



A Corporate Culture Crisis Case Study

Arthur W. Page Society
2015 Case Study Competition
January 16, 2015



Agenda

1. Recall Facts
2. The Old GM Culture
3. Recall Timeline
4. Media Response
5. Cultural Crisis Communication
6. The New GM
 - Barra turns around the Corporate Culture
 - New Core Values and Safety Program
7. Page Principles



General Motors History

- **1902** – GM was founded in 1902 by William Durant.
- **1911** – GM began exporting vehicles outside of the United States.
- **1930** – GM bought the railcar builder companies Yellow Coach Company and the Electro-Motive Corporation. The company's engine power locomotives travel across the country.
- **2000** – The economic slide took a toll on GM; U.S. government stepped in to prevent its total collapse.
- **2009** – GM files for bankruptcy and reorganizes.
- **2014** – Ignition switch recall announced in January.

As of **November 2014**, GM's market capitalization: \$51.62 billion, revenue for 2014: \$116.3 billion; 219,000 employees in 35 countries.



Challenges of Cultural Change

- **Cultural Crisis in Corporations.**
 - GM is not the first company facing the repercussions of a cultural crisis. In today's fast shifting world, some big corporations are stuck in their old mindset.
 - Multiple Fortune 500 corporations face the problem of employees not evolving or becoming accustomed to cultural change as quickly as they would need to stay ahead of the competition.
- **Humans are programmed *not* to change.**
 - They are wired to survive and hang on to what has worked in the past. Resistance to change is natural. Employees feel comfortable in their set mindsets, routines and a culture that works for them. When facing a threat, or something unfamiliar, the brain goes into a defense mode.



Challenges of Cultural Change

- **Most organizational cultural evolutions take longer than most CEOs expect.**
 - On average cultural evolutions take about five years. The management driving the current change can overestimate the power of change initiatives, meanwhile underestimating the power of their entrenched cultures.
 - Many companies have gotten caught in the whirlpool of their cultural norms. Xerox, Kodak and IBM launched major change programs only to realize their old cultural beliefs fought to reassert themselves.



The Old GM – a Culture of Hush

Before the recall came to light, GM had been suffering many years from its old culture:

- **Muted corporation communication**
 - discouraged employees to speak up
 - Accidents were born of bureaucratic bumbling and individuals seemingly looking for reasons not to act
- The 106-year-old automaker's culture has been criticized for decades as insular, slow to take responsibility for problems, hesitant to deliver



The Old GM – a Culture of Hush

Before the recall came to light, GM had been suffering for many years from their old culture:

- **Nod culture:** Manager nodded and gave approval to the agreed plan of action, and then nobody actually did anything
- **Cost before consumer safety**
 - Engineers approved redesign, then it got canceled; GM saw it as a risky attempt and wanted to avoid extra expenses
 - Punished whistleblowers in a concerted effort to suppress problem reporting
- **Resist Change since 1970s**
 - Underestimate the difficulty of changing an entrenched silent culture




Ignition Switch Recall

33  Deaths

2,000+ Claims for death and Physical injuries;
only 4% have been deemed eligible for compensation



2.6 Million  recalled

15  Executives fired, not for misconduct, but for negligence - didn't take responsibility or act with a sense of urgency.

 \$2.7 Billion in GM recall costs



The Tipping Point of a Cultural Crisis

- GM had always had problems with the ignition switch because the part never met GM specifications. The problem began as a faulty ignition switch lacking torque in 2004. Considering lead-time, cost and effectiveness, GM decided against fixing it.
- Instead, GM advised customers not to use heavy key chains that could pull the ignition switch out of its running position. Initially, lead engineer Ray DeGiorgio reportedly pushed against efforts to address the problem switch's torque problem.
- In 2006, DeGiorgio approved a new design for the part without documenting the change or alerting executives. By the time engineers wised up to the gravity of defect, the recession was in full swing and GM was heading toward bankruptcy.
- An NHTSA defects assessment panel in 2007 was dismissed because overall rates of crashes and injury due to non-airbag deployment were similar to others in the industry.



Timeline Leading to Recall



- **2004** – Ignition issue discovered
- **2005** – Proposed redesign canceled
- **2006** – Ignition fix unannounced
- **2007** – NHTSA ignition investigation blocked
- **2009** – GM bankruptcy filing
- **2014** – Mary Barra named CEO



Media Response



***“New GM CEO Mary Barra downplays media attention, focuses on automaker's future.”
– Michigan Live***

“Views You Can Use: GM's Deadly 'Cost Culture’ – U.S. News

“Is GM CEO Mary Barra Being Thrown Under The Bus?” – Forbes

“GM CEO Mary Barra Takes Responsibility For 'Broken' Culture” – Business Insider



The New GM

January 30, 2014: Mary Barra becomes the first female CEO of GM. Once the recall went public in February, only about a month into Barra's tenure, she rallied as the voice of GM, providing honesty and transparency to the public, which demanded answers.

March 2014: Barra hired investigators to look into the internal ignition switch problem.



April 2014: Barra testified on behalf of GM before Congress and announced the hiring of compensation lawyer Kenneth Feinberg, best known for his work with victims of 9/11.

June 2014: Barra held a town hall meeting broadcast to employees, where she announced the findings of the internal investigation. She also met individually with the families of victims.



Speak Up For Safety Program



- In April 2014, Barra started a new program for employees, which encourages employees to share ideas on improving customer safety, and to come forward when they see something that can be fixed.
- This program is meant to further establish GM as a company that embraces a culture “where safety and quality come first”.



GM's New Core Values:

GM rolled out its three core values in 2013. CEO Mary Barra says she wants her employees to hear and believe her, following her example to encourage communication, and to be open and transparent.

- The Customer is our Compass
- Relationships Matter
- Individual Excellence is Crucial



“We are now getting an opportunity to accelerate the adoption of these values.”

–Mary Barra



Reflecting the Page Principles during the GM Cultural Crisis

SEVEN PROVEN
PRINCIPLES
THAT GUIDE OUR
ACTIONS & BEHAVIOR

- *Tell the truth*
- *Prove it with action*
- *Listen to the customer*
- *Manage for tomorrow*
- *Conduct public relations as if the whole company depends on it*
- *Realize a company's true character is expressed by its people*
- *Remain calm, patient and good-humored*



Page Principles

Tell the truth

- Barra told the truth from the beginning, vowing she would not hide anything, and that she would update the public and her employees as she learned new information. Even though she was new to her position as the leader of GM, she accepted responsibility for the company's untimely handling of the ignition switch issue and did not try to hide anything. Her hiring of an internal investigator and cooperating with all outside investigations are also a reflection of her transparency.

Prove it with action

- Barra led by example. Not only did she say she would do whatever it took to turn her company around, she acted on it. She terminated colleagues, restructured her company to ensure the highest safety precautions will be taken from now on, cooperated with all investigations, and provided timely information.



Page Principles

Listen to the customer

- Barra was open with the public. The GM Social Command Center monitors and listens to what the customers are saying. Barra herself is regularly provided with reports that keep her updated on GM's social media responses, as well as to her public statements. She also met privately with 22 family member in March 2014.

Manage for tomorrow

- GM restructured the engineering department, added product investigators and implemented safety measures to involve every level of employees in the organization to ensure this doesn't happen again.

Conduct PR as if the whole company depended on it

- In reality, the whole company *does* depend on how this situation was handled. If a more tight-lipped CEO were in charge, people might have lost trust in the company instead of a CEO who stood up and admitted a mistake, and is taking adamant measures to right the wrong.



Page Principles

A Company's true character is defined by its people

- Barra is leading by example with openness throughout her multiple public appearances. Her transparent style sets a good example for management and employees to follow.

Remain calm, patient and good-humored

- While there's nothing humorous about a situation where people lost their lives, Barra did remain calm and patient as she cooperated with investigations. She went to Congress four times, met with the families who had lost their loved ones, never pointed fingers, took responsibility for her company's lack of action and is working to fix this issue.



Class Discussion Questions

- Do you really think GM CEO Mary Barra can change the culture after so many years of silence?
- What do you think about Barra's communication efforts?
- Do you think Barra is being totally transparent or is there still something being hidden?
- Should GM continue to blame "culture" instead of individuals? Can the culture change without changing the people?

