

Gm case study assignment essay sample

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Q. No. 1. How have GM's strategy, structure, and decision-making processes evolved over time? How well aligned were they in each of the three major eras?

Alfred Sloan's GM: Revving up (1920–1956)

Sloan, Jr., a manager whose ball bearing company GM had acquired in 1918, to reorganize GM's structure and management processes to be in line with its strategies. Strategy:

First, Sloan developed a “ pricing pyramid” to structure the pricing of the various different car brands, from the most economical Chevrolet up to the deluxe Cadillac. The second strategy was a focus on research and innovation. These innovations included annual vehicle changes, high compression, overhead valve V-8 engines, premium gasoline, chrome tail fins, and the fully automatic transmission. Thirdly, GM pursued a strategy of diversification; GM began exporting cars in 1925 and then purchased the British vehicle firm Vauxhall in 1925, the German operation Opel in 1929, and Australia's Holden in 1931. In 1956, just before Sloan retired at the age of 80, GM became the first company to net more than \$1 billion, on revenues of \$10. 8 billion. Structure:

Sloan wrote, from decentralization we get initiative, responsibility, development of personnel, decisions close to the facts all the qualities necessary for an organization to adapt to new conditions”. According to Sloan, handling the contradiction between the two was at the very crux of the manager's job. Members of this committee included the top officers of the company the president, chairman of the board, chief executive officer, the chief financial officer, any vice-chairs and executive vice presidents,

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many of whom also served on GM's board of directors. The heads of each staff area, such as finance, purchasing, personnel, and engineering, chaired a committee, or "policy group," which had responsibility for supporting the Management Committee in its policy-setting and decision-making role. Policy & Decision-Making Process:

Policy Groups met monthly to set standards and policies, such as plant design specifications, new technologies, grades for materials, labor contracts, and HR pay policies, to review proposed changes to policies and spending requests, and to make recommendations to the Management Committee for action. Senior managers, including group executives and members of GM's Management Committee and often Sloan himself attended the monthly Policy Group meetings. A Group Executive would review proposals with the general manager and would then take the proposal to the monthly meeting of the appropriate policy group.

Coasting Toward Collision (1960s-1990s)

When the oil crisis of the 1970s led to a demand for more fuel-efficient cars, GM unlike its foreign competitors was unable to respond quickly. Strategy: With a focus on market share, the divisions competed with each other to expand sales by moving their cars into different price classes, leading to a proliferation of car platforms, models, and components, the homogenization of cars across the divisions, and brand confusion. Structure:

The effectiveness of this decentralized organization began to break down over the years as operational complexity and internal competition increased. Each division and each global region continued to have its own

management, engineering, and marketing processes, advertising campaigns, and dealer networks. This change, as well as a lack of cost competitiveness, led a decade later, to a restructuring of the North American operations into a new organization with two car groups. Policy & Decision-Making Process:

Despite the changes in organizational structure and in the world around GM, the Management Committee and Policy Groups stayed roughly the same. Unlike Sloan who stayed connected with the marketplace and employees through unscheduled visits to dealers and around the company, executives instead focused on lining up needed votes before meetings, arguing over transfer prices and overhead allocations, and attending pre-meetings to eliminate surprises at the regular meeting. The number of committee reports and committee meeting time led to an excessive internal focus.

Getting Back on a Common Track (1992 and Beyond)

GM veteran Jack Smith the new CEO and President eliminated the Policy Groups, abolished the two vehicle groups, and replaced the Management Committee with a five- member President's Council, made up of the CEO and president, the CFO, the EVP of Corporate Affairs and Staff Support Group, the EVP and general counsel, and the EVP of GM International Operations.

Strategy:

With GM's market share continuing to fall, they took steps to overhaul processes and reduce overlapping product lines, eliminating similar, often competing, models, and developing common systems for product development, design, and manufacturing. Structure:

In North America, Smith not only eliminated the two-vehicle group structure, but also consolidated automotive engineering, manufacturing, and purchasing from across the vehicle divisions into one North America organization.

Unlike North America, where the vehicle divisions were now responsible only for marketing and sales, countries and vehicle subsidiaries outside of North America, such as Opel and Holden, continued to operate as fully integrated and independent organizations. The heads of the North America, Asia Pacific, Europe, and Latin America, Africa, and the Middle East regions, each of which was to have its own strategy board, joined leaders of critical global processes in now reporting directly to Wagoner. Policy & Decision-Making Process:

The four Region Presidents and their strategy boards were responsible for developing, reviewing, and approving regional operating budgets and business plans. Other processes, such as Manufacturing, Labor Relations, Human Resources, Public Policy and Communications, Design and Engineering, had a rougher time, either because they did not lend themselves to a global view (such as Labor Relations), because they had not yet really developed a national structure (such as Public Policy and Communications), or because of the difficulty of changing processes while continuing to conduct business. Since many Global Process Leaders had previously been responsible for their respective functions in North America, some Region Presidents were concerned that the change would lead to North America “swamping the rest of the organization.”

Q. No. 2. What are the distinctive challenges of managing a matrix organization like GM's "basketweave?" How has GM chosen to address these challenges? In spite of substantial progress, GM had continued to wrestle with the challenge of maintaining the right balance between local interests and the need for centralized coordination to ensure economies of scope and scale. In early 2004, the ASB had started to discuss whether regional decision making around GM's product portfolio allowed the company to sufficiently leverage its size. Now, in the fall of 2004, after considerable debate in the last three ASB meetings, members had decided to change the responsibility for the product development and engineering budgets. Instead of continuing to plan these budgets on a regional basis, GM would centralize the responsibility in the Product Development and Planning/R&D functions.

Under the new plan, for example, if a Region President had short-term profitability concerns and needed to cut costs through engineering headcount reductions, he or she would not be able to do that without additional conversations with ASB members, including Lutz, Burns, Wagoner, and the other Region Presidents. Wagoner recognized that the new arrangement would further diminish the development of general management skills at GM. In the end, however, everyone agreed on the need for the change. Burns described the decision: It was another major evolutionary step forward for GM. The regions will still play a key role in setting portfolio priorities for their country markets. However, instead of four plans stapled together, there will now be one integrated, global product plan. This plan will be aligned with global capital and engineering budgets and optimized to deliver the best worldwide product portfolio in the industry.

Q. No. 3. What role is played by the Automotive Strategy Board? How does it compare with the role of the Management, Executive, or Policy Committee at your organization? In the new organization, the regional strategy boards and the global process councils came together at ASB, which, along with GM's board of directors, made the major decisions for the company. As the chief governing body of General Motors, the ASB was responsible for the company's overall strategic direction. Governance and policy making were clearly within its scope, but it also served a variety of other purposes and roles. Bob Lutz, vice chairman of product development and chairman of North America and his team therefore proposed establishing a global vehicle line executive to manage a single vehicle program throughout all regions.

Wagoner Said: I want Region Presidents sitting down with the Global Process Leader of Powertrain, not with their regional Powertrain person to speed up decision making." Major changes in GM's processes for performance management became another tool for improving alignment The process began with Wagoner writing out individual objectives (called Performance Management Plans, or "PMPs") by hand for each individual ASB member, who then had a week to respond. To fulfill its many roles and responsibilities, the ASB met monthly for two days of the month. In between the monthly meetings, there were weekly telephone conferences on Wednesday mornings that lasted roughly an hour to ensure that all ASB members were informed about current issues and to keep decisions flowing. ASB members differed in their assessment of its effectiveness. As Burns described the ASB's functioning: "If there are differences of opinion, the ASB sorts them out." In some members' view, Wagoner was an active participant and

ensured that there was healthy debate. Others saw Wagoner using the ASB primarily as a sounding board for his own decision making.

As the company CEO, Wagoner chaired all ASB meetings. Wagoner solicited differing points of view to ensure healthy discussion and to break the unwritten rule that “Thou shalt not have controversy when you go before the ASB.” One ASB member observed: “In only 5% of the time is Wagoner using the ASB as a sounding board, where he has already made the decision.” Then Wagoner can make the decision, knowing that the senior managers understand the issues well enough to communicate and implement whatever decision is made. In my organization there is just one management committee which is responsible to take all the decisions. As my organization is Pakistan based, so all the decisions are made by the management committee which comprises of COO, CFO, GM Sales and Chief Technical Officer (CTO). At every month end, they sit together to discuss about the business progress, future targets and approve important strategic decisions. As ASB discuss and take important decisions and decision making is centralized, like wise in my organization, decision making is centralized too.

Q. No. 4. What is your assessment of the ASB's decision making dynamics? Your assessment of Rick Wagoner's role in the process? What changes (if any) would you suggest? ASB's decision making dynamics shows that most of the regional recommendations were approved as one member said “Ninety-five percent of what the regions want to do, go through since there has usually been good communication via pre-meetings with the CEO and

CFO". Another member's view also suggested that all the recommendations were approved when he was unable to think of any decision from the regions that the ASB has voted down. So decision making at ASB was quick and many regional decisions use to get approval. Rick Wagoner's role varied from situation to situation. He acted as the situation demanded and played an active role in decision making as he said " I prefer to be very direct; but I also recognize that I can stifle debate initially by playing my hand too forcefully.

So my role varies from item to item". He was never first to speak in the meeting and respected other people views. If argument goes on and no conclusion is reached then Wagoner would ask for show of hands and go for the decision which the majority thinks is right. If he knows that he can make the decision then he doesn't allows discussion to carry on and he makes the decision. No changes are required as ASB's decision making dynamics is helpful for the organization and its growth and Rick Wagoner's decision making and leadership quality allows the flexibility as well as right decision making.

Q. No. 5. What is your evaluation of the ASB's decision to centralize responsibility for product development and engineering products? ASB's decision to centralize responsibility for product development and engineering budget helped them to develop a single global product plan as it was stated by burns that " Instead of four plans stapled together, there will now be one integrated, global product plan. The plan will be aligned with global capital and engineering budgets and optimized to deliver the best worldwide

product portfolio in the industry". Through this plan regional presidents can be held accountable as they will all be given the same plan to implement and everyone has to work hard to implement it. Regional presidents will also have to discuss the matter of cost cutting in order to improve short term profits, from ASB board. Centralized responsibility for product development will also help to avoid duplicated programs in regions.