

General Motors is Leaderless and Doomed, Unless...

By Peter A. O'Brien

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I read the other day that DiTech was having a poor quarter. This isn't a surprise because every business associated with the housing market is going through tough times. What struck me was that I was reading an article about General Motors. Somehow it had escaped me that GM had purchased DiTech in 1999. I stopped reading the article at that point because it occurred to me that GM is doomed, and nothing the article had to say would change that fact.

GM is doomed because it seems to me that they care more about profit for profit's sake than they do about, in fact, anything else. Certainly, every company is concerned about profit, and they should be. If you have no profit then you don't survive. But caring about profit, about short term earnings, before all else, is what an investor does, not an owner. There is nothing wrong with this: the average investor is looking after his or her interests, which means protecting and expanding their assets in order to do something else: buy a house, pay for college, retire, buy another company, etc.

The investor places his money in this or that enterprise in order to garner a return. Short of moral concerns, the investor probably doesn't care much about what the company does or precisely how it does it – whatever 'it' is. The only concern is whether value is increasing: stock prices up, earnings up, etc. They will point with pride that losses are down from more than ten billion dollars a couple of years ago, and that GM will soon be operating in the black, etc. When questioned on GM's steady loss of both US and global market share over many years they will discuss how they are trimming workers and closing outdated production facilities. The fact is that GM's front office has been saying this kind of things for years.

The people who have been running GM are clearly investors. They are concerned about profit. And if a concern like DiTech can help their profit line, they will buy DiTech. And they did, several years ago.

I can hear the arguments as I write this: 'Our purchase of DiTech increased our net earning XX percent over the period from year A to year B, without which we would have been unable to continue blah, blah, blah, blah.' Sure, it helped you get more money. But the root problem was already there. The problem is this:

You don't believe in GM.

Now some will point out that this VP has been in the car industry for 30 years and that VP has been with GM for 25 years, etc. It doesn't matter. GM can only be saved by people who believe in the car industry and love GM. That's right, they have to love GM. If they like GM it won't be enough. Real leadership requires love, because love allows you to take great risk and make great change.

The people at GM making the decisions like GM, they like GM a great deal, and they should: GM pays them well. But, they aren't willing to make the great leaps that great leaders make that would pull GM out of the funk it has been in for several decades.

If GM is just an investment to make some profit, then at some point – next month, next year, next decade -- the reasonable answer will be to sell off its component pieces because that will be the right way to maximize the return on your investment.

You don't see GM as a car and truck company, or as a transportation systems company, you see it as a place to put money. And, inevitably that perspective percolates down into the organization itself, the senior and mid grade managers, the foremen and the production line workers; they all sense it. They sense that this is about profits, rather than about cars and trucks.

But, if it's just about profits and they forget the cars and trucks, in the end the company will die. And GM has been dying for years.

GM used to be the leader of the auto industry. And that is because GM had several real leaders, men like Sloan, who ran the company. Were they concerned about profits? You bet. Were they conscious of the bottom line? Absolutely. But, they knew the bottom line revolved around making good cars and trucks and selling them; they knew the bottom line revolved around an ever increasing market share based on a complete product line. A real leader doesn't see what he is doing as a means to something else – buy a retirement house, pay for the kid's college fund. The real leaders see what they are doing as a calling: they live it, they eat it, they breathe it.

The fact is, the early leaders of GM believed in the auto industry and they believed in GM as a great car company. They believed in cars and trucks. I would suggest that they loved cars and trucks. And they loved making them. They loved seeing cars roll off the production line. Not just because it represented profit – it did. But, they loved seeing cars and trucks roll off the production line just because they loved what they did and they loved those cars.

Take a look at another American industrial Icon: Boeing. Boeing is once again the great aircraft company of its legend because they brought in new leadership. Boeing struggled for several years trying to diversify, to insure smooth profits. It seemed to be nearly disastrous. Then they brought in a new leadership team that loves airplanes. Airplane people are like car people or boat people: put one near a beautiful airplane and they will look at the lines, ask about the power-plant, walk around it and stare at it. They love airplanes: not just their own, all airplanes. Boeing relearned that lesson. And now they are focusing on airplanes again and Boeing is once again a strong company with a completely revitalized product line and a booming bottom line.

The same did not happen at GM. The dreams of the leaders of the 1940's, 50's, turned into poor leadership and poor decisions in the 70's, 80's and 90's. The focus shifted from great cars and then great market share to quarterly profits and short term bottom line; poor choices in senior management turned those dreams into the current nightmare at GM.

Great leadership built GM. Poor leadership has nearly destroyed GM. Presently, GM has no real leadership. Rather, they have chosen to simply manage themselves, with no real vision except to try to keep shooting for profits – however obtained – hoping that a solution lands on them like fairy dust.

Only great leadership can save GM. But, make no mistake; it can, in fact, save GM. GM could become the unquestioned titan of the auto industry in another ten to

twenty years, with the right leadership. But the focus will have to be on transportation -- on cars and trucks -- and not simply on profits.

GM has, in fact, a rare opportunity. If there were a couple of real leaders at GM they would call in the senior union leaders, call in the senior engineers, call in their sharpest minds, bring in a few folks from academia, bring in a few folks from the various energy companies, and begin an aggressive dialogue to turn GM into the car company of the 21st century. Maybe it's turbines, maybe it's hydrogen, maybe it's electric, maybe it's giant rubber bands. Develop a strategic plan with all the key players on board and refocus GM: build the cars and trucks of tomorrow and retake the top of the auto industry hill. But, it will take leadership, not investors, and real vision, not accounting. Do that and the profits will follow. Or, they can keep working on their quarterly adjusted earnings and wait for the right time to sell off.