

## A switch between life and death

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# TEACHING NOTES

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The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

## Teaching plan

The key concepts related to a typical case discussion are placed into the teaching plan. For example, if the key concept is 'brand essence,' this can be placed in the center of the structure. Other related concepts (that may or may not be mentioned during the class discussion of the case) are placed in the other 'squares'. It is important to remember that the teaching plan is just that - a plan. The discussion leader must avoid steering the discussion ...

The case is about the motorized vehicle conglomerate General Motors who in the beginning of the year 2014 announced that they had linked several deaths to an engineering flaw introduced over ten years earlier. When the discovery of the fault was made by test drivers in in 2004 it was suppressed by management. When the announcement was made General Motors received wide criticism for letting the problem be unresolved for so many years, causing several deaths in the process. The situation was largely attributed to the stagnant corporate culture of General Motors. The then current CEO, Mary Barra, set out on a mission to change it to ensure that the situation would not be repeated. The case is set right from the viewpoint of Mary Barra in early 2014 before the problem with the faulty vehicles was made public. It lets the reader decide what Barra should do in this crisis situation to ensure the longevity of the company.

The case is written in order to teach the reader:

- What the responsibility of the CEO, as the face of the company, has in a crisis situation.
- How to manage a crisis that stem from far-reaching internal problems.
- The impact that the corporate culture has on the performance of a company, its reputation and its crisis management.

The focus of the case lies on understanding the interaction between corporate culture and performance as well as the link between a company's track record and its crisis management. By taking the standpoint of the CEO the reader has to evaluate how the crisis is viewed by internal as well as external stakeholders and create a strategy for preserving or improving the reputation of the company.

A discussion of the case is preferably opened with the question "What's the possible impact on GM's reputation?" This question serves to focus the discussion on how an internal crisis is perceived by a company's stakeholders. It also aims to make the discussion more action oriented.

As suggestions for the presentation of this case there are some regarding the class discussion part. After the timeline the presenter should stop at what happens in 2014. Then state that the presenter is the new CEO for General Motors and that he/she has invited everyone in the lecture hall to a crisis meeting, where they are to enact managers of GM. This will create a bit more drama to the discussion and make it a bit

more fun to play with roles. This theme follows the 3 questions and is then stopped when the presenter goes on to tell the class what actually happened.

The timeplan for the whole case is 45 minutes. Where the first part leading up to the questions should take approximately 15 minutes. This is dependant on the amount of questions asked by the class and if there are any problems with the video in the power point for example. Afterwards a discussion of the 3 questions with approximately 5 minutes per question. Last will be 15 minutes with presenting what actually happened in the case and a small discussion about that in the end.

When discussing the questions, any comments from the class will be handled by the presenter. Comments will in short be written down on a board, to make it easier for the class to follow discussions and go back to previous discussions and make comments.

## **Learning objectives**

### **The CEO's responsibility in reputation building**

The CEO should take direct responsibility in order to signal how critical it is to maintain a strong reputation. Responsibility for corporate reputation must lie at the top of the organization. The CEO influences the company by the profile of and how well he or she manages stakeholders, how clearly the CEO articulates the company's strategy, and how the CEO/chairman are perceived as delivering against this strategy. CEOs represent the public face of an organization, and their deeds, words and actions can provide insight into the true values of the organization. (Roper & Fill, 2012)

In the case of GM, Mary Barra became the first female CEO one month before the call back. A new CEO at this point of time would certainly draw much attention. As her first and most important job then was to save the company from this crisis, she should pay special attention to how she speaks and acts in public. Every message she delivered would have a certain degree impact of GM's vulnerable reputation then. Her internal letter to employees seemed very sincere and firm, which could encourage employees and create a positive image both internally and externally. After studying this case, students should realize the importance of the role that the CEO plays in an organization that she/he can be seen as a leader and role model for the company and stakeholders. They should also gain knowledge in the importance of building a positive image and reputation for a company following a crisis.

### **Crisis management**

Most crises move through a number of phases. Pre-impact phase, scanning and planning, event identification and preparation. The objective is to inform significant stakeholders of its proximity and possible effects, and manage the crisis process. Impact phase is when crisis breaks out. One method of reducing the impact is to contain or localize the crisis. Through communicating with all stakeholders,

management at this point will inevitably reveal its attitude towards the crisis event. The readjustment phase concerns the recovery and realignment of the organization and its stakeholders to the new environment once the deepest part of the crisis event has passed. The essential tasks are to ensure that the needs of key stakeholders can still be met. (Roper & Fill 2012)

In the case of a crisis, the first thing to do is admit the truth, then forthrightly try to address the problem and support it with credible communications (Greyser, 2009). According to image restoration approaches (Roper & Fill 2012), GM adopted the mortification approach to apologize and compensate customers since it admitted that it was the organization's fault. In regards to GM, several recalls were announced, external persons were hired to perform an internal investigation, a new safety chief was appointed and the Department of Justice and US Congress committees launched investigations. Barra privately met with families of victims and a compensation fund was put in place, in addition, 15 employees were fired and five more were disciplined. (Arthur W. Page Society, 2015). Through studying this case, students should know the best practices to deal with crisis timely and appropriately which takes a need for authenticity, transparency and honesty in order to regain trust as a company again.

### **Importance of corporate culture**

Schein (1992) says culture is 'the basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic taken-for-granted fashion an organization's view of itself and its environment'. It is the culture that determines how people behave within a firm. Culture is 'the way we do things around here'. Corporate culture emerges and is shaped and reinforced over time. It informs people about the values of a business, it shapes their behavior and guides problem-solving and ways of communicating. Because cultures form and are reinforced over time, they can be very difficult to change (Roper & Fill 2012). Sørensen (2002) examined the impact of corporate culture on organizations and found that strong cultures create competitive advantage and can also enhance the reliability of an organization's performance under the right environmental conditions.

The ignition problem wasn't brought out until 10 years after the first initial problem was found. Employees were not willing to bring up issues to management team and valued costs over quality. The "nod culture" within the company is part of the reason. After this crisis, GM created the Speak Up For Safety program to encourage employees to speak more openly and ensure safety. This case helps students to understand how a certain type of corporate culture impacts the behaviors and causes serious problems. Therefore, it is believed that building an appropriate corporate culture is vital in building a positive brand, characterizing one of the main learning objectives related to the case.

## Reflection

Our process started with a discussion of what kind of case we would want to write. With the aim to create an interesting discussion in class we decided to write about crisis management to create a sense of urgency and a need for hands-on solutions. After discussing different high profile corporate crises from the last couple of decades we singled out three crises that we thought would create an interesting discussion. After a review with our tutor we decided to write about General Motors faulty ignition switches. The decision was based on the crisis unique nature with regards to timespan, its recent nature and its generalizability. After researching the case in detail we gathered to decide on the case questions that would guide the discussion of the case and then decide on how the case report would be structured, using the template provided by our tutor as a basis. After further research and the writing of a draft we once again gathered to discuss how the written text related to the case questions, how the layout could be changed to enhance the important points of the case, how we would present the case in front of the class and decide on what parts of the case that were underdeveloped or could be omitted. During our final meeting before presentation we reviewed the case holistically, discussed the proposed visual aids and decided finishing touches to the written text.

Before we analyse the case, we thought that this crisis will have a huge impact on GM in both financials and reputation and it will be very difficult for them to rebuild the trust of stakeholders. However, GM's vehicle sales increased in the second and third quarters of 2014 compared to 2013 (General Motors, 2014a, 2014b). After the stock price plummeted, it peaked when the new CEO appeared in public and set up the compensation fund. It could show shareholders' confidence in the company in the long run. Therefore, we believe that the most important is how a company deals with the crisis to minimize the impact and prove its reputation and image in the long run.

By writing this particular case we can relate to the theories, frameworks and academic knowledge gathered over the years that have been applied into real life situations. As opposed to a classic report paper where one gathers empirical evidence and then tests or generates a theory, this type of report defied the traditional way because we are able to understand how different people approach a situation. This can be applicable from several perspectives in mind, which reminds us that businesses involve real people that have to take very difficult and important decisions, whether it is a CEO changing the organizational structure or a marketing team branding a new product for a selected group of customers, this type of cases allows us to benefit from the past experience of others.

The main challenge was putting things in perspective on whose fault the GM crisis was attributed to, thus one of our questions is: "Who should take the blame?". Concerning the size of the crisis and the multiple stakeholders involved this cause provided us with multiple views on the situation and on whom the focus should be upon.

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## Appendix 1

### Exhibit 1 - GM letter from CEO Mary Barra

Dear GM Employee:

As employees of General Motors, many of us have been asked about our recently announced recall. I would like to make sure you know where we stand and what we are doing about it.

First and foremost, everything we are doing is guided by one unwavering principle: do what is best for our customer. Customer safety and satisfaction are at the heart of every decision we make.

Our process for determining whether and when to recall a vehicle is decided by experienced technical experts. They do their work independent of managers with responsibilities for other aspects of the business, so that their decisions are made solely on technical facts and engineering analysis.

When this was brought to my team a few weeks ago, we acted without hesitation to go well beyond the decision by the technical experts. Specifically, we:

Created a working group of senior executives, which I lead, to direct our response, monitor our progress and make adjustments as necessary.

Empowered our dealers with resources to provide affected customers with the peace of mind they deserve.

Coordinated with our supplier to ramp up development and validation of replacement parts to get them into the field as fast as possible.

Provided federal regulators with comprehensive information on this issue.

Launched an internal review to give us an unvarnished report on what happened. We will hold ourselves accountable and improve our processes so our customers do not experience this again.

We sincerely apologized to our customers and others who have a stake in GM's success.

Of course, recalls of this size and scope always take time to play out. Various other parties will naturally be involved, and GM will cooperate fully. You can expect additional developments in the near term.

That has led some to ask if the recall of these out-of-production vehicles might affect our company's reputation or sales of our current models.

My answer is simple: that's not the issue. The vehicles we make today are the best in memory and I'm confident that they will do fine, on their own merits. And our company's reputation won't be determined by the recall itself, but by how we address the problem going forward.

What is important is taking great care of our customers and showing that it really is a new day at GM.

While I deeply regret the circumstances that brought us to this point, I appreciate how today's GM has responded so far. We have much more work ahead of us and I'm confident we will do the right thing for our customers.

Mary.

## Exhibit 2 - GM Stockprice 1/1/2013 to 31/7/2014

Source: Yahoo finance

