

UNIVERSITY OF WALES TRINITY SAINT DAVID

CHANGE MANAGEMENT CASE STUDY – GENERAL MOTORS

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GENERAL MOTORS & ITS CHANGE

MANAGEMENT PLAN

Introduction

The chosen organisation that has experienced a change programme is General Motors. Today's business world is growing at a rapid rate along with updated technologies, latest methods of production with new choices from the customers keeping in mind the market trends. New strategies are being introduced to control the organisations better and the level of motivation of their employees as with the passage of time old methods are being replaced by new ones as the customers are considered to be the driving force behind these changes and the organisations are and willing to spend more billions dedicated to research and development in the organisation. Keeping in mind the aspects mentioned above, managers and experts of today are forced to decide regarding the change management because now the activities in the business world are of a global nature and every single organisation aims to maintain their loyal customers, provide the appropriate training to their employees, introduce and adapt their companies to the new methods related to production which basically paves the way for change management to be introduced into the business world (Khan & Hasim, 2014).

So when the organisation realises that their chosen management style, their working administration, their choice of technology used, human resource policies being practiced, organisational culture, the employees level of satisfaction regarding the content and context of the organisation and the quality of the product or services being offered are actually having a detrimental impact on the entire image along with the reputation of the organisation, comes the real question of how introducing change can affect the present precarious situation of the organisation, forcing the experts who are analysing the situation to come up with a change

plan introducing the concept of organisational change or in other terms change management. This process of changing along with effectively implementing procedures and technologies to achieve the set target of the organisation, or in other words bringing change to the overall organisational environment in order to have maximum advantage from the change program usually includes factors such as control change, adaptation change and effecting change.

The one and main purpose of change management is the long term durability of the organisation due to which change management might include actions related to bringing change to the organisational culture and its current choice of technology, its recruitment and selection procedures, modes and methods of staff training, the job skill and knowledge required for the employees to be considered fit for being a part of the organisation etc. Change management means “when all actions are taken to improve the present situation for future to implement the change strategies to get the maximum advantages and also see the objectives of the organisation is achieving or not (Buchanan & Huczynski, 2005).

Similar scenario was faced by General Motors management. General Motors was established in 1908. During this period general motors was the only car maker dealer in the region of Michigan. In the initial years it was a holding Buick company and by 1920's it was close to become the world's largest motor manufacturing company. It was considered to have gained a lot of success due to the leadership of Alfred Salon, as under his management the organisation was able to produce new styles and designs of cars almost every year, tapping into every target market audience. General Motors also had other multiple brands including Chevrolet, Pontiac, Buick and Cadillac. These were the various brand cars that were being manufactured by general motors at the time keeping all the other market competitors at a disadvantage when it came to market entering strategies as it is evident from their market dominance strategy.

However, the scenario started to change with Japanese automakers entering into the market and General Motors market dominance felt threatened. Especially with Toyota Japan entering as a strong competitor, the profitability of General Motors got disturbed specifically in the North America region. Resultantly by 2001, the sale graph of General Motors was showing a declining trend because apparently Toyota had taken over the market where General Motors had been ruling since its conception.

To help the bleak situation of General Motors, the management received a loan from the American government along with Canadian government to stabilise and support itself from the crisis it was facing. Nonetheless, in 2009 General Motors went into bankruptcy causing it to shut down its production of several brands and get sold out to a China based organisation. The new management was able to bring the company to its former stable position by restricting and introducing change in the company leading the company to start reoperating its business in its initial core brands in America including Chevrolet, GMC, Buick and Cadillac (Muoio, 2007).

This piece of work will now analyse the change management introduced by the management team at General Motors. When analysing the change management plans it is useful to reflect on different organisational change managing approaches and see how best the change plan at General Motors was managed, keeping in view the change factors, the resistance faced and the result and effectiveness of it. There are four main approaches to change management such as Lewin's classic three step model, Kotter's eight step plan, action research and organisational development.

Factors behind organisational change include external and internal factors including bringing change in the organisational activities but that could also mean creating problems to make the change process even more complicated and difficult. When change is introduced it

is possible to be accompanied by resistance in the form of previous employees' or mid line managers' resentment towards changing their way of working due to either their own way of thinking or perception related to change. Whatever reasons for resistance are, it is up to the managers how they deal with the resistance and reduce the increasing intensity towards the idea of change.

External factors of change that had a great impact on General Motors was the entry of a strong competitor in the market of carmaker dealers, that is, the Japan based company Toyota. In North America which was considered to be the biggest market place for General Motors, the entry of such competitors had a negative impact on the profitability of General Motors. Another external factor of change to be considered in this case could be the financial crisis that General Motors unfortunately faced during the same time which led to the eventual collapse of the cash flows of the organisation. While considering the internal factors for change the high wage costs can be termed as one of the major factors. General Motors was paying its employees up to \$74 per hour in comparison to Toyota who had their per hour wage rate at \$44. General Motors was not able to cut down its costs from wage rate as it was in a binding contract with a trade union. Also another internal factor of change was the compulsion for General Motors to continue its running of their plants at 80% of minimum capacity irrespective of high or low product demand which eventually can be considered to be the reason that the company declared bankruptcy. This state of the organisation when it identifies the need for change and prepare itself can be identified with Lewin's first step of the three step classic model denoting the concept of unfreezing the present circumstances in order to lay off the pressure of individual resistance and also group conformity.

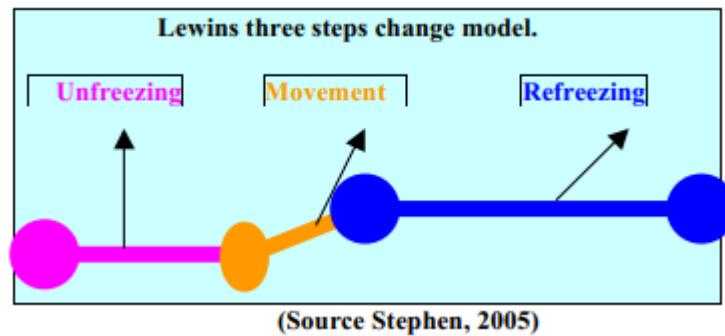


Figure 1: Lewin's Classic Change Model

Unfreezing is followed by the movement phase to the desired end state referring to the process that changes the organisation's current status to the desired end state which was clearly reflected when the management of General Motors was eventually able to come up with a change management plan which included structural change, cost related changes, process and cultural change. There were a few steps of change that the company took including cost cutting and cultural change. First and foremost, the organisation reduced its costs related to some brands to maintain the profitability level including Saturn, Hammer etc. Also one of the most needed cost cutting steps was the reduction of wage rate of the employees due to which eventually General Motors was able to achieve the set target of cost reduction to 15 billion in the recent years. Furthermore, General Motors also was able to take some steps to change the culture of the organisation which referred to the removal of its automotive product board along with having a maximum of 8 men for board decision making who worked directly under the CEO and reported to him. The main aim of this change of organisational culture was to make the decision making process more time efficient and effective.

It is understood that "when change strategies have been implemented in the organisations, the employees quickly respond by voicing complaints, engaging in work slow down, threatening to go on strike etc" (Khan & Hashim, 2014). Consequently, as expected

the change management plan of General Motors faced a lot of issues. The top down organisational cultural approach completely ignored the inclusion of employees in comparison with other companies. Suggestions were made regarding not adopting a down top approach which would lead to a more satisfied workforce which was accepted by the management and implemented upon giving empowerment to the employees rather than just telling employees what to do.

Keeping the last phase of refreezing of Lewis' three step model of change in mind where the new change is implemented and made a part of the organisation on a permanent base, stabilizing the change process by ensuring the balance between the driving and the restraining forces (Robbins, 2005) it can be clearly identified that General Motors also exercised the change plan on a more permanent base. The changes brought about and adopted by General Motors had the following impact: firstly the cost reduction change strategy exhibited a cut down of workers from 226000 to 101000 with the current focus on sales of the products now rather than further cut off. Also to continue the change plan of reducing costs, General Motors is now considering the option of reducing its factory workforce from 60000 to 40000 as neither the management is under any binding contract of any trade union nor under the compulsion to continue production at 80% of capacity irrespective of the product demand. The changed organisational cultural plan also worked effectively as now General Motors has a workforce which is a lot more aware of the fact that they are responsible and held accountable regarding their performance and have a much more empowered workforce leading to an improved productivity level.

The well-known Force field analysis by Kurt Lewin is also useful when analysing the change management plan of General Motors. This model was developed in the mid-20th century and is known for systematically understand various factors in complicated scenarios (Nasser, 2015). This model considers two types of factors with one type assisting the

organisation to move towards achieving the set target and the other consisting of factors causing hurdles in achieving the goal. These factors are understood to work against each other within the organisation and eventually reach a balanced state known as equilibrium. Any situation which has an impact on this equilibrium and disturbs it consequently leads to change (Burnes, 2004). The following illustration highlights the high levels of pressure General Motors had for and against the change plan .

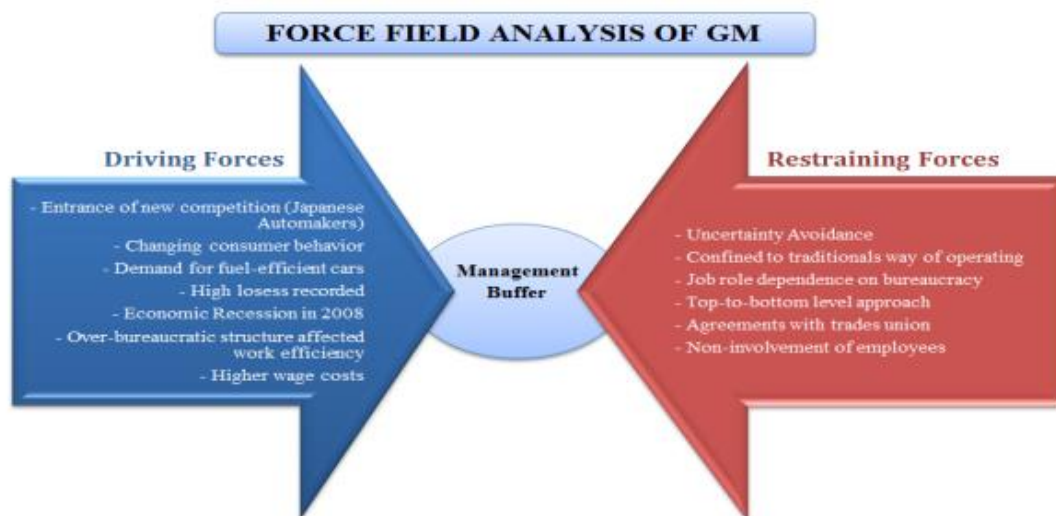


Figure 2: Lewin's Force Field Analysis of General Motors

Another analytical perspective could be via the bridge transitional model. This model consists of three stages (Figure 3) with the first stage of letting go and having acceptance that the current state and way of handling affairs need to come to an end leading to the understanding that in order for the new stage to start the workforce must let go of certain things. In the case of General Motors, it became evident that there were inconsistencies when it came to the set goals of the organisation and the current operations. Thus it was fairly obvious to the management that its market dominant days were behind them which made them set back and let the US government taking 60% of its control along with tax payers assisting General Motors out of the bankruptcy state ("UK Essays", 2015). General Motors

was one of the most prominent and dominant American automotive industry making it crucial for it to be rescued rather than let it crumble under the financial crisis it was facing. Also, the complete downfall of General Motors would have meant failure and loss to its various suppliers, distributors and workforce.



Figure 3: Bridge's Transitional Model

Stage 2 on the other hand depicts the neutral zone referring to the action of acting as a bridge between the previous management system and the new change management plan. When it comes to change employees experience a lot of anxiety, uncertainty, stupefaction and anger. In the case of General Motors, the new CEO Ed Whitacre introduced a new change plan by using his authority to increase the accountability of the employees however, this made the employees more fearful of their jobs during the implementation of the change management plan and reorganising of General Motors (“UK Essays”, 2015). The CEO realised that he has increased the stress for the employees so he issued a companywide email stating “A smart company changes and adapts to the needs of the business. So while there will always be individual moves within General Motors, I want to reassure you that the major leadership changes are behind us” (Welch, 2010). Lastly, after the neutral phase is over, comes the new beginning taking over eventually where individuals associated with the organisation start to accept and embrace the change and slowly and steadily acknowledges

the advantages of the change management plan to the organisation and how it would have a positive impact in the long run (Managing Change – Bridges Model, n.d). In General Motors case, the organisation was delighted to have a new beginning that was much awaited although it came through the hard choices of letting go of some brands such as Hummer, Saturn, Pontiac and Saab. However it was delighted to take forward it's more productive and successful brands including Chevrolet, Cadillac, Buick and GMC.

Overall the change management plan of General Motors made the company stable enough to achieve its market shares in the North America region as it lost a lot due to the competitors in the market of automakers. So with an effective change plan now General Motors has regained its position in the market and is now maintaining its brand of core products, along with the fact that it has been able to achieve the cost benefits of the change in strategies (Driving change at General Motors, 2005).

GENERAL MOTOR'S ORGANISATIONAL

STRUCTURAL CHOICE AND DESIGN CHANGE

General Motors although came into existence in early 1900's but by 1980's it had successfully become the market leader in the motor industry. It started by have a workforce of up to 349,000 employees along with 150 assembly plants. General motors initially had a traditional organisational structure reflecting the top down approach. The traditional model of organisational structure reflected of an hierarchy with executives or the president of the company on top, followed by vice presidents or senior managerial staff which was further followed by line managers and eventually employees. The tasks of the workforce were originally divided into departments. The overall working mechanism consisted of different automakers working independently and each one of them operated differently with internal

competitive nature. From the organisational structure perspective General Motors was a unified body with centralized working design whereby many employees would work collaboratively towards achieving a common set target. However the modern organisational structure adopted by General Motors runs differently now with several departments put out of work.

General Motors now uses its organisational structure in order to support the managerial decisions of its management. “A firm’s organisational or corporate structure is the design or system that involves the composition and arrangement of business components, such as departments or offices” (Panmore Institute, 2018). General Motors changed organisational structure includes a regional divisional structure with every organisational function grouped into divisions referring to basically grouping together few business activities based on their geographical divisions or areas of specializations. For example, operations of Europe for General Motors are grouped together as one individual segment. This type of organisational structure is adopted when the organisation is functional in various regional markets, which is similar in the case of General Motors. Keeping this scenario in mind, following structural characteristics can be identified when studying and analysing General Motors: firstly, regional segmentation (referring to its primary structure), secondly business type divisions and lastly corporate functional groups.

It is well understood that the conditions prevailing in regional markets change at a global level when it comes to automotive industry. General Motors however due to its changed and altered structural planning seems to be able to address this situation by using managerial focus which is centred via geographical divisions of the organisation. The geographical divisions are termed as the regional segments in the annual filing system of the company at the United States Securities and Exchange Commission (Panmore Institute, 2018). According to the modern structural design, each division is headed by an executive,

mainly a president or possibly an executive vice-president. This design allows General Motors to apply different strategies that could be termed as best suited for each regional condition. Resultantly General Motors also has regional segments including General Motors North America segment (GMNA), General Motors Europe (GME), General Motors International Operations (GMIO) and General Motors South America (GMSA).

Where General Motors has been able to avail the advantages of regional segment structure, this type of organisational structure also has its own disadvantages which includes facing serious issues when it comes to product integration where each divisional manager is more focused on producing and meeting their own aimed targets and products and are clearly unable to focus on integrating ideas. Not to mention the lack of organisational commitment and loyalty in the work force as such segmentation creates an increased sense of affiliation towards the department the employees work in rather than feeling like being a part of the entire organisation. This type of structural segmentation also can be considered to cause hindrances in the professional growth of the regional heads (specialists) as it is possible that the technical people might feel distant from other colleagues working in different divisions leading to further lack of exposure to any form of development taking place in other divisions depriving of any learning opportunity for the employees from each other (Cook & Woollacott, 1995).

The secondary structural characteristics of General Motors is business type divisions which is based on the different businesses of General Motors such as, General Motors's business operations related to automotive have been grouped together as one division. This specific structural characteristic allows the organisation each business which is different from others at one level or the other keeping in mind that every business has different requirements (Ashkenas, Ulrich, Jick & Kerr, 2015). Due to this, the top executives or managers are able to keep each business aligned with the overall organisational mission statement and its vision as

well. Despite having low levels of diversification due to its previous unstable financial situations, General Motors uses two different business type divisions such as Automotive and General Motors Financial (Auto financing services).

Third organisational structural characteristic of General Motors is that of corporate functional groups. General Motors uses such groups to bring together the entire organisations' business operations. For instance, Global manufacturing is a corporate group which corresponds and is responsible for integrating all automobile and part manufacturing operations together for General Motors. This brings internal consistency and continuousness from the organisational development perspective. Thus, General Motors has now "various corporate functional groups including Office of the CEO, North America, GM Financial, Global Manufacturing, Global Communications, Cadillac, South America, Legal and Public Policy, GM International, Tax and Audit services, Information Technology, Europe, Global Human Resources, Global Product Development and purchasing and supply chain etc" (Ashkenas, Ulrich, Jick & Kerr, 2015).

Overall such organisational structure allows flexibility in the business regarding dealing with constant changes in the market. Also, this type of structure provided General Motors with the opportunity to individually pay attention and give time to its financial service business along with its automotive business. Keeping the advantages of this type of organisational structure, General Motors can optimize the organisation's effectiveness in relation to increasing its sales of its automobiles around the globe. However it is important to acknowledge that although General Motors had a few advantages, still it did face some repercussions with the changed choice of structure which included having limited support regarding brand consistency at the global level as a consequence of having all the attention on regional markets and target audience resulting in low consistency in branding and marketing through out the entire international automotive industry and target market.

In order to deal with such issues General Motors needs to come up with a more suitable marketing global strategy that brings consistency in this branding image. This way General Motors can enhance their brand strength, for example by utilising a collective and consistent marketing campaign on an international level, General Motors can build stronger brands that can gain attention of various customers all over the globe rather than just one regional segment. Also being one of the main manufacturers in the automotive industry, “General Motors must align the characteristics or attributes of the organisational structure with business needs relative to market conditions and this would be due to General Motors abilities which can mainly dependent on its structural features. Thus, with a suitable and evolving corporate structure, General Motors can optimise its capabilities and performance in the international market” (Panmore Institute, 2018).

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