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GENERAL MOTORS

General Motors - one of the world's greatest corporations - is in financial trouble. It has been the world's largest car manufacturer since 1931. But it seems to have lost touch with its American consumers.

This is an amazing situation. Half a century ago, it was the largest American corporation and one of the biggest employers in the world (rivaling the Soviet Union's centralized communist factories).

Its then president was responsible for one of the most well known phrases of the 20th century. "What's good for General Motors is good for the United States", implied that the corporation was so big and so important that its interests and concerns were identical with those of the US itself.

In 1953 Charles Erwin Wilson had just been nominated by President Eisenhower to become the Secretary of Defence. When he was asked if he would be able to make a decision at the Pentagon that could harm General Motors, Wilson replied that he could not think of how such a situation would ever arise "because for years I thought what was good the country was good for General Motors and vice versa".

Wilson had no idea how his off-hand remark would trigger such anger among the critics of General Motors for being too big, too arrogant and too influential in American life. Those critics (and Wilson) would now be surprised that the corporation has fallen on such hard times. General Motors has manufacturing operations in over 30 countries and its vehicles are sold in 200 countries (that is virtually every country in the world).

The problem is that General Motors has continued to make the old style of large, powerful cars, while increasing numbers of consumers want small, fuel-efficient ones. Japan's Toyota and the German-US Daimler-Chrysler, by contrast, are doing well in the American market. They have stayed in touch with the changing tastes of the consumers.

Cars have become a fashion item for Americans. They used to buy cars out of necessity. They drove their cars until the cars died on them and they were forced to replace them.

But now car-manufacturing technology is much cheaper and people have much more money. They buy cars to suit their own distinctive lifestyles and as a fashion statement. With the increasing cost of petrol, Americans also want smaller, more nimble more fuel-efficient vehicles.

A history of General Motors is virtually the history of the evolution of the US car industry. This is an indication of its importance both for its own industry and for the American economy.

General Motors was founded in 1908 as a holding company of different car companies, each with a distinctive brand.

The master plan behind its creation was to have a car for each market. The theory was that as an American got richer so he or she would rise up through the brands. A person began at the entry level Chevrolet and aspired ultimately to be rich enough to buy a luxury Cadillac.

It was hoped that a person would stay with General Motors for life. They could begin life by, say, being driven to a maternity hospital, then as a teenager buying a sporting vehicle, then become a family person with a sedan, then owning a Cadillac and ending life by going to their grave in a hearse. It was to be a lifetime commitment. General Motors became a fixed fact of life for many Americans

General Motors therefore became one of the most well known institutions in American life. General Motors became so well known that it was used for all sorts of case studies by business writers and students studying business and the role of the corporation in modern society.

General Motors was created in 1908 by the visionary businessperson William C Durant. Durant, who was born on December 8 1861, first made money as a manufacturer of horse drawn carriages. By 1890 his company was producing about 50,000 vehicles per year and it was one of the biggest manufacturers.

Durant was quick to see the potential in the newly invented automobile. He could see how this would transform the American way of life and that his own carriage business was doomed.

He was therefore willing in 1904 to accept the invitation to join the new Buick company as general manager. Various car companies were underway, each trying to make a name for itself. Henry Ford was also active at this time.

Durant needed large injections of money to finance his manufacturing ambitions and to keep ahead of the rivals. On September 16 1908 Durant incorporated "General Motors". He preferred that title to the other one he almost selected: "International Motor Car Company".

He started with US\$2,000. By creating the new entity called General Motors, he was able to generate US\$12 million in shares within 12 days. He now had a fighting fund.

On September 29, his General Motors bought Buick. Later Durant bought Oldsmobile, Cadillac and Pontiac. In 18 months he bought a total of 30 car companies.

But his ambitious spending spree meant that he was financially over-extended. Investors forced him out of the company because they feared that he was trying to go too far too fast.

Durant teamed up with Louis Chevrolet. In 1915 Durant used the profits from the Chevrolet company to regain control of General Motors and took in the Chevrolet name. He lost control of General Motors – for good – in 1920. He was seen by investors as too adventuresome. There was agreement on his brilliance but he was too risky.

Durant then tried to create his own brand of cars. But he no longer had the winning skills that had worked so well at General Motors. His company failed in the Great Depression and he got out of the motor business for good in 1933.

Durant was not bitter. He was always looking for the next business opportunity, rather than focusing on the past.

He decided that bowling alleys would soon become an American sports and entertainment activity and so he invested heavily – but with only some success – in these. Ironically, they became far more popular some years after his death. Again, he was brilliantly innovative but not necessarily a good manager or good in his timing.

Durant's life overall from 1933 onwards was rather tragic. He dabbled in many activities but could not recreate his stunning success in the pioneering era of the car (the first two decades or so of the 20th century).

Durant died on March 18 1947. This was the same year as his great rival Henry Ford also died (who had also had a life of ups and downs in the motor business).

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