James Kaupert

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Notes from General Motors Case

From Dess, McNamara, & Eisner *Strategic Management*

Notes on the Case Itself

- Mary Barra took over GM as CEO in 2014
- Major safety issues resulting in 84 different recalls
- 42 deaths and 50 injuries from defective ignition switches
    - federal trial set for early 2016
    - $35M penalty (max under law)
    - new oversights from government
- internal report from June 2014 noted lack of responsibility & accountability of firm for failure to recall defective cars for years after it knew of faulty ignition switches
    - CEO noted problems with process in internal video to employees
    - Barra promised would not happen again
- Barra had media roundtable in January 2015 to note positives about end of 2014 with strong sales across 7 vehicle types (annual sales records), and expansion in US & China markets

Moving through Bankruptcy

- Previously dominant in US, GM previously had almost 50% of US market share of autos
- Various CEOs had tried to save, but were unable.
- Firm bailed out in 2009 by government (61% of stock owned)
- After bankruptcy, board of directors changed and senior management reorganized.
    - focus by board on addressing issues from task force assessment in 2009
    - too much emphasis on maintaining status quo was noted
- Barra became CEO in 2014 replacing the government appointee Akerson
    - had worked up from engineer to plant manager to head of corporate HR, to senior exec over GM global product dev

Focusing on Fewer Brands

- Previously, different brands for different customers were offered by different divisions

- The size of the brand lineup had been big for winning against rivals in the marketplace
- Org structure of different divisions made it difficult to design and market cars, however
- To reduce costs, GM began sharing designs and components across divisions, but this meant brands were no longer as distinctive
- GM decided to cut several brands when government took over
- Chevy brand reinvented as a global mass-market brand
- new smaller, fuel-efficient cars also successful
- Buick and Cadillac brands updated to maintain refined luxury but reduce size, and targeted toward younger groups
- Cadillac HQ moved to SoHo NYC to reposition as more fashionable and compete with Mercedes S-Class

Revamping Product Development

- New focus on having functional areas work together in product dev
- too much focus on engineering, not enough on design (aimed to reduce this)
- lack of standardization of platforms across vehicles (inefficient), and of engine families
- new push for cars that appeal to consumers and would not rely on sales incentives
  - engineers working with dealerships to understand customer needs
  - new push to have anyone voice concerns during dev process to increase chances of success
- push to get to market faster with new models by eliminating parts of decision-making process (old way took months of winding committees)

Responding to Safety Concerns

- ignition switch issue had been known since 2004, but recall not pushed for until 2014
- investigation found that issues often passed through GM committees without actually being resolved
  - no minutes taken during meetings to identify accountability/responsibility for any decisions made
  - shifting responsibility to others embedded in the company culture
- Barra and her team moved to quickly respond to safety problems
  - removed various high level individuals
  - appointed new global safety head & VP product integrity
  - increased safety investigation team

Firing on All Cylinders?

- Barra optimistic due to expected growth of demand in US
  - renewed focus on products instead of safety debacles
- Cadillac plan needs to be executed to prevent losing further ground to other luxury brands
- Some foreign markets expected to grow sales, but others losing ground to competitors Ford &

Volkswagen
- desire to see sales grow in biggest markets

Included Exhibits

- Income statement 2010-2014
- Balance Sheet 2010-2014
- Market Shares 2013/2014
- Vehicle sales 2013/2014
- Income by operating regions 2014

Possible Problems

What are the problems / strategic issues?

- Major safety issues / lawsuits plaguing company
- past corporate culture holding company in the past & causing some of the lack of accountability/responsibility leading to safety issues
- org structure of divisions. Moving away from silos but may still be experiencing such issues
- branding of older luxury lines
- too many brands
- no responsibility/accountability during meetings
- lengthy review process resulting in no tangible improvements to product safety
- stagnant market share in US 2011-2014
- Net income is down significantly since 2012
- losing market share in most global markets

Key Issue

What is the key issue at hand? Despite improvements and changes, company culture still stuck in the past.

Analysis

- Organizational goals and objectives
  - increase market share
  - increase sales
  - improve product lines to appeal to consumers without sales incentives
- External environment
  - luxury market competitors (S-class, etc...)

    - foreign and domestic competitors
    - consumers more likely to buy with lower gas prices
- Internal environment
    - working toward new culture, still struggling with past culture of maintain the status quo
- International-level strategies
    - expand growth in China market
- How to achieve strategic control
    - empower employees to stop the process in order to achieve more successful designs and safety
- Organizational design
    - maybe the org structure needs to be rethought? Sounds like there is more interaction between divisions, but are the current divisions effective?
- Learning organization and ethics
    - people added to safety committee, leadership positions
    - any further improvements to be made here for either ethics or learning?