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Donald Cooper, MBA, HoF

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## An article by Donald Cooper, MBA...

### What went wrong at General Motors and what can we all learn from this?

Last week, a client asked me what I thought went wrong at General Motors...and what business lessons might be taken from this horrendous decline. Three main factors occur to me:

**Factor #1:** GM designed and produced 2nd rate vehicles for many years while the Japanese, Germans and then Koreans made vehicles that were simply better and more desirable. So, they and their Detroit buddies offered an endless series of big cash rebates to bribe the unwilling into buying the unwanted.

By the time GM “got religion” and started making decent vehicles, as they now are, their Brands were so tarnished and devalued that most folks had lost confidence in them and it will take many years of getting it right before their Brands are once again valued and respected. The question is whether they can hang on long enough for that to happen.

In the meantime, the Hyundai Genesis, produced in Korea, has been voted the “2009 Car of the Year” by automotive journalists in North America.

Just a few years ago, Hyundai was making third rate vehicles...but they recognized their shortcomings and did what was necessary to be extraordinary. There’s a lesson here for all of us.



The business lesson: Don’t sell crap. It will kill you in the long run. Brand is your most important asset and when you tarnish that, it will always end badly.

**Factor #2:** GM failed to develop a good relationship with their production employees over the years and then, at contract negotiating time, they paid the price. They ended up paying wages, pensions and benefits that no company could afford and, because of the poisonous, adversarial relationship with employees, they had to deal with a militant union that made it impossible to manage production effectively.

The business lesson: You cannot succeed when your employees hate you or are disengaged from the success of the enterprise. Treat your employees so wonderfully that they want you and the company to succeed.



**Factor #3:** The third factor is the supreme arrogance and incompetence of companies like GM...companies that are run by folks who are out of touch with reality or who lack the courage to do what needs to be done. GM has been losing market share for years and did nothing to fix their fundamental problems in the belief that they are simply too big and too important to fail.

Here's a direct quote from a friend of mine who has been a front-line manager with GM for many years...and whose last day there is today.

"At General Motors merit & ability has been overshadowed by 'who you know'. The union called the shots and the executives didn't have the guts to take them on. The guy who cleaned my office on weekends made \$150,000 a year working four hours of an eight hour shift and sleeping for the other four hours, all at double pay. Underperforming managers got promoted so that the department could get rid of them and make them someone else's problem."

GM has been arrogant and incompetent...and now they're paying the price.

The business lesson: Arrogance and incompetence are a bad combination. Stay humble, stay well grounded in reality and have the courage to do what needs to be done.

It may be a stretch to sum up the demise of the world's once mightiest corporation in just three short points, but...

1. don't sell 2nd rate stuff,
2. create a team that's truly committed to your success,
3. keep firmly grounded in reality and have the courage to fix what needs fixing,

...are pretty good business lessons for us all.

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