

**NYU****DEPARTMENT OF
PSYCHOLOGY**

INDUSTRIAL/ORGANIZATIONAL PSYCHOLOGY CASE STUDY SUMMER AND FALL 2020 (Required for all applicants)

The Case Study provides an opportunity for applicants to put Psychology and Science into practice. It represents a realistic preview of how one might be engaged in a consultative intervention that improves conditions for employers and employees alike.

This is a business case that asks you to write about the company, General Motors, an automotive giant, from an I/O Psychology perspective. In addition, it will allow you to include your personal strengths, key background experiences, and a personal perspective. Please include personal challenges, priorities, career goals, and achievements that might bear on your candidacy for admission to the program. Bring your own history, previous studies, business experiences, and interests into focus to address the real-world human capital challenges and opportunities that the business case presents.

The General Motors Case:

GM Background

General Motors Company, commonly referred to as General Motors (GM), is an American multinational corporation headquartered in Detroit, Michigan, that designs, manufactures, markets, and distributes vehicles and vehicle parts, and sells financial services, with global headquarters in Detroit's Renaissance Center. It was originally founded by William C. Durant on September 16, 1908 as a holding company. The company is the largest American automobile manufacturer, and one of the world's largest. As of 2018, GM is ranked #10 on the Fortune 500 rankings of the largest United States corporations by total revenue.

GM's 173,000 employees world-wide manufacture vehicles in 37 countries; its core automobile brands include Chevrolet, Buick, GMC, and Cadillac. It also either owns or holds a significant stake in foreign brands such as Holden, Wuling, Baojun, and Jiefang. Annual worldwide sales volume reached a milestone of 10 million vehicles in 2016. Mary Barra became Chairman and CEO of GM on December 10, 2013.

GM has faced many challenges these past 10 – 15 years. After many years of downsizing and redefining themselves in response to competition from automakers in Japan and Germany, they were profitable again and sold 5 million vehicles in the US in 1999 and 2000. But GM lost \$38.7 billion in 2007, a record for the company and in 2008, GM CEO Rick Wagoner and the CEOs of Ford and Chrysler appeared before the US Congress to request \$25 billion in government assistance for the automobile industry. GM received over \$30 billion in bailouts from the US government. Despite this aid, on May 29th 2009,

GM stock closed at less than \$1 a share for the first time since the Great Depression. On June 1, 2009 GM filed for bankruptcy. In 2009, GM sold just over 2 million vehicles in the US.

The bankruptcy required GM to take on a very large amount of debt and to make promises to lenders to reduce costs, achieve profitability, and make loan repayments. To fulfill these commitments, GM made massive structural change, closed plants, eliminated vehicles from their product line (e.g., Saturn and Pontiac), gained wage concessions from the union, and laid off workers. The years following the bankruptcy include good and bad news. The good news is that in 2017 GM sold over 3 million vehicles in the US and nearly 10 million worldwide and its US market share is the greatest among automakers at 17%, followed by Toyota (14.7%) and Ford (14.4%). The bad news is that cost containment and debt repayment challenges continue to this day. In November 2018 GM announced that it would shut down production at five facilities in North America and cut its staff, reducing its salaried workforce by 15%. As part of this restructuring GM stopped making sedans, including the Chevrolet Volt, Impala and Cruze and the Buick LaCrosse.

UAW Background

The International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America, better known as the United Automobile Workers (UAW), is an American labor union that represents workers in the United States and Canada. It is headquartered in Detroit, Michigan. The current UAW president is Gary Jones and the Vice President is Terry Dittes.

The UAW was founded in 1935 by the famous labor leader Walter Reuther. After a drawn-out strike at GM plants in 1936-1937, GM signed its first agreement with the UAW labor union. Over the years, the UAW was able to negotiate greater and greater wages and benefits for GM's workers and it set the standard for the automotive industry. At its height in the 1970s, UAW was over 1.5 million members. These members enjoyed incomes that were 74% above the national average and were accompanied by very generous health benefits.

The fate of the UAW has closely tracked the fate of GM and the US automakers. US automakers' loss of market share, advances in robotics, and the financial problems were accompanied by workforce reductions and declines in union membership. UAW membership fell to 540,000 in 2006. With the 2008 recession and automotive industry crisis membership fell to 390,000 active members, with more than 600,000 retired members covered by pension and medical care plans. As well, members made many concessions in wages, benefits, and work rules as US automakers struggled to recover from the recession a decade ago.

Among the concessions were lower wages and the use of temporary workers. Job security continues to be a constant concern only exacerbated by the increase in overseas production and sales and the November 2018 announcement that five more US plants will be closed.

To make matters worse for the UAW, Japanese automakers opened manufacturing plants in the US as they gained greater amounts of the US market share. These plants are located in Southern states. The UAW has been unable to gain support from these hourly workers to join the UAW. Several attempts have resulted in elections that have rejected UAW representation.

Reasons for the Strike

On September 15, 2019, nearly 50,000 members of the United Auto Workers union went on strike against GM. This was the first work stoppage in the US auto industry in 12 years. It's also the largest strike by any union against any business since the last strike at GM in 2007.

The reasons were many. Pay, pension benefits, job security, lump sum payments, training workers to handle future technology, and bringing jobs back from Mexico were all important reasons. Another significant issue was the status of temporary workers who make up 7% of GM's workforce. Temporary workers have no path to a regular, full-time position. They may have over 10 years of tenure with GM but remained classified as temporary. They may perform the same work as a regular, full-time colleague, pay the same union dues, but received half the pay.

Regular, full-time workers are generally long-term GM employees who were part of the "good old days" when a high school diploma, a few years of hard work, and some overtime earned a worker \$100,000 income per year. They remember the concessions too and now believe that GM is very profitable, so it's time for GM to give back those concessions the UAW made when GM was in financial distress a decade.

Impact of the Strike on GM

GM had a lot to lose from the strike. It goes without saying that production was down. In 3Q19, vehicle production was down 100,000 vehicles and in 4Q19 it was down 170,000 vehicles. Production was adversely impacted at plants in Mexico and Canada because they could not get parts manufactured in the striking US plants.

Experts estimated that GM lost \$82 million per day. During the strike GM's stock value fell over 10% compared to just before the strike. Earnings per share had been reduced to \$6.11 from \$6.56 and stock value to \$46 from \$50. Perhaps more importantly, the strike cost GM nearly \$1.5 billion. This may throw off their cost reduction plans and force key suppliers to cut their 2019 forecasts. Further, GM told the market they will have reduced costs by \$4.5 billion by the middle of 2020. This may have to be revised and may have an adverse impact on their credit rating and further adversely impact their stock value.

Impact of the Strike on UAW Members

The direct loss of workers' wages was \$30 million per day. While the UAW had a strike fund to help workers pay expenses, the fund provided only \$250 per week. Considering the average mortgage payment in the US is \$900 per month and average new car payment is \$550 per month, \$250 per week doesn't pay the bills. With expenses of \$500 per week, UAW members were dipping into savings to cover their living expenses. The strike was particularly difficult for younger workers. They don't have high salaries (\$35,000 per year) and don't have emergency savings accounts to tap for more than a month or two.

Impact of the Strike on Others

The local economy around the GM plants suffered. Small business owners who have pizza shops, gas stations, delis, or restaurants saw business drop off precipitously. The hundreds of GM suppliers lost business. It was reported that 12,000 salary and hourly workers were temporarily laid off at 100 “supply chain” companies. Many of these laid off workers found other jobs and did not return to the companies that laid them off thereby creating turnover problems in the supply chain companies.

GM Leadership

Mary Barra has spent her entire 38-year career in GM. She is the first female to become Chairman and CEO of a major automotive company – the 110 year old automaker. She rose through the ranks and lived through the turbulent GM times. Shortly after taking the helm, her leadership skills were put to the test. GM was faced with a massive number of recalls, over 30 million vehicles, in 2013 - 2014. Tragically, 124 customers died and 275 were injured from one defect – faulty ignition switch. The recalls cost GM over \$4 billion in profits. CEO Barra approached the crisis openly and honestly. She discovered incompetence, failures to disclose problems, and too many siloes. She revamped the company's culture and management processes, which won back trust from consumers. Barra demonstrated impatience about solving problems and strongly encouraged employees and managers to be transparent with each other. She began a program called Speak Up for Safety. She has won high marks for her open and inclusive management style.

During the strike Barra got involved. She met privately for thirty minutes with the UAW’s president and vice president. She communicated directly with union leaders while at the same time she openly expressed her impatience with delays in negotiations. Further, it was reported that she personally intervened and reversed a prior decision to withdraw health care benefits from striking employees.

Settlement

The 40-day strike was settled on October 25th when the rank-and-file voted to ratify the labor agreement. The UAW was successful in gaining a path to full employment for temporary workers. They gained wage increases of 3% per year for the length of the contract. Full time employees will receive a lump sum payment of \$11,000 for signing the contract. Part-time workers will receive \$4,500. The union also negotiated an end to the \$12,000 profit-sharing bonus cap. Union workers will receive \$1,000 per \$1 billion GM makes in profit; resulting in higher union worker bonuses. Healthcare remains untouched with no additional out-of-pocket expenses for workers. On GM's investment part, the automaker will spend \$7.7 billion upgrading US plants which will create or retain 9,000 jobs.

The union did not gain commitments to keep the five plants open. But, GM said it's moving forward with the opportunity to bring battery cell production to the Mahoning Valley plant in Ohio. This investment would create 1,000 new manufacturing jobs, according to GM.

Case Study Guidelines:

Write a 1,500 word case study describing how you might advise and help the 29 plant managers at GM. The aftermath of a strike can be difficult. Some workers are happy and some are angry. Gaining employee commitment and maintaining high morale and productivity are challenging. The new contract changes work rules and policies. The supply chain was disrupted. Challenges must be addressed on multiple levels including operational, technological, employee engagement, leadership, morale and commitment – and put into the larger context of maintaining profitability, quality, safety, and customer satisfaction.

Specifically, what are the major areas of concern you have about the current situation at GM plants? What actions would you recommend to implement the changes brought about by the strike and new contract? What data might be gathered and analyzed to understand the needs of front-line managers and worker challenges, concerns and potential solutions? What might be done to address these concerns?

In what ways might leadership positioning and the relationships with employees improve? What actions can be taken so that the strike doesn't happen again after this contract is up? What risks or downsides need to be avoided?

What tradeoffs need to be evaluated? How might individual staff, work teams, and the overall organization be involved to understand what to do now? How could successful change be measured? What might indicate that the actions taken have addressed the most important problems needing to be addressed? What might a realistic practical business solution look like?

From a personal and professional development perspective, what components from your previous training, education, and work experience would help you to investigate, inform and improve the situation for GM? Why might you be the best candidate to address these issues? Which of your personal strengths, skills and special abilities might be used to enhance the likelihood that the consulting firm you work for will be selected by GM to engage in this assignment?

Your business case study must be unique and an original work of your own creation. The document submitted must not exceed 1,500 words, not including references. The solution offered should be solely of your own writing and ideas. You may cite research, or other ideas by including explicit references for any external sources paraphrased or copied.

Evidence that this business case study has quoted material or ideas lifted without proper reference or written by third parties will result in application rejection. This assignment is designed to engage and reflect your understanding of models of psychology, business, science, analytical methods, and your professional development goals in the service of applied problem solving. Therefore, minimize restating the problem and information given in the prompt and focus on value-added ideas: prioritizing, ordering and answering questions, providing solutions.

In addition, create a **short video** (no more than 5 minutes in length) of yourself addressing two topics:

- An executive summary of your approach to the case study. The key topics and resolution suggested should be presented as if to an organization in a business format and context.

- Explain your career goals and interests as they relate to the approach presented in the case study.

You will find detailed instructions for uploading your written case study and the URL link to your video in the online application. (When you are logged in to the online application, click “Psychology” in the list of links on the left, then scroll down the page to “Industrial/Organizational Applicants Only”.

Business Case Sources:

About UAW

<https://uaw.org/>

About General Motors

<https://www.gm.com>

GM strike day 27: General Motors reviewing union proposal

<https://www.detroitnews.com/story/business/autos/general-motors/2019/10/12/gm-uaw-strike-day-27/3957247002/>

General Motors (GM) Recalls 2014: A Complete List

<https://www.dividend.com/how-to-invest/a-full-look-at-the-2014-general-motors-recalls-gm/>

Union ratifies UAW-GM agreement to officially end 40-day strike

<https://www.cnet.com/roadshow/news/uaw-gm-union-agreement-strike/>
