General Motors Case: Trimming the Corporate Fat

General Motors is a very large and clumsy corporation. I liken it to an out-of-shape athlete with great potential. General Motors has made some progress in its effort to get back into physical shape since its bankruptcy in 2009, but the auto maker still has much fat yet to trim. GM faces three major hurdles which it must overcome to remain a survivor in the market: the company must reorganize its structure, greatly improve efficiency, and make significant changes to its culture.

The first exercise that GM must endure is a major restructuring. The company has traditionally been plagued with problems relating to its tall, military-like structure. GM executives report that "they face pushback from middle managers on decisions about everything from engines to pensions to office furniture" (Terlep 1) clearly revealing that the company could use a bit of "flattening" and possibly some amount of decentralization so that corporate decisions can proceed faster, more smoothly, and with much less overhead. In addition to its tall structure, it appears that GM has no clear and compelling mission. Formed from a conglomeration of seemingly unrelated businesses, General Motors has been a Frankenstein of separate parts. Dan Akerson, GM's CEO, is aware of the issue and is currently trying to redraw the company's organizational chart which will "eliminate redundant functions and systems that reward executives based on how their individual business units perform" (Terlep 2), resulting in more coordination between the countless fragmented divisions and give the company a reason for being which has been shown to improve employee productivity and customers' perception.

GM's next workout is in the department of improving efficiency. The auto manufacturer is wasting billions to inefficiencies in marketing and manufacturing. To handle the marketing issues, Akerson wisely promoted Mr. Ewanick to global marketing head. Ewanick has overhauled the marketing department and reduced the 70 separate contracts into one global deal which should result in much more efficiency through direct control over how the company wants to market its products as well as a significant cost savings. Inefficiencies in GM's manufacturing become evident when compared to its competitors. GM produces too many models for the market share they control. Too many different models means many different parts that need to be produced to make up each vehicle. Volkswagen and Ford have overcome this problem in different ways but GM is still struggling with it. General Motors is attempting to reduce the number of less successful models but this process is of course being slowed by the bottlenecks in their existing structure.

The final weight loss measure needs to come in the form of a culture change. GM has traditionally had a culture of internal competition and "cover your own ass" which results in a slow and cumbersome bureaucracy as nearly every decision must go up through the chain of command. Akerson is currently attempting to bring about an involvement culture which focuses on cooperation, coordination, and a sense of fairness (D&M). When he encountered resistance, he held a company-wide meeting to respond to concerns and clearly explain the company's decisions, not only reducing employee fear and anxiety, but also reinforcing the positive changes of the culture he wants to bring about. Akerson isn't the only cultural leader in the organization however; Ewanick leads by example as seen through his selection of cheap office furniture following his promotion (Terlep 3).

General Motors needs to stick to their guns when it comes to the plan of reworking their organizational chart. The structure must be flattened to reduce bureaucratic nonsense. Decentralization must be employed to speed up decision-making and encourage more accountability of lower management. I believe that GM would wise to embrace a team approach structure which could increase employee cooperation, morale, and enthusiasm and also quicken decision-making (D&M).