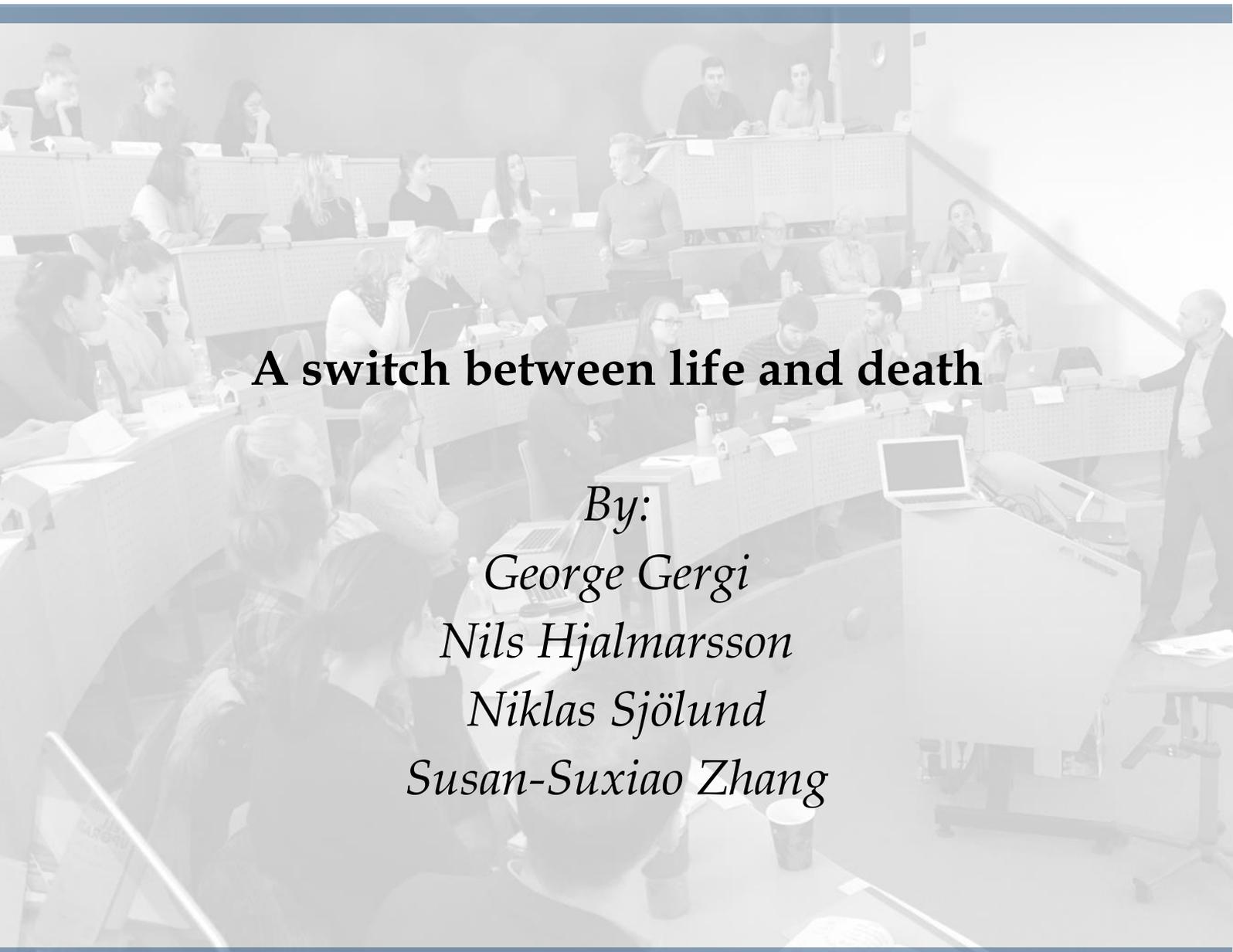


CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



A switch between life and death

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Student Case Papers

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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WRITTEN CASE

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MANAGEMENT DECISION CASE

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A switch between life and death

The focus of this management paper concerns 'crisis management'. The chosen company is General Motors Company (GM) whom is one of the leading car manufacturers in the world. In 2004 the company realized that there was a problem with the ignition switch of some of its cars. Nothing was done about it until 2014, and until then, more than 100 people had died due to the ignition switch issue. This paper first describes the background about GM and the occurrence of the problem. In addition, three questions will be raised which will be selected for the students to discuss and reflect later upon. At the end of the paper, GM's attitudes and actions about this crisis will be uncovered. For the theoretical learning, the outcomes will be motivated with literature from the course. The teaching plan will be further presented and act as a guide to the presentation. Lastly there will be a reflection on the case, the process behind it and include the learning objectives.

Company Background

General Motors Company is an American multinational company that manufactures vehicles and is headquartered in Detroit, Michigan. Its four major brands in America are: Cadillac, Buick, GMC and Chevrolet, while in Europe their market leader is Opel. GM has a long history and heritage when it comes to the global auto industry, which was founded in 1902 in Michigan by William "Billy" Durant. By 1911, GM started entering foreign markets and exporting vehicles outside the United States and Canada together with several acquisitions. Over the years the company has proceeded to acquire dozens of brands, having discontinued some and currently retains 11 brands from all corners of the world, in order to satisfy as many customers as possible. At one point in time, General Motors was the largest company in the United States and one of the largest employers in the world, however the organization was severely affected by the automotive industry crisis of 2008-2010 in which the U.S. government had to step in to avoid the collapse of the company.

The company has several joint ventures and strategic partnerships with different organizations worldwide. With over 212 000 employees, 396 facilities, 50 spoken languages in 6 continents, GM strives to make the world's best vehicles and for their brands to trigger an emotional connection the moment the consumer is behind the wheel. GM currently produces and markets cars, trucks and offers special parts, accessories, maintenance and other services. Putting things into perspective, GM produced in 2013 more than 9.7 million vehicles and had a revenue of \$155.4 billion and a net profit of \$3.8 billion. The company guides itself by a set of five principles: safety and quality, lifelong customers, innovation, long-term investment value and make a positive difference. In order to create and sustain product development and strategic global partnerships, General Motors continues to develop innovative technologies to ultimately shape the future of the automotive industry. In addition, GM is committed to reduce waste and pollution by recycling its materials at every stage of the lifecycle of a vehicle. Adopting a sustainable mindset, GM aims to design, build and sell the world's best vehicles while creating a self-sustaining cycle of reinvestment in design, building and brand strength.

Problem

In the early 2000s GM's market share was declining and the organization took initiative in trimming the production and pressuring its suppliers to lower costs. Production proceeded as planned and if any problems surged they would be reported to higher management, as the organization always did. In 2004 however, Chevrolet Cobalts and other models rolled off the production lines and experienced random engine shut-offs. When looking into this problem, a test driver found out that the problem was caused by GM's change of its ignition switches. The engineers were aware of the issue and focused only on short term fixes since they did not fully understand the most important consequence of the switch failing. The test drivers who noticed the problem with the ignition switch reported it to the management, but the issue was never brought up as something serious. For nearly a decade, GM continued to produce this ignition switch for their different car models. They didn't recall any defective vehicles with the malfunction in the ignition switch even though the test drivers were aware of it.

The problem with the ignition switch was only brought up again in 2013, when people became more conscious about the issue. The issue with the ignition switch caused was that the key could be turned or bumped out of position while driving the car. That meant that the car engine would turn off while driving since the key had been 'turned' into accessory mode. A very serious consequence of this is that if the car engine is turned off, the airbags won't deploy. So during the years from 2004 to 2013, several car crashes were reported. These accidents were linked to GM cars where the airbag hadn't deployed and lead to unfortunate deaths and severe injuries.

Presented below is the timeframe of the major events that occurred:

2001: During pre-production testing, GM engineers experience problems with ignition switches and redesign the switch.

2004: A GM engineer test drives a Chevrolet Cobalt and bumped the key, causing the car to turn off the engine. He later reported the issue but was never brought up by management.

2005: GM receives some more reports of cars losing power when the key is accidentally “bumped”. Engineers propose a redesign and the proposal is initially approved but then cancelled. GM documents say the fix was too costly.

2006: Delphi, the company that makes the switch, proposes an ignition design change. A GM engineer signs off on the changes and the new part goes into production.

2007: GM begins installing the new, redesigned switch on 2007 model year cars. During an unrelated meeting with auto safety regulators, GM employees are informed of a fatal 2005 Chevrolet Cobalt crash in which airbags did not deploy. By the end of the year, GM is aware of 10 deadly Chevrolet Cobalt accidents in which airbags failed and an investigation is launched. An engineer discovers that in some crashes the engine was shut-off at the time of impact.

2009: The economic crisis hits GM hard and the company files for chapter 11 bankruptcy.

2011: Surviving the economic crisis in 2008-2009, a new investigation is opened into crashes of Chevrolet Cobalts and Pontiac G5s where airbags did not deploy. Ignition switches are removed from cars in salvage yards and tested.

2012: Engineers notice that all the crashes in which the ignition switch was switched out of "run" mode, only happened in cars from the 2007 model year and earlier.

2013: Some management changes occur. In the end of the year, current CEO Daniel Akerson announces his retirement, leaving place for a new CEO.

2014: In the beginning of the year, GM hires a new CEO internally; Mary Barra is appointed CEO who has been working at GM since she was 18 years old. GM concludes that there is a connection between the faulty ignition switches and the car crashes that has occurred. Reports conclude that faulty ignition switches were linked to at least 13 deaths and 31 vehicle accidents crashes. The reports also show that these ignition switches are from car models from 2004 and later.

Questions for the class

In order to help students understand the case and provide a discussion in class, three questions were formulated concerning the crisis management, reputation building

and organization structure. After each question, a justification behind the choice of questions will be presented. **The audience should take role of managers of GM.**

1. What's the possible impact on GM's reputation?

Follow up questions:

- How to limit the impact on GM's other brands?
- How to maintain the stakeholders trust?
- How can GM reassure stakeholders that this problem will not happen again?

Reputation is hard to build but easy to break. In case of a crisis, corporate reputation will definitely be affected. Although the defected cars are limited to certain product brands, its necessary to measure the impact on GM's corporate brand. Only after the range and degree of the impact is recognized one can make up a plan to fix the issue and restore the brand reputation.

2. Who should take the blame?

Follow up questions:

- CEO, Management group, manufacturing, control test drivers?
- What are the consequences for the one responsible?

CEO takes the direct responsibility in maintaining a strong reputation. But there are also other stakeholders involved in this 10-year long issue where no one seemed to speak up or take appropriate action to remedy the problem until accidents happened and lives were lost. GM engineers experienced problems with ignition switches. According to GM, an internal report indicates the problem was solved when the switch was redesigned. A GM service technician reports that an additional weight of keys had worn out the ignition switch on a Saturn Ion. NHTSA (National Highway Traffic Safety Administration) tried twice to open an investigation, however, there was not enough evidence to warrant an official investigation. Upon reflection on corporate identity and reputation in times of a brand crisis, one recognizes the importance of corporate-side orientation and the responsibility of the CEO and company-wide managers.

3. What actions should the new CEO take?

Follow up questions:

- What's the first step she should take?

- What does the crisis tell us about the corporate culture?
- Is there a need for a corporate culture change?
- Differences between past and new corporate culture?

Cultural change is a long and risky process in an organization's structure. Resulting from the economic recession of 2000 and intense cost-cutting measures, GM became a practitioner of a cost culture. GM was restructuring, shrinking and cutting costs out for the survival of the company. It was then followed by years of an "organizational culture that prized cost over quality, hesitating to pass along bad news and possibly condoned a cover-up explain that, GM has been criticized for decades as insular, slow to take responsibility for problems, hesitant to deliver bad news to superiors and reluctant to fire poorly performing executives. There's a "nod culture" within the company: executives and managers in charge would all nod to changes in meetings, but never actually take the action to do it, based on "managers being afraid or unwilling to report problems to other departments or senior executives".