personal transportation, goods delivery, military logistics, public transit and more.

These companies employed tens of thousands of workers and formed the heart of an ecosystem of blacksmiths, wheelwrights, saddle makers, stables and feed suppliers. And within two decades, they were gone. Only one company out of 4,000 pivoted to automobiles.

Today, this story feels uncannily familiar: Just as the carriage industry watched the automobile evolve from curiosity to dominance, modern companies in SaaS, media, software, logistics, defense and education are watching AI emerge from novelty into existential threat.

In 1900, the U.S. was the global leader in building carriages. South Bend, IN; Flint, MI; and Cincinnati, Ohio, were full of factories producing carriages, buggies, and wagons. On the high-end these companies made beautifully crafted vehicles, largely from wood and leather, hand-built by artisans. Others were more basic wagons for hauling goods.

When early automobiles began appearing in the 1890s—first steam-powered, then electric, then gasoline—most carriage and wagon makers dismissed them. Why wouldn't they? The first cars were loud and unreliable; expensive and hard to repair; starved for fuel in a world with no gas stations; and unsuitable for the dirt roads of rural America.

Early autos were worse on most key dimensions that mattered to customers. **Clayton Christensen's** 'Innovator's Dilemma' described this perfectly: disruption begins with inferior products that incumbents don't take seriously. But beneath that dismissiveness was something deeper: identity and hubris. Carriage manufacturers saw themselves not as transportation companies, but as craftsmen of elegant, horse-drawn vehicles. Cars weren't an evolution—they were heresy. And so, they waited. And watched. And went out of business slowly and then all of a sudden. Let's take a closer look at the important stages of this disruption.

1890S-1905: EARLY AUTOS WERE NICHE AND EXPERIMENTAL. The first cars (steam, electric and early gas) were expensive, unreliable and slow. They were built by 19th century mechanical nerds. And the few that were sold were considered toys for other nerds and the rich. **Carl Benz** patented the first

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internal combustion engine in 1886. In 1893 **Frank Duryea** drove the first car in the U.S. These early cars coexisted with a massive horse-powered economy: Horses pulled wagons, delivered goods, powered streetcars and people. The first automakers used the only design they knew: the carriage. Drivers sat up high like they did in a carriage when they had to see over the horses.

For the first 15 years, carriage makers, teamsters and stable owners saw no immediate threat. Like AI today, autos were powerful, buggy, unreliable and not yet mainstream.

1905-1910: DISRUPTION BEGINS. Ten years after their first appearance, gasoline cars became more practical, they had better engines, rubber tires and municipalities had begun to pave roads. From 1903 to 1908, **Ford** shipped nine different models of cars as they experimented with what we would call today minimum viable products. Ford (and **General Motors**) broke away from their carriage legacies and began designing cars from first principles, optimized for speed, safety, mass production and modern materials. That's the moment the *car* became its own species. Until then, it was still mostly a carriage with a motor. Urban elites switched from carriages to autos for status and speed, and taxis, delivery fleets and wealthy commuters adopted cars in major cities.

Even with evidence staring them in the face, carriage companies failed to pivot, assuming cars were a fad. For carriage companies this was the 'denial and drift' phase of disruption.

1908-1925: THE TIPPING POINT: FORD'S MODEL T AND MASS PRODUCTION. The Ford Model T, introduced in 1908, was affordable (\$825 to as little as \$260 by the 1920s), durable and easy to repair, and made using assembly line mass production. Within 15 years, tens of millions of Americans owned cars. Horse-related businesses—not only the carriage makers, but the entire ecosystem of blacksmiths, stables and feed

suppliers—began collapsing. Cities banned horses from downtown areas due to waste, disease and congestion. This was much like the arrival of **Google**, the iPhone or **ChatGPT**: a phase shift.

1920S-1930S: COLLAPSE OF THE OLD ECOSYSTEM. Between 1900 and 1930, the U.S. horse population fell from 21 million to 10 million and the carriage and buggy production plummeted. New infrastructure—roads, gas stations, driver licensing, traffic laws—was built around the car, not the horse.

1885-1910: EARLY AUTOMAKERS BORROWED HEAVILY FROM CARRIAGE DESIGN. Early car companies emerged in a world dominated by horse-drawn vehicles and they inherited the materials and mechanical assumptions from the coachbuilders.

Suspensions were borrowed from carriages. Leaf springs were the dominant suspension in 19th-century carriages. Early cars used the same. There were no shock absorbers in carriages and early autos. They both relied on leaf spring damping, making them bouncy and unstable at speed. *Why?* Roads were terrible. Speeds were low. Coachbuilders understood how to make wagons survive cobblestones and dirt. Carriages used solid steel or wooden axles; early cars did the same.

Car bodies were wood framed with steel or aluminum sheathing, like a carriage. Upholstery, leatherwork, and ornamentation were also carried over. Terms like *roadster*, *phaeton*, *landaulet* and *brougham* are directly inherited from carriage types. Early cars had tall wheels and high ground clearance, like buggies and carriages, since early roads were rutted and muddy. In short, early automobiles looked like carriages without the horse, because they were, functionally and structurally, carriages with engines bolted on.

As speeds increased and roads improved, wood carriage design couldn't handle the torsional stress of faster, heavier cars. Leaf-spring suspensions were too crude for speed and handling. Car builders began using pressed steel

bodies (**Fisher Body's** breakthrough), independent front suspension (introduced in the 1930s), integrating the car body and chassis into a single, unified structure, rather than having a separate body and frame (in the 1930s-40s).

Studebaker: From Horses to Horsepower

The one carriage maker who did not go out of business and became an automobile company was **Studebaker**. Founded in 1852 in South Bend, Indiana, it began by building wagons for farmers and pioneers heading west. They supplied wagons to the Union Army during the Civil War and became the largest wagon manufacturer in the world by the late 19th century. But unlike its peers, Studebaker made a series of early, strategic bets on the future.

In 1902, they began producing electric vehicles—a cautious but forward-thinking move. Two years later, in 1904, they entered the gasoline car business, at first by contracting out the engine and chassis. Eventually, they began making the entire car themselves.

Studebaker understood two things the other 4,000 carriage companies ignored: The future wouldn't be horse-drawn; and the company's core capability wasn't in carriages—it was in mobility. They made the painful shift in manufacturing, retooled their factories and retrained their workforce. By the 1910s, they were a full-fledged car company. Studebaker survived long into the auto age—longer than most of the early automakers—and only stopped making cars in 1966.

While Studebaker made a direct pivot of their entire company from carriage to cars, another success was Fisher Body. Founded in 1908 in Detroit by brothers Fred and Charles, the Fishers had worked at a carriage firm before starting their own auto-body business. They specialized in producing the car bodies, not an entire car. Their key innovation was making closed steel car bodies, which was a major improvement over open carriages and wood frames. By

1919, Fisher was so successful that General Motors bought a controlling stake and in 1926, acquired them entirely. For decades, 'Body by Fisher' was stamped into millions of GM cars.

The Origin of General Motors

While **Durant-Dort Carriage Company** never made cars itself, its co-founder **William C. (Billy) Durant** saw what others didn't. Durant used the fortune he made in carriages to invest in the burgeoning auto industry. He founded **Buick** in 1904 and in 1908 set up General Motors. Acting like one of Silicon Valley's crazy entrepreneurs, he rapidly acquired **Oldsmobile**, **Cadillac**, and 11 other car companies and 10 parts/accessory companies, creating the first auto conglomerate. (In 1910, Durant would be fired by his board. Undeterred, he founded **Chevrolet**, took it public and in 1916 did a hostile takeover of GM and fired its board. He got thrown out again by his new board in 1920 and died penniless managing a bowling alley.)

While his financial overreach eventually cost him control of GM, his vision reshaped American manufacturing. General Motors became the largest car company in the 20th century.

Why the Other 3,997 Carriage makers Didn't Make It

Most carriage makers didn't have a William Durant, a Fisher brother or a Studebaker in the boardroom. Here's why they failed:

TECHNOLOGICAL DISCONTINUITY. Carriages were made of wood, leather, and iron; cars required steel, engines, electrical systems. The skills didn't transfer easily.

CAPITAL REQUIREMENTS. Retooling for cars required huge investment. Most small and midsize carriage firms didn't have the money—or couldn't raise it in time.

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BUSINESS MODEL INERTIA. Carriage makers sold low-volume, high-margin products. The car business, especially after Ford's Model T, was about high-volume, low-margin scale.

CULTURAL IDENTITY. Carriage builders didn't see themselves as engineers or industrialists. They were artisans. Cars were noisy, dirty machines—beneath them.

MANAGERS VERSUS VISIONARY FOUNDERS. In each of the three companies that survived, it was the founders, not hired CEOs that drove the transition.

UNDERESTIMATING THE ADOPTION CURVE. Early cars were bad. But technological S-curves bend quickly. By the 1910s, cars were clearly better. And by the 1920s, the carriage was obsolete. By 1925, out of the 4,000+ carriage companies in operation around 1900, nearly all were gone.

What does an early 20th century disruption have to do with AI and today's companies? Plenty. The lessons are timeless and relevant for today's CEOs and boards.

It wasn't just that carriage companies failed to pivot. It's that they had time and customers—and still missed it. That same pattern happens at every disruptive transition; they were led by CEOs who simply couldn't imagine a different world than the one they had mastered. This happened when companies had to master the web, mobile and social media, and it is repeating today with AI.

Carriage company presidents were tied to sales and increasing revenue. The threat to their business from cars seemed far in the future. That was true for two decades until the bottom dropped out of their market with the rapid adoption of autos, with the introduction of the Ford Model T. Today, CEO compensation is tied to quarterly earnings, not long-term reinvention. Most Boards are packed with risk-averse fiduciaries, not builders or technologists.

In closing

The real problem isn't that companies can't see the future. It's that they are structurally disincentivized to act on it. Meanwhile, disruption doesn't wait for board approval.

If you're a CEO, you're not just managing a P&L. You are deciding whether your company will be the Studebaker—or one of the other 3,997. **RM**

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