

Retooling GM's Culture

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Discussion at DAAG

Note: This presentation is based on a paper
(<http://www.umtri.umich.edu/content/RetoolingGM.pdf>)
written in January 2009

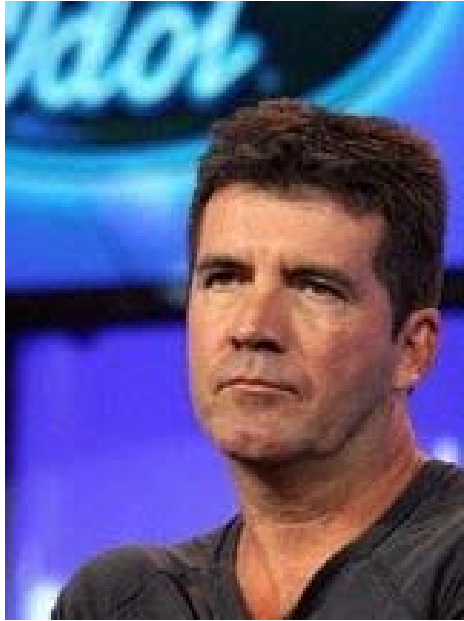
May 19, 2009

Two drivers for this

- Despair over seeing typical GM response
 - Do minimum necessary to survive today
 - Avoid really hard decisions
 - Say next gen of products will save the day
 - As tone deaf to outsiders as ever
 - Congressional testimony
 - Belief that GM could be viable – but not until culture was fixed
 - Need to communicate the issue to external decision makers in credible way
- Part of ongoing work on solving complex business problems
 - What is “culture” and its role in “decision quality”?

Typical reactions to talking about culture

Soft



And for good reason...

Ideologues & advocates

Sounds good but so what...

No meaningful definition of “good” culture

No decision frame

*But all practitioners know it “matters” –
even if unsure what to do about it*

For many companies, cultural issues widely known to be important



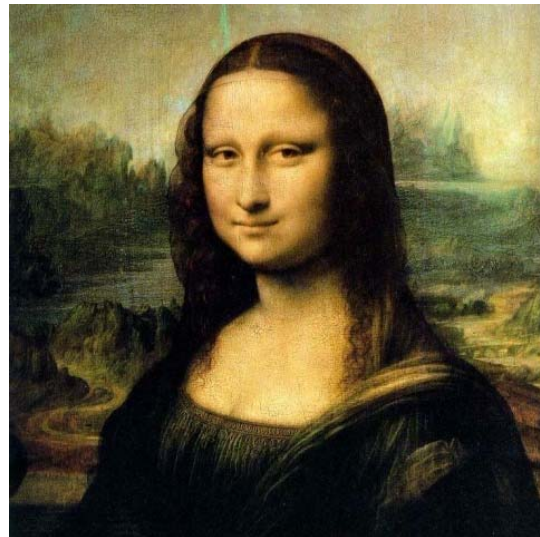
Definition of Culture

Not

Tastes



“High Culture”



“Popular culture”



Definition of Culture

***Assumptions, beliefs, and values
within an organization -
The real ones***

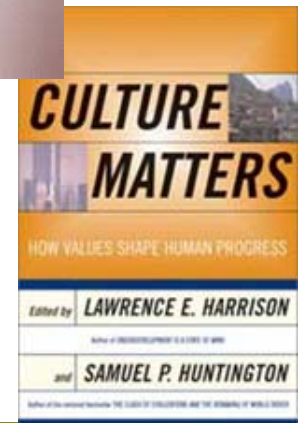
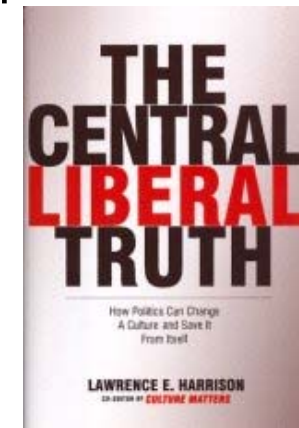
Why is it important?

Shapes frame, logic, world view and values brought to any individual decision

The hidden hand that steers

Is there hard evidence that one culture is “better” than another?

- No, if you read the business literature
- Yes, if you read the development literature
 - Focused on drivers of prosperity and freedom
 - Many case studies, survey data
 - **Harrison**, Huntington, Fukuyama, Basanez, Ingelhart
- Two literatures that are surprisingly disconnected
- Use modified Harrison framework to examine the case of GM
 - Applicable for understanding cultural issues
 - Larger and older than many countries



Diagnosis of GM's Culture

Progressive cultures emphasize the future; static cultures emphasize the present or past

- GM lives in its past glory
- There is little belief that the future is theirs to make
- Like the UK pre-Thatcher

Work is central to the good life in progressive cultures but a burden in static cultures.

- Mixed story
- Very strong work ethic, but it is confined to the elites
- Emphasis on leisure and “the good life” more than the value of hard work
- The groups that do work very long hours are driven to it by a few leaders who think that is a constant requirement
 - Work becomes inefficient and fills the required time, rather than being driven by sensible needs to do whatever it takes to win.

Frugality and investment are valued in progressive societies but seen as a threat in static cultures.

- GM redefined investment as cost cutting
- Believes it can reduce capital investment in products whenever times get bad without having to pay for it
- Willing to save \$1 in capital even if it costs \$100 in incentives
- For a company run by finance people, they seem to have lost all notion of what investment means, in product or people
- Investments that were different and quite successful, such as NUMMI, Saturn, and then later OnStar and Hummer were made reluctantly
 - Never really embraced by the organization
 - Seen as threats or outsiders
 - GMDAT, its Korean joint venture, has been a tremendous and unanticipated success, but is viewed with condescension and even deeply resented by many

In progressive societies, merit is central to advancement but in static ones it is family and connections.

- Mixed to negative reviews
- One must be part of the club to advance - right degree from the right school, the right path, and knowing the top guys
- Twenty years ago, GM would have been completely in the static dimension on this attribute
 - Progress in reaching out to groups that had been excluded in the past and advancing them on their merits
 - Truer for GM's operations outside of North America and Western Europe
- In North America: pick high IQ people, “right” background, early age, then rotate through short “developmental” assignments
 - Very smart with broad experience
 - Seldom people who have truly accomplished anything
- Lack of business fundamentals and passion
 - Strong sense of entitlement

In progressive cultures, people identify with groups well beyond the family and into society at large.

- GM falls directly into the static side
- Surprisingly full of provincialism, based on both function and geography
- Almost all identify themselves with their function and then the local business unit
 - Viewing others as ignorant meddlers and sometimes outright adversaries
- GM's investments in major alliances; Fuji, Suzuki, Isuzu, and Fiat; were all great disappointments and had little if any return
- Of all GM's cultural problems, this might be the most crippling
 - An inward focus that is largely responsible for its hostile relations with its dealers and suppliers and, most troubling, with consumers
 - Company has repeatedly displayed behavior that shows it to be tone deaf to society at large and much of the external world has written off the company

Ethical codes are more important in progressive cultures.

- GM gets high marks
- Few corruption scandals
- sexual harassment is not permitted
- Strict adherence to the Foreign Corrupt Practices Act
- The company will not let itself be associated with “shady” characters or businesses

Authority tends to be horizontal and decentralized in progressive cultures and centralized and vertical in static cultures.

- Authority at GM is centralized
- Becoming more so as the company “globalizes” by creating strong, centrally controlled global functions which further weakens regional autonomy
- One of the perverse outcomes of globalizing functions is that authority is becoming “horizontal” and strongly centralized, as global functions that are all run from Detroit become the main lines of authority and undercut the business units

Education is critically important to progressive cultures, but only marginally important in static ones, except to elites.

- Squarely in the static camp
- Existing training is peripheral
- GM University- launched with soaring rhetoric - is of little to no importance
 - Unlike Crotonville for GE
- Most of the programs that were in existence were among the first casualties of “structural cost reductions.”

Progressive cultures are secular, with limited influence of religious culture and a high degree of tolerance of heterodoxy and dissent.


- GM scores fairly low on this attribute
- little tolerance of strong dissent
 - subversion and passive-aggressive resistance
- Much more attention is given to wondering what the senior leadership will think than to figuring out the right path and trying to make it happen
- Top people spoken of in tones of reverence
 - Seldom debated in any meaningful way

Changing culture means changing its mutually reinforcing drivers


- ✓ Remove Board of Directors
- ✓ Remove CEO
- Remove management team
 - Too embedded to change
 - Replace with outsiders, people from Asia Pacific, Latin America
- Redesign structure to give P&L experience
 - Enforce accountability
- End dominance of global functions
- Reverse weight of Finance/Product from 90/10 to 10/90
- Make education part of every employee's work life
- Revamp decision making processes
 - End overlapping committees
 - Drive authority down

But should anyone pay attention to culture in a turnaround?


Yes - Changing culture is vital and necessary in a turn around

“**Establish a results oriented culture**...Build a new corporate culture. A healthy culture is simply...honesty, trust, dignity, and respect” – 

“**Novell had a dysfunctional culture, a sick culture**...a culture of fear...and it was a big problem. “ – 

“In addition to cost cutting, innovation, and growth...**the fourth requirement for transformation is culture change.**” – 

“**It's all about culture.** You have to transform the culture, not just the strategy. Culture is what people do when no one is watching...Culture isn't just one aspect of the game; it is the game.” – 

When the CEO of one of Mulcahy's biggest lenders said she would have to kill the culture to succeed, **Mulcahy shot back, "I am the culture. If I can't figure out how to bring the culture with me, I'm the wrong person for the job."** She **appealed to employees with missionary zeal**, in videos and in person--what Burns called a "laying on of hands." She implored them to "save each dollar as if it were your own. - 

“Cultural Capital”

- Recently defined by Lawrence Harrison
 - Cultural capital highly correlated with prosperity and freedom
 - Another dimension of capital, joining: financial, human, social
- Important idea to describe health of a private-sector enterprise
 - Underlying capability that drives long term health and sustainability
- Ability to see the world clearly and make right decisions
 - Strategy & operations
- Need to develop set of diagnostics and interventions appropriate for private sector

Some Indicators of Cultural Health

Bad	Good
Others blamed for problems	Strong accountability
Silo's define identity	Company defines identity
No contact with customers	Strong customer focus
Focus on cost cutting	Focus on total value
Same problems persist	Problems solved once and for all

Next Steps – Decision Consulting

- Refined model of culture and role in profitability
 - Based on research
- Develop understanding of how to change
 - Different for companies than countries (parenting, primary education...)
- Integration into general model of problem solving

To: rkleinbaum@rakando.com

cc: bob.lutz@gm.com

Date: 03:55:44 PM AST Today

Subject: retooling gm's culture

rob: just went through your paper on the above. I found myself reading with increasing and intense interest, as you touched on a number of points that I also feel are important as we look forward regarding culture.

thanks for taking the time to pull together. obvious to me that you have a passion for the company and a deep sense of concern.

einstein said it (roughly paraphrased): the definition of insanity is doing the same thing over and over again and expecting a different result. this is especially and directly relevant with regard to culture.

thanks again and best regards. fritz