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Witz: What's Wrong with GM...and Not

Witz: What's Wrong with GM...and Not
 Tossing a few bodies off the GM pileup.
 by Gary Witzenburg (2005-06-27)

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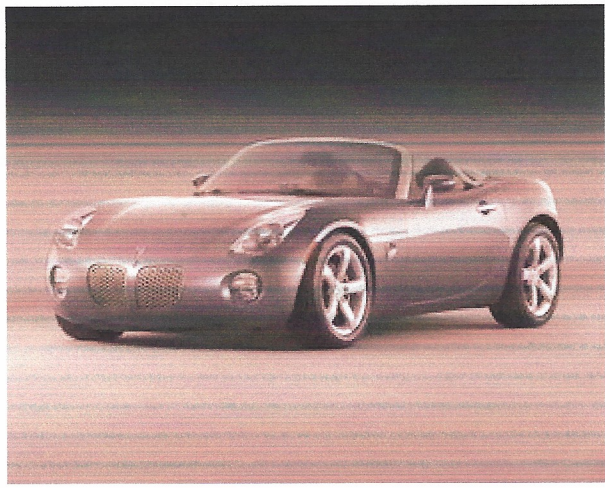
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UAW Talks In Slow Lane by TCC Team (6/26/2005)
 Will opportunity pass by General Motors and Ford?

Miller Talks About Delphi Woes by Joseph Szczesny (6/26/2005)
 Company doesn't need Chapter 11, he declares.

Opinion: Tort Reform Now by Gary Witzenburg (5/23/2005)
 Greedy lawyers abuse the system to milk American business dry.

Opinion: Tort Reform Now, Part II by Gary Witzenburg (6/6/2005)
 Greedy lawyers abuse the system to milk American business dry.

I usually avoid conversions with airplane seatmates, preferring to catch up on reading and sleep. But this guy got me going. Based on his own small (real estate) business experience, he knew *exactly* how to fix General Motors.

"GM is arrogant and has lousy dealers," he said. He would begin by firing all the bad dealers. "If my people are representing me badly, I get rid of 'em. I would also get rid of the union and start over." I tried explaining franchise laws, UAW intransigence, low-cost global competition and other car-biz realities but soon realized I was wasting breath.

Most of us know that the long, painful, never-ending turnaround of General Motors began when Jack Smith took the helm in 1992. He replaced affable car-guy Robert Stempel, who had replaced the incredibly awful Roger Smith - the *last* arrogant GM Chairman.

Until earlier this year, when the company drastically reduced its 2005 financial forecast in the face of persistently high gas costs and swelling

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inventories, most observers had seen the world's largest automaker as reasonably sound despite its slowly eroding market share. Until then, media and analysts had been fretting mostly about DaimlerChrysler's and Ford's sometimes-shaky prospects.

Since then, the frequency and intensity of GM public floggings have been breathtaking.

Disclaimer: as a former employee (twice), I am no lover of General Motors. I was not always a happy employee and happy to leave, both times. Nor am I a fan as a member (again) of the working media. However, knowing what I know from inside experience and believing that facts trump opinions, I can't sit by and passively witness this sometimes-senseless piling on without jumping in and trying to toss a few bodies off the pile.

What's still wrong

Product: GM must never again release a product before it's fully baked. Past egregious examples are too numerous to list. The best current one is Saturn Ion. As introduced in 2002, its perceived quality was so dismal you wondered what they were thinking. Three years later, it's much, much better...but no one knows or cares? A vehicle's reputation is made in its first few months and rarely adjusted for later improvements. The excuse that doing it better would have delayed the product is unacceptable; you don't get a second chance to make a first impression. Kudos for delaying the Solstice to get it right.

Costs: Like virtually all U.S. business with off-shore competition, GM needs cost relief (not a "bailout"). While it will close plants, shed another 25,000 (23 percent) of its remaining 111,000 U.S. manufacturing jobs by 2008, and continue shaving costs where it can, GM needs help from government at all levels to reduce multiple layers of taxes and regulatory and legal burdens *and* from a recalcitrant union that *must* immediately allow its members to share more of their healthcare costs - as GM's salaried workers and virtually all other Americans fortunate to *have* employer-supported healthcare already do. GM is skewered for lower product investment vs. foreign competitors, and most criticism of its products results from dollar-driven decisions. Lower costs will free up more money for product investment and improvement - richer interior materials, more transmission gears, more standard safety equipment, etc.

PR: One truth I quickly learned as a media rookie was that - for a variety of reasons, some valid - nearly everyone hated GM. Three decades later, nothing much has changed. The fastest and most effective way to improve public perceptions is to improve media perceptions, since press reviews carry far more credibility than advertising at much lower cost. Yet GM PR - which reflects the company's face and personality in its dealings with media - is perceived by media customers as arrogant and elitist with a bunker mentality. While GM takes good care of the top 20 percent of the press pyramid, it alienates too many of the rest. So thin is its press fleet nationwide that many reviewers can't get GM vehicles when they're newsworthy, some can't get them at all, and some say they've given up asking. With a plethora of good to excellent new products, GM should be swelling its press fleet and aggressively, proactively scheduling vehicles with all legitimate media, making it tough for competitors to get a review in edgewise. The media fleet is one of the last places a troubled maker should be cutting costs.

Supplier relations: GM is consistently at or near the basement in supplier surveys. Makers who treat suppliers as valued partners, and don't squeeze their profits below zero, fare much better. Who do you think gets better parts and service and first shots at key innovations?

What's not

Product: Who sells more cars in the U.S., Chrysler or Pontiac? BMW or Buick? Contrary to popular perception, despite Chrysler's hot 300 and the lukewarm launch of Pontiac's G6, the two brands were essentially tied in

car (not truck) sales at roughly 166,000 for the first five months of 2005. Ditto for BMW and Buick at about 73,000. And these are GM's "troubled" brands. Chevrolet - the only U.S.-market nameplate with three cars (Impala, Malibu, and Cobalt) in the sales top 10 - was a strong second at 381,000 vs. Toyota's 408,000 and Ford's 335,000 and is poised for additional growth with the soon-to-come HHR and a new Impala. GMC is growing on the truck side; Saturn should prosper with its Sky roadster, Aura sedan, and a stunning 2007 car-based crossover; Cadillac continues its positive momentum; Saab will have a range of appealing Eurolux entries; and HUMMER will be a healthy niche with addition of its smaller H3.

Automotive News Publisher Keith Crain praises the strategy of blending Buick, Pontiac, and GMC into a single channel while eliminating overlapping products. "One way to protect your market share and your customers is to maintain and even expand your brands," he wrote in a May 30 editorial. "To eliminate another brand would have been foolish and expensive."

As most know by now, GM's initial quality (J. D. Power IQS) on average has been among the best and better than the rest in recent years. The three highest-quality plants in North America are GM's, and its Buick and Cadillac brands placed 4th and 5th, ahead of Toyota (7th) and Honda (12th). In JDP's 2004 three-year dependability study (VDS), GM products across the board placed 4th behind Toyota Motor Sales, American Honda, and Porsche.

People. Those who know them (as I do) will agree that GM's current leadership as a group - Rick Wagoner, Bob Lutz, Gary Cowger, Tom Stephens, Jim Queen - is among the industry's best and brightest. Some may question decisions, but rarely the quality of the individuals making them. And the vast majority of GM employees are exceptionally smart, savvy, dedicated, and hard-working. The company has been downsizing since the late 1980s, only the best of the best are left, and the workload doesn't go down when the headcount does. Depending on their jobs and levels, they work 50-80-hour weeks, including a lot of weekends and holidays, with no overtime pay and modest (if any) raises. They richly deserve the benefits they earn as elements of their compensation over many years of loyal service - not to be thrown overboard when the company is in trouble.

In 1983, I wrote a "75 years of GM" article for *Motor Trend*. "Through August 1983," it concluded, "GM enjoyed a 60-percent share of the domestic new-car market (not including imports), demonstrating emphatically that the little-changed Sloan system continues to perform in the short run. But the aging General finds himself targeted on all sides by more aggressive and enlightened competitors. How much longer policy and thinking as old as the building it comes from can continue to succeed in the high-tech market of the 1980s remains to be seen."

Today, the company's leadership thinking, product, processes - essentially everything - is dramatically and positively different. It's not yet the best in every way (its stated goal) but solidly among the best and continuing to improve almost daily. And as different from those days as its Renaissance Center HQ is from that ancient GM Building it vacated years ago.

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