

Launchpad Partners

Thinking *Inside* the Box – The Story of Roger Smith



To the extent we remember Roger Smith today, it's mostly as the guy who gave us Michael Moore. In 1981, when Smith became CEO of General Motors, the company had begun losing market share to foreign competitors but still had a shot at stopping the slide and restoring itself to global dominance. By the time he left in 1990, GM's goose was pretty much cooked.

So it may come as a surprise to learn that Smith was one of the most visionary "out-of-the-box" thinkers ever in American industry. He saw opportunities for manufacturing automation and for consolidation of GM's many duplicate functions and business units. He correctly anticipated that cars would become mobile computing platforms populated by a wide range of electronics. And he understood the need to learn from GM's Japanese competitors how they could build such reliable cars at such low cost. So here are some of the things he did:

- He entered into a joint venture with Fujitsu that became the world's largest manufacturer of factory robotics;
- He acquired both Hughes Aircraft and EDS in order to give GM advanced capabilities in computers and electronics;
- He chose to defend the mid-sized segment against foreign competitors and launched a complete redesign of GM's midsize cars;
- He consolidated GM's separate Truck and Bus divisions into a single business unit;
- He consolidated six separate car groups into two platform groups, one each for small and large cars;
- He entered into the NUMMI joint-venture with Toyota (through which Toyota took over management of GM's failed Fremont, California plant);
- He started Saturn in order to give GM a laboratory in which to learn new ways of doing business.

By any measure, that is an impressive array of bold initiatives. And every single one of them failed:

- The robotics venture collapsed amid stories of robots that welded doors shut and painted each other instead of painting cars;
- Neither Hughes nor EDS was successfully integrated into, or run by, GM. Both were eventually sold;
- GM lost \$2000 on every mid-sized car produced by Smith's redesign effort, which was subsequently called "the biggest catastrophe in American industrial history."
- Smith's reorganization and consolidation effort produced organizational gridlock from which, according to subsequent CEO Rick Wagoner, it took GM 12-14 years to recover ("recover" in the context of GM is arguably too strong a word).
- In one year, using the same workers that GM had employed and using completely open and transparent methods, Toyota transformed the Fremont plant from the worst performing in the GM system to the best. GM's adopted none of the Toyota methods it observed.
- Rather than serving as a test bed for new business approaches that would then infiltrate the rest of GM, Saturn itself was infiltrated by the traditional GM until it became just another car division, and a weak one at that. GM sold Saturn as part of its recent bankruptcy.

How could so many grand visions go so completely wrong? The answer is that Roger Smith spent all of this time thinking outside the box and never bothered to fix what was *inside* the box.

What was inside the box at GM? Many things, of course, but the most important was an apathetic work force operating in an environment in which "good enough" was, well, good enough. As Smith's out-of-the-box initiatives show, GM faced enormous challenges. Overcoming them would have required not only the enthusiastic support of the people who actually did the work but their active involvement as well. Instead of engaging and empowering his people, however, Smith did the opposite. He imposed change on them and did it in ways that moved them from apathy to open hostility.

Smith launched the robotics initiative without addressing the job security fears it naturally triggered. No wonder, then, that plant workers were less than supportive when his robots started showing up in factories. And while Smith may have correctly seen that GM's structure produced significant duplication of effort, he imposed restructuring rather than asking the people involved to help him solve the problem. In fact, he initiated the car-division restructuring right in the middle of the mid-size car redesign, which caused the entire process to grind to a halt. Since the people on the front line were not engaged in helping the company figure out how to operate better, they protected what turf they could. Instead of thinning out duplicate functions, new layers were added as the car groups built design and marketing teams, while the separate division teams never really went away.

Worst of all, Smith managed to alienate his people over the most obvious of issues – money. He used the 1982 recession and GM's loss of market share to exact wage concessions from both the UAW and then the company's white-collar work force. After that, he put in place a generous bonus plan for senior management, himself included. Although he eventually withdrew this plan, the damage was done. Smith was seen as not only exempting himself from the sacrifices he was asking others to make, but actually putting himself and a few others in a position to benefit from those sacrifices. From that point forward, most of the people Smith "led" wanted to see him fail.

In order for the people in a company to truly help it overcome difficult challenges, they have to be fully engaged in the company's mission. They have to care. This is not accomplished by mission statements. It is accomplished by leaders who create trust and then empower their people in the process of problem-solving. As a leader, you must let your people know you trust them. You build this trust in part by giving them the responsibility, authority and resources needed to solve problems. If you want them to do something positive with those resources, the trust must be two-way. They must trust you.

Trust is difficult to create, and once lost it is almost impossible to regain. As Roger Smith learned, the loss of that trust was enough to cripple the foundation of the cathedral he was trying to build, which then came crashing down around him. During his ten-year tenure, GM did not regain dominance of the automobile industry. Just the opposite resulted. The company continued losing market share, which fell from 46% to 35%.

There are many things "inside the box," including the ability to align with your customers around a crystal clear value proposition, the ability to execute perfectly on that proposition, and the ability to identify and neutralize what we call Corporate Kryptonite™ (the assumptions, beliefs and behaviors that are deeply embedded in your organization, that were once helpful, but today no longer produce those results). Employee engagement however is a source of enormous competitive power. The sources of engagement are

empowerment and trust. So when you're looking inside the box at your business, two key questions to ask yourself are, "How much do my people trust me?" and "What can I do to empower them without unleashing chaos?" At all times, it is essential to have a workforce that is actively engaged and committed to your company's success. The foundation of that engagement is "inside the box".

Launchpad Partners helps companies solve problems by providing CEOs with a proven set of tools and techniques that enable them to engage the workforce. Launchpad Partners knows from first-hand experience that empowering employees is the toughest part of any change effort because it involves risk. Our practical toolbox enables empowerment that truly engages the workforce without losing control of the operation.

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