

A CRITICAL NEEDS PLAN FOR GENERAL MOTORS: A CULTURAL PLURALISM APPROACH

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ABSTRACT

The purpose of this paper is to create a critical needs plan for General Motors Corporation in the 21st century. General Motors (GM), once the most dominant manufacturer in the automotive industry, finds itself in financial crisis with a Chapter 11 bankruptcy and a necessary government infusion of capital. The foundation of this paper applies the Supportive Model as an effective strategy for creating a new corporate culture and focusing GM as a competitive manufacturer in the global automotive industry. The basis of this critical needs plan focuses on more than managerial or financial influence, but a cultural change including corporate ethics, corporate social responsibility and a critical thought approach to operating in the 21st century.

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KEYWORDS: Leadership, Cultural Pluralism, Organizational Behavior

INTRODUCTION

With the increase in global competitive pressure, it is important for a business organization to understand the organizational behavior and dynamic changes to its cultural and ethical environment. Economic globalization has forced many U.S. companies to take a hard look at their competitive environments focusing on the steps necessary to remain competitive on the world-stage. Engle (2006) observed that many of the top industrial powerhouses within the past 10 years have realized that past success does not equate to future gains. Companies must replace complacency with an intense effort to optimize operational processes by examining the organizational behavioral. This is especially true for companies facing critical issues. This case study provides a critical needs plan for General Motors Corporation. The organization's culture and ethical behavior are two of the many possible subject areas examined as an overall plan to optimize operations. The recommendations will take a comprehensive approach by considering leadership, organizational culture, financial ramifications, cross-cultural issues, and potential ethical conflicts.

A critical needs plan for a global company such as General Motors Corporation includes an assessment of global culture and global ethics. The structure of the organizational plan for General Motors is to be adaptive to the global environment and strategically support global markets competitive demands. According to Hannan and Freeman (1977), any plan focusing on a global company is complex and relies on a working strategy that supports a relationship between the structure and its environment. Gupta and Govindarajin (2004) believed that globalizing in today's business environment necessitates organizations recognize four key constructs to globalizing in the 21st century: (a) the organization's position in the market; (b) the availability of capital to expand the organization; (c) the availability of supplies for the organization and (d) a corporate outlook that considers the overall global picture.

The paper will present an exploration of General Motors' proposed critical needs plan in four specific areas. First, cultural behavior will examine the importance of cross-cultural diversity for a global corporation, as viewed through the application of a supportive leadership model. Second, ethics and

leadership as it relates to responsibility to internal and external stakeholders will be evaluated in conjunction with the transformational leadership model. Third, corporate social responsibility will be evaluated by comparing market mentality versus social responsibility mentality, including an application of utilitarianism ethical theory. Last, several management approach issues will be considered, including a SWOT analysis, the critical thinking approach to decision making, and the importance of partnerships and alliances in the contemporary global marketplace.

REVIEW OF THE LITERATURE

Jung and Avolio (1999) believe that successful organizations that expand globally understand the differences in foreign cultures and that this understanding corresponds with the exponential growth of the global economy. With the diversity of cross-cultural differences, it is critical that General Motors study each market's cultural organizational behavior and determine if a common matrix exists.

The Supportive Model is an effective model for use as a base plan for any organization's needs. This model illustrates leadership by a human resources approach of emphasizing support for the workers as the most important factor in leading the organization. According to Newstrom and Davis (2002), leadership and not managerial authority is the foundation of the Supportive Model. This type of leadership helps promote employees' growth and motivates them to obtain common goals that are beneficial to the organization.

Cultural pluralism defines the manner in which an organization reacts to the changing cultural paradigms. Successful organizations find ways to adapt to the changes in beneficial ways while continuing the involvement and advancement of its internal members (Nagar, 2005).

General Motors did not experience success until 1923 with the hiring of Alfred P. Sloan as Chief Executive Officer. Sloan changed GM's corporate philosophy by concentrating each GM brand to a dedicated market resulting in overall U.S. market domination that rose as high as 50% between 1950 and 1965. In addition to being the largest automaker, GM prided itself on producing automobiles at the lowest cost while remaining the style leader of the industry (Olson & Thjomoe, 2010). The domination was so prevailing that in 1955 the United States Congress began anti-trust hearings threatening to divide the company into smaller segments. Although no action was taken, GM management realized that a refocus of corporate direction was necessary. Instead of increasing its market share, GM would need to find ways to increase its profit margin while maintaining its existing control of the market (Olson & Thjomoe, 2010).

By 2009, General Motors had declared bankruptcy and was in the process of eliminating certain brands and closing dealerships and operations (e.g. Saab, Hummer and Pontiac). Furthermore, the company required an immediate cash infusion of \$50 billion in capital from the U.S. Government in order to meet current daily obligations. The price for the involvement of government money was to force the accelerated sale of GM assets (Lubben, 2009).

Key to regaining consumer confidence begins with a change in an organization's culture. According to Harbour-Felax, General Motors is aware of the issues related to its financial downfall, but failed to make the necessary cultural changes to resolve these issues (Zoia, 2006). General Motors needs to embrace diversity in global manufacturing facilities and market share. The changing global environment, increased fuel costs and a desire for environmental protection creates a different culture that is necessary for success in the 21st century (Svensson, 2004).

Ethics and leadership are synonymous terms that work in conjunction with one another in order to establish a foundation in which an organization operates. Baron (2006) believed that ethical behavior is a

methodical approach to making decisions based on defined principles. In contrast, Bass (1990) believed that transformational leaders help to broaden the vision of one's followers focusing on creating an atmosphere that considers more than individual needs but considers the needs of the organization.

Wood (1991) defined corporation social performance as, "a business organization's configuration of principles of social responsibility, process of social responsiveness, and policies, programs and observable outcomes as they relate to the firm's societal relationships" (p. 759). General Motors acknowledges this responsibility by analyzing all legitimate parties to its operations in order to determine the potential conflicts between corporate responsibility and its social responsibility (Johnson, 1986).

In conjunction with the significant health care liability, the antiquated distribution system that adds at least 20 percent to the price of every new car enhances the overall problems at General Motors (Levinson, 2006). Kubasek, Brennan and Browne (2003) suggests that a critical thinking approach could help General Motors identify the company's strengths, weaknesses, threats and opportunities and will improve General Motors overall operations.

CULTURAL BEHAVIOR

Cultural behavior can vary significantly among different markets. Jung and Avolio (1999) believe that successful organizations that expand globally understand the differences in foreign cultures and that this understanding corresponds with the exponential growth of the global economy. Being the world's biggest automotive manufacturer prior to 2008, General Motors employed approximately 325,000 employees worldwide (Webster, 2006). With the diversity of cross-cultural differences, it is critical that General Motors study each market's cultural organizational behavior and determine if a common matrix exists.

The Supportive Model is an effective model for use as a base plan for any organization's needs. This model illustrates leadership by a human resources approach of emphasizing support for the workers as the most important factor in leading the organization. "[Elton Mayo and F.J. Rothlisberger] concluded that an organization is a social system and the worker is indeed the most important element in it" (Newstrom & Davis, 2002, p. 36). When dealing with a sensitive issue such as health-care costs and the expansion of operations into a foreign environment, it is important to implement a plan that demonstrates the company's commitment to its employees and those from the new foreign environment. A change in the organizational culture would not prevail over the individual priorities of a company's employees or the foreign environment. According to Newstrom and Davis (2002), leadership and not managerial authority is the foundation of the Supportive Model. This type of leadership helps promote employees' growth and motivates them to obtain common goals that are beneficial to the organization.

Utilizing the Supportive Model, General Motors can embrace cultural diversity and pluralism as part of the globalization strategy. Cultural pluralism defines the manner in which an organization reacts to the changing cultural paradigms. Successful organizations find ways to adapt to the changes in beneficial ways while continuing the involvement and advancement of its internal members (Nagar, 2005). One problem an organization finds when globalizing concerns that significant differences exist in the market's organizational culture. Cultural discomfort among management dealing with markets that they are not familiar with could result in disruption to business flow. The intent is not to force a change in the organizational culture, but embrace it and bridge different cultures together. The challenge of managing organizational culture is the human relation factors. Despite the fact that the company is from the United States, it would not be appropriate for General Motors to assume that foreign markets share a common vision. The key to dealing with organizational cultural differences begins with the identification of any commonalities among the different cultures. The goal is to develop a general plan encompassing components from existing cultures in order to establish a new global organizational culture.

Although incorporated in 1908, General Motors did not experience success until 1923 with the hiring of Alfred P. Sloan as Chief Executive Officer. Sloan, an engineer by trade, believed that product development began with design and must focus on the wants of the buying public. Sloan found that in the early years, GM's problems originated with its lack of brand specialization. Prior to Sloan's employment, the company failed to focus a dedicated brand to a specific market segment. Sloan changed GM's corporate philosophy by concentrating each GM brand to a dedicated market resulting in overall U.S. market domination that rose as high as 50% between 1950 and 1965. In addition to being the largest automaker, GM prided itself on producing automobiles at the lowest cost while remaining the style leader of the industry (Olson & Thjomoe, 2010).

The domination was so prevailing that in 1955 the United States Congress began anti-trust hearings threatening to divide the company into smaller segments. Although no action was taken, GM management realized that a refocus of corporate direction was necessary. Instead of increasing its market share, GM would need to find ways to increase its profit margin while maintaining its existing control of the market (Olson & Thjomoe, 2010).

Unfortunately, the decision to change business strategy failed to recognize the materialization of a new desired market segment for smaller more compact vehicles. Another issue confronting GM originated with the focus on reducing costs and increasing profits. The increase in profits did not go unnoticed by the United Auto Workers (UAW). The UAW was astute to the direction of the American automobile industry and that higher profits provided increased opportunity for union worker wages and benefits without an equivalent proportion of increased worker productivity (Martin & Schrum, 2010). A *New York Times* article in 2009 reported that upwards of \$ 1,000 per auto sold represented health care and pension costs to the company (Martin & Schrum). The issue is magnified when retirees are factored into the equation as upwards of 450,000 non-working individuals, retirees and surviving spouses, were covered by GM benefit plans in 2005.

In addition to the issues related to its benefit and pension issues, GM continued to further distance itself from its successful past by implementing a strategy of "platform sharing across GM division brands" (Olson & Thjomoe, 2010, p. 105). The strategy to cut costs included a reduction in Sloan's original plan of brand specialization sharing similar designs across the GM brand spectrum. Although the strategy did succeed in reducing overall costs, the long-term affect was a dilution of each brand's uniqueness. In 1979, GM's share of the U.S. market was 46%, but because of rising health care and pension costs, a reduction in worker productivity and a dilution of brand specialization that market share dropped to 22.5% (Olson & Thjomoe, 2010). By 2009, General Motors had declared bankruptcy and was in the process of eliminating certain brands and closing dealerships and operations (e.g. Saab, Hummer and Pontiac). Furthermore, the company required an immediate cash infusion of \$ 50 billion in capital from the U.S. Government in order to meet current daily obligations. The price for the involvement of government money was to force the accelerated sale of GM assets (Lubben, 2009).

The sale of the assets also created a way to reduce existing health and pension costs by creating a specialized trust called a Voluntary Employee Benefit Association (VEBA). The VEBA would be a fully funded separate entity that would guarantee benefits but required a promise of no union action (e.g. strikes) for several years (Lubben, 2009). The challenge created by the bankruptcy and government involvement is for General Motors to recreate the confidence it once experienced by consumers. Key to regaining consumer confidence begins with a change in an organization's culture. According to Harbour-Felax, General Motors is aware of the issues related to its financial downfall, but failed to make the necessary cultural changes to resolve these issues (Zoia, 2006). General Motors needs to embrace diversity in global manufacturing facilities and market share. General Motors needs to return to an organizational culture that embraces product specialization that focuses on the specific wants of its

consumer base. The changing global environment, increased fuel costs and a desire for environmental protection creates a different culture that is necessary for success in the 21st century (Svensson, 2004).

ETHICS AND LEADERSHIP

Elmer W. Johnson (1986), a former Vice President of Public Affairs and General Counsel for General Motors said:

The people of the United States and other industrialized nations of the free world, through their governments, have rightly come to look upon GM and other large corporations not simply as business enterprises organized for profit, but also as institutions with far-reaching responsibilities to protect and enhance various social interests and goals (p. 174).

Ethics and leadership are synonymous terms that work in conjunction with one another in order to establish a foundation in which an organization operates. Baron (2006) believed that ethical behavior is a methodical approach to making decisions based on defined principles.

General Motors recognized that its overwhelming position in both the U.S. economy as well as the global economy places the company in a unique position of more than a corporate giant. General Motors' actions affect more than just its internal stakeholders (e.g., employees, management, and shareholders), but has a direct affect on its nonmarket environment as well. "The nonmarket environment is composed of the social, political, and legal arrangements that structure interactions outside of, but in conjunction with, markets and contracts" (Baron, 2006, p. 2). Included in Baron's (2006) definition of the nonmarket environment are outside groups, governmental entities and the public. In contrast, Bass (1990) believed that transformational leaders help to broaden the vision of one's followers focusing on creating an atmosphere that considers more than individual needs but considers the needs of the organization.

Managing a business or organization requires careful consideration and balance of the various components. True leadership is capable of considering a multitude of components that includes both market and nonmarket issues. The concept of ethics is one of a guiding light or force to assist the leader in his or her quest to maximize the potential of the organization. The theory of transformational leadership works in conjunction with the plan utilizing the Supportive Model by considering the needs and desires of the General Motor's employees and its new partners in an ever-expanding global environment.

CORPORATE SOCIAL RESPONSIBILITY

General Motors recognized its inherent responsibility in its social performance as well as its corporate performance. Wood (1991) defined corporation social performance as, "a business organization's configuration of principles of social responsibility, process of social responsiveness, and policies, programs and observable outcomes as they relate to the firm's societal relationships" (p. 759). General Motors' social responsibility encompasses a wide range of stakeholders including employees, stockholders, customers, governmental agencies, and the public. General Motors acknowledges this responsibility by analyzing all legitimate parties to its operations in order to determine the potential conflicts between corporate responsibility and its social responsibility (Johnson, 1986). In the 1980s, General Motors experienced a conflict between these different responsibilities because of its former policy of "command-and-control" (Johnson, 1986, p. 174) to one of social responsibility. General Motors' attempt to implement a new mentality upon its management in a short period placed its managers in a quandary between a market mentality and a social responsible mentality required of corporate partners' intent on a comprehensive plan for interaction and responsibility within its environment.

As a subcomponent of the Supportive Model, the ethical leadership plan incorporates the theory of utilitarianism into the overall plan. “Utilitarianism is a consequentialist system with two particular features. First, consequences are to be evaluated in terms of the preferences of individuals, and second, those preferences are to be aggregated” (Baron, 2006, p. 702). Those following utilitarianism base their ethical decisions on the interest of the whole and not any individual part of the group. Utilitarianism finds its foundation in the needs of the General Motors employees in addition to the needs of its corporate environment. Within the Supportive Model, the theory of utilitarianism provides the General Motors’ management a clear overview of all possible directions in regards to health care coverage and how it will approach its plan that effectively globalizes the company resulting in reduced costs, increased profits, and an effective relationship with its hosts in various foreign countries.

MANAGEMENT APPROACH TO ISSUES

Rising health-care costs and a declining market share have significantly affected the financial stability of General Motors. General Motors is the largest private provider of health care within the United States. In conjunction with the significant health care liability, the antiquated distribution system that adds at least 20 percent to the price of every new car enhances the overall problems at General Motors (Levinson, 2006). Kubasek, Brennan and Browne (2003) suggests that a critical thinking approach could help General Motors identify the company’s strengths, weaknesses, threats and opportunities and will improve General Motors overall operations. The critical thinking approach encompasses the following eight steps: Step 1) the company must know the facts. In a global environment, it is important to be aware of consumer concerns and competitors position. The Supportive Model will enable General Motors to take a more proactive approach at focusing on gathering appropriate data necessary for future decisions. Step 2) the company must identify the critical needs and issues affecting the company. The primary questions or issues requiring attention are: (a) which factors contribute to General Motors excessive costs and (b) what are the contributing factors in decline in sales? The problem that all automotive manufacturers face is the rising costs of manufacturing when the emerging markets have limited resources for the purchase of automobiles and prefer a basic vehicle in comparison to the loaded varieties commonly found in the United States (Howell & Hsu, 2002). The answer lies in the creation of partnerships and alliances among competitors and technology companies.

Technological alliances permit General Motors a strategic advantage by establishing a relationship with a competitor with a sound base in a specific foreign market while utilizing common technology for the benefit of both companies. For example, a General Motors alliance with Suzuki opened an opportunity within the Asian market without the barrier of a new start-up operation. In conjunction with Suzuki’s presence in Asia, this alliance provides General Motors with,

... access to Suzuki’s small car platform and its low-cost manufacturing experience. The tie-up gives Suzuki access to General Motors advanced technologies, particularly alternative propulsion and hybrid systems, entry to the growing Latin American market and worldwide component sourcing (Howell & Hsu, 2002, p. 45).

The relationship between General Motors and Suzuki provides a focus of the critical needs plan for General Motors utilizing the Supportive Model. General Motors can no longer operate in the same manner it did during the 20th century. The future of General Motors depends on strategic alliances like the one with Suzuki. This provides a unique approach to supporting its employee base, stakeholders, and its new global alliances in an ever-expanding global environment. Step 3) the company must establish a set of logical reasons or justifications for supporting the business decisions. Management from the top and continuing down the chain of command should review all reasons and provide justifications for why these issues and risks were not identified sooner. The process of critical thinking requires that the

decision be viewed from a different set of lenses. "... Officers and directors are required to exercise their duties in a manner they reasonably believe to be in the best interests of the corporation" (Kubasek et al., 2003, p. 433). Critical thinking skills are important for business decisions to comply with emergent law and as well support of the community ethics (Kubasek et al., 2003). Step 4) once the appropriate facts are defined, the company must assess the legal and social impact of business decisions. This step is critical to General Motors' success in an ever-expanding global environment. The key is a comprehensive knowledge of the legal environment in the various foreign countries that General Motors chooses to compete. Step 5) once determined, the plan should be implemented at all levels of the business. It is important not to discard subjective reasoning without applying critical reasoning. Innovative ideas require an accurate utilization of critical thinking ability to determine if the information is factual or subjective with merit. This is critical when it comes to technical discussions, where ambiguous subjective comments such as *it can never be done* may have a negative impact on innovation. Step 6) in conjunction with plan review and implementation, the ethical norms of the business decision should also be considered. The primary ethical norms that provide direction of the legal environment of business are freedom, security, justice, and efficiency (Kubasek et al., 2003). The final decisions made by General Motors consider the ethical impact of its business decisions. What will internal and external stakeholders' think of the decision? Step 7) business decisions depend on the experience and knowledge of previous events. In order for General Motors to move ahead, the company must review and analyze previous events and actions. Step 8) the final step of the critical thinking process is to consider the business decision in regards to missing information. In a global environment, the dynamics of said environment change quickly and it is critical for the company to be on the cutting edge of all available information.

SUMMARY

This case study provided a critical needs plan for General Motors Corporation. The organization's culture and ethical behavior were two of the many possible subject areas examined as an overall plan to optimize operations. The recommendations took a comprehensive approach by considering leadership, organizational culture, financial ramifications, cross-cultural issues, and potential ethical conflicts.

The foundation of this critical needs plan for General Motors centers on the Supportive Model utilizing a critical thinking approach to globalization. Global expansion is inevitable for all automobile manufacturing companies. After many years of negative financial results and stratospheric increases in health-care costs, General Motors is taking a proactive approach in order to lower its manufacturing costs and expanding its market base into markets that are exponentially growing in the 21st century.

The Suzuki example in Asia demonstrates that implementing the Supportive Model focuses on the strengths of both partners considering the needs and desires of both the internal and external stakeholders. "Globally integrated strategies demand it to manage both the uncertainties involved in a highly intricate networking operation and to develop and implement strategies quickly to parry and riposte the actions of other companies pursuing a similar strategy" (Lei & Slater, 1990, p 29). The first automobile manufacturing company to maximize the advantages of a global market including those of reduced costs will set itself up as the primary manufacturing company in the 21st century. This case study reviewed the history of General Motors and its relationship to the changing of its culture over the past century. The study found that General Motors failed to recognize that its culture was not in congruence with its business environment and the culture of the global automobile industry. The primary limitation of this study was its reliance on the existing literature without researching the relationship between the current business environment and the automobile industry. Future research should delve into the existing automobile business environment including the views of those currently working in the environment.

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