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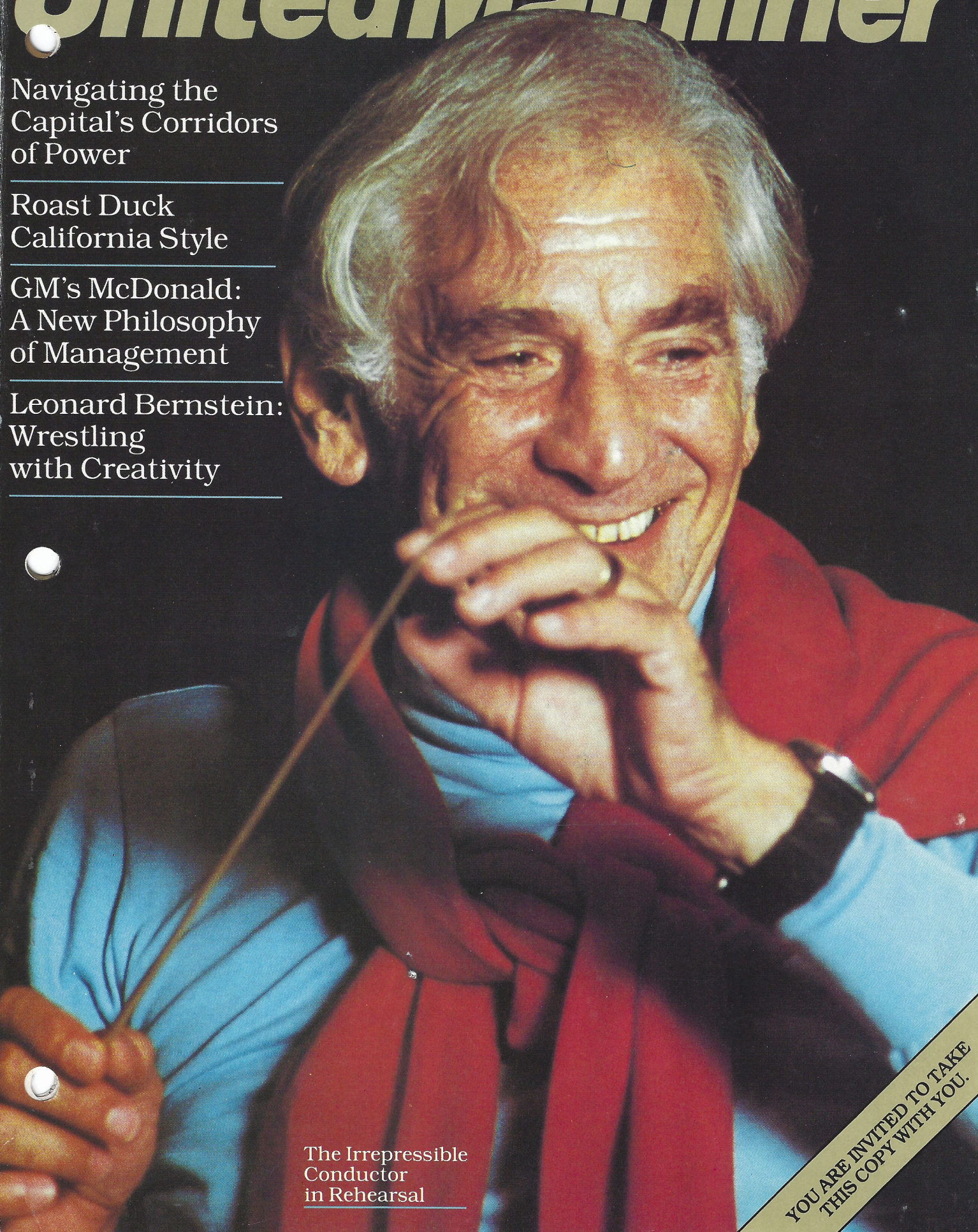
November 1981

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GM's McDonald:
A New Philosophy
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A Management Philosophy for the Eighties

At General Motors, says President James McDonald, the byword is quality—both in product and worklife.

BY GARY WITZENBURG

Francis James McDonald is General Motors' ranking production and quality engineer. He is also the corporation's president and chief operating officer. Coincidence or clever design?

"It's a process that really evolved," McDonald reflects. "I'd like to say I had the goal in mind when I got out of high school, but that is absolutely not true. I never even had a dream. But the corporation gave me lots of opportunities."

The bond between McDonald and GM goes back a long way. He was born in 1922 in Saginaw, Michigan, home of the GM central foundry, and joined the corporation eighteen years later as a co-op engineering student at General Motors Institute, alternating school and work assignments. After a stint in the Navy, from which he was discharged as a lieutenant, junior grade, early in 1946, he returned to the Saginaw foundry and began making his way through that evolutionary process toward the top. McDonald climbed to factory manager in Saginaw, became plant manager of the central foundry division's Defiance, Ohio, plant in 1955, and was promoted to works manager of the Detroit transmission division the next year—even though, he says, "I didn't know anything about auto-

matic transmissions." Six years later he was general manager. So far he had made lots of iron and transmissions, but no cars.

Then came the big break. Roger Kyes, head of the components division in Detroit, was on leave after a heart attack, and executive vice-president Bud Goodman took over instead of putting someone else in. Goodman and McDonald got to know each other.

McDonald recalls, "One day Bud called and said, 'You don't really get anyplace in General Motors unless you've been in the wheels end of the business. It's going to be very difficult to make you general manager of a car division, because there are a whole flock of new disciplines there that are tough to get under your belt—advertising, design and styling, product engineering, sales, working with dealers, and so forth."

"'But,' Goodman said, 'we've got a problem in manufacturing at Pontiac. If you want to take that on and lick it, I can't tell where you'll go. You won't be a general manager, you'll be a works manager. But you'll be in the wheels end of the business.'"

McDonald took the Pontiac works manager job in 1965 under general manager John DeLorean. Three years later the corporation moved him to a similar job as director of manufacturing at the much larger Chevrolet division under general manager Pete Estes. Finally, when Estes was promoted and DeLorean

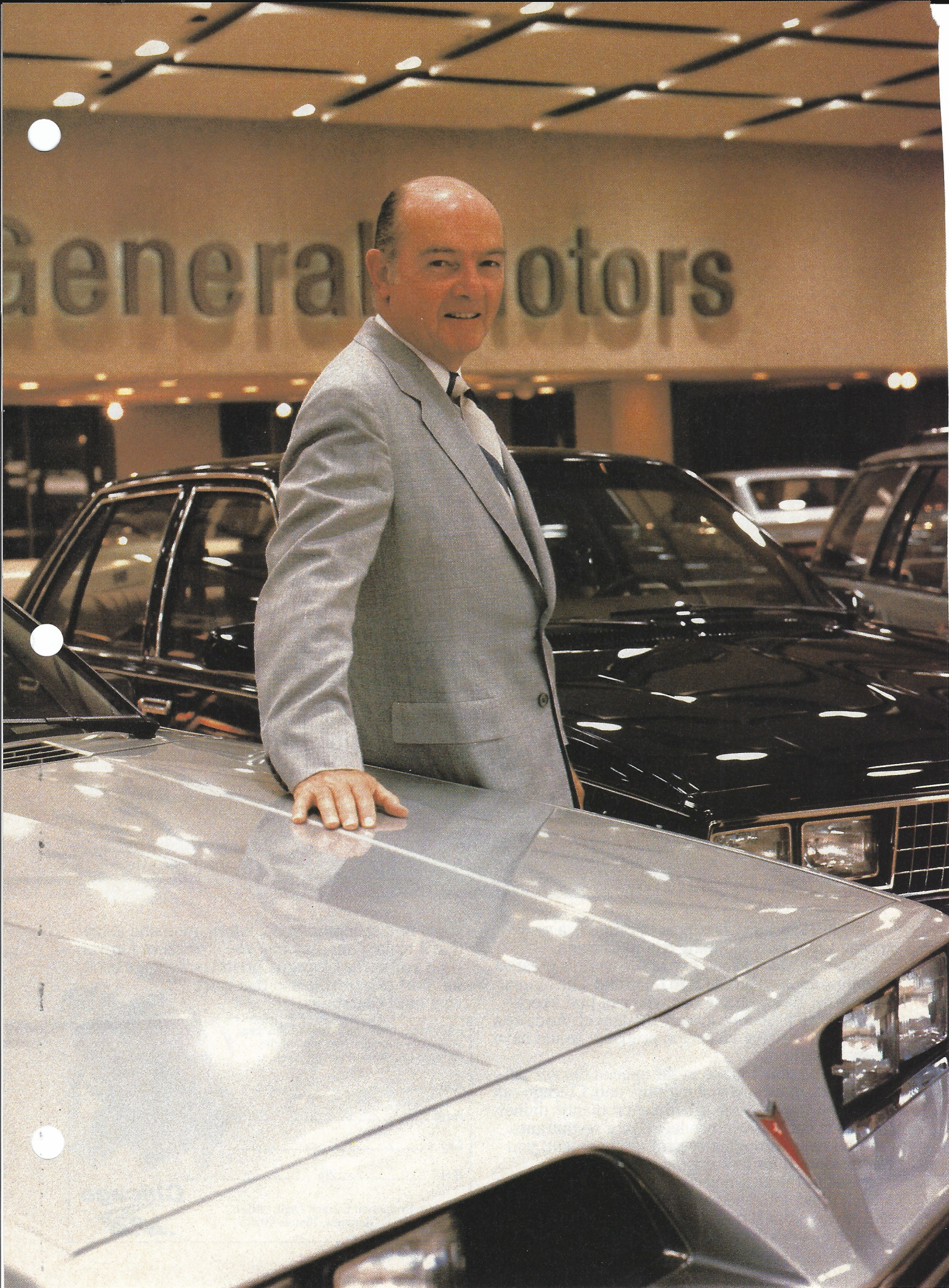
moved over from Pontiac to replace him, McDonald got his chance to run a car division. He was named Pontiac general manager and a GM vice-president in February 1969.

In October 1972 McDonald followed DeLorean again, into the Chevrolet general managership, and two years later was promoted to executive vice-president and elected to the board of directors. At the time he took over the presidency, when Pete Estes retired this past February, McDonald was responsible for the corporation's car and truck, body and assembly, electrical and mechanical components, power products, and overseas groups.

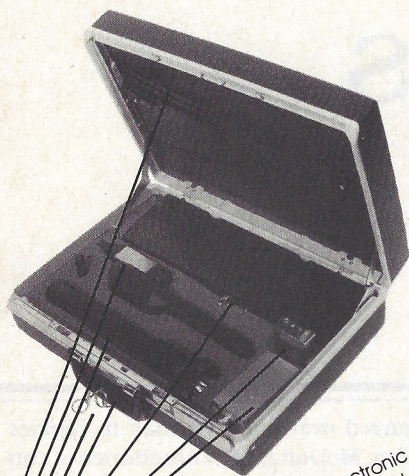
As president, it may sometimes seem that amid all the interviews, press conferences, speaking engagements, and other PR activities the position entails, McDonald hardly has any time to run the company. "You have to be smart enough to delegate—to make sure people are doing their jobs and you're not trying to do their jobs for them," McDonald says. That's part of getting things done.

"I sort it out into priorities. The title draws a lot of those requests for speaking engagements, and they demand a lot of time. But I have to be out making certain kinds of talks because presenting a good image for the corporation is part of the responsibility. Letting the public know and see what kind of people run General Motors—just ordinary people, and

James McDonald in General Motors' Detroit showroom amid the company's new J-car models.



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McDonald

that's a big revelation to a lot of people—is vitally important.

"Unfortunately, I don't get to do all of the fun things I used to be able to. In a business this big, you run by exception, and most exceptions are problems of some kind. On certain dates I visit operations, and that's some of the most enjoyable time I have, because it lets me work with people and be where the action is."

McDonald obviously is dedicated to working with people and being where the action is. When he talks production efficiency, labor relations, or quality, which seems like most of the time, he speaks with the quiet authority and expertise of someone who has been there. And he intends to not only keep up with the market and with foreign competition, but to go one better, if possible.

GM's new J-car is in the forefront of that drive. McDonald says, "The J is the first car we've designed to hit the market right where the foreign imports, particularly Japan, Inc., have been strongest—what you might call the high end of the subcompact and the low end of the compact markets. We've always said that we've got to take them out of the marketplace. We've never supported any kind of legislative restrictions on the Japanese."

"The public has been saying, 'When are you going to come up with something that really takes them on?' Well, we've got something now. Very soon we'll have a full line of cars that ought to suit anybody. We'll have an Olds and a Buick in the J-car line in early 1982. We'll have five plants producing J-cars by that time. The J, the X, and the new front-wheel-drive A's—that's going to be the heart of our volume for the next few years."

But there will be more than that coming from GM, according to McDonald, including something to serve the growing market for automobiles below the J-car in size and cost, something in the way of a modern replacement for the aging, rear-drive Chevette. "I think you'll see derivatives of the J, but I can't say how soon they'll be coming," he says. "I think it's possible to do it domestically, and I'm sure we'll be doing it."

We've always participated in the exciting areas of the marketplace.

"I don't think there's any segment of the market that we've decided not to compete in. But it's a matter of priorities how fast you come in with what, and how fast you can convert high-volume cars to meet market requirements for fuel economy."

McDonald expects the J-, X-, and A-cars to draw the highest volume of sales in GM's line, and thinks that with the derivative cars to come, GM will have quite a strong lineup. He has high hopes for the A-cars—pusher, slightly longer versions of the X-cars that will be introduced this winter.

"The new A-car has the opportunity for different power plants," he explains. "We'll have a six-cylinder diesel available in it that's going to be an absolute delight, a smash hit. Eight years ago some outstanding engineers were saying there was no way you could ever build a body-integral car that would have the same isolation and quietness as a body-frame car. But the A-car has proven that that's not true. You can build a fine automobile on a body-integral platform."

GM is also returning some of its attention to the "fun" cars, cars that have been noticeably absent from domestic manufacturers' lineups in recent years. That's not because of lack of interest, according to McDonald, but because manufacturers have been so busy scrambling to meet standards.

"That's been a rough, rough process for the domestic manufacturer, because he's downsizing and at the same time meeting all these changing standards. The foreign manufacturer was already there as far as downsizing goes. He had to meet standards, but he didn't have to build new engines, come up with new engine lines, and go through all those certification processes. That ties up a certain amount of talent that in the past was used to come up with the exciting wheels."

But that talent is being refocused now, and GM is preparing to introduce its all-new Camaro and Firebird F-cars this winter. These have been criticized as still too big and heavy

McDonald

for the market of the eighties and because they retain rear-wheel drive.

McDonald says, "Some people felt strongly that the car would be dated without front-wheel-drive—we came out with an '82 car and by '85 it's old-fashioned. But if you go to a transverse engine for front-drive in that class of car, you just can't put the power plant in there that's necessary. We're not going to sell them all

with V-8s, but as long as we've got the potential for the V-8 we've got the potential for an exciting automobile. That image is vitally important in that class of car."

All these plans make it quite clear that McDonald thinks the U.S. car industry can still give the imports a run for their money and that he and GM intend to do so. But it's not as simple as just turning out automob-

biles. McDonald thinks two things are crucial to getting the industry back on its feet: that the powerful United Auto Workers union cooperate with manufacturers to reduce the wide wage and benefit gap—estimated by some at \$1200 to \$1500 per car—between the United States and Japan, and that the government reduce the burden of unnecessary and non-cost-beneficial regulations. So far the union has refused to make any concessions, but McDonald has alternatives to suggest.

"Let's talk about profit-sharing," he says. "You can say that over an extended period, when the volume is good and the profits are high, you participate. When you're in a tight market and things are tough, the company has a chance to be more competitive. There are umpteen ways to set it up—a percentage of profits, on earnings per share or earnings over a certain percent of invested capital."

But profit-sharing has some disadvantages. If there is no profit to share, income will drop—and that means profit-sharing would be difficult to introduce in a time of losses, such as that which the car industry has been experiencing recently.

"You've got to have some recognition of the problem," McDonald says. "The union must recognize that unless we get competitive, those jobs will go overseas—either because the imports will come in stronger or because we'll go overseas to build a product and bring it here. We don't have to beat the union over the head with those statements, because they can see for themselves."

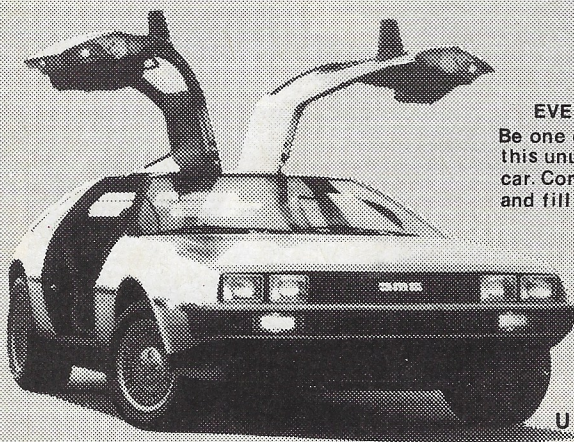
Another way GM is attempting to motivate workers is to create a sense of pride in and commitment to the product. GM's Quality of Worklife program, one of McDonald's favorite subjects, combines a drive to produce a high-quality product with one to improve relations with employees and to get them involved in everything in the work environment.

"It's a philosophy, you know, not a motivational program," McDonald explains. "It doesn't work unless the fellow in charge of the unit believes in it, and our approach is not to shove it down his throat, but to keep

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"It's not making work fun—that's not the aim of it. But at Detroit gear and axle, for example, one of the dock fellows who's been working in that group for twenty years told me, 'The difference is that I enjoy coming to work now. It's a pleasure to come to work because I'm important, my thoughts are important.'"

Another example McDonald cites is GM's Tarrytown, New York, plant, where for years the management and the union had a poor relationship. McDonald says, "It was one of our first real successes when the president of the local, who's been president for twenty years, put on a program for our management group telling us what's going on there. The shop committeeman, a real rough-looking character, said, 'I'll tell you

what the difference is between now and then. Five years ago I'd come in on Monday morning, find out how many people had been disciplined on weekend work, and if there were, for instance, five I'd go right out in that plant and create five situations that would give me counter-bargaining power. Now if somebody is disciplined—and that's very unusual today—I get the personnel manager by the arm and I say, 'Buddy, we got a problem. Let's go out and see what we can do.' That's Quality of Worklife."

GM's Quality of Worklife program is now functioning in about 95 of its 130 plants, according to McDonald. In the remaining plants, he says, either the manager hasn't been motivated or there is a problem with an aggressive union. But in many plants where there was tension between workers and managers in the past, the program has been a success. A new manager at the Fisher Body, Hamilton, stamping plant near Cincinnati, for instance, decided to send a top shop committee-

man and a top superintendent to be trained as "facilitators," or mediators who encourage interaction and dialogue between managers and employees. The two returned and trained other facilitators, and after fourteen months the plant has more than twenty work groups functioning. "They're very excited with what's happening," McDonald says. "But it takes time."

This improvement in employee relations is linked to an emphasis on the quality of the finished product. For instance, the company is taking an adamant approach on parts for the new J-cars. "Instead of sorting it out or trying to make adjustments on out-of-spec material at the assembly plant," McDonald says, "we ship it back lock, stock, and barrel. We're trying to build the car right. In the past, production was the most important thing; today quality is most important. If you can't build quality, you shouldn't build cars. You can't think any other way."

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employees, too, have a whole new attitude. You go into the Southgate, California, plant today, where they're building the Chevrolet Cavalier and Cadillac Cimarron J-cars, and you can detect a difference in attitude toward building a quality automobile. You can also detect that they recognize that management is serious about doing what's necessary to build a quality car, that we don't have just a facade, a motivational program that's going to fade."

This attempt to involve employees in the quality of the cars they produce will not, McDonald says, give ultimate responsibility—the power to push a button and stop the line if something is not up to par—to the worker, as some managers might fear. The workers are an integral part of the process, but the manager of a unit must convince employees that he wants quality without excuses.

"The issue isn't whether you can or can't stop the line. It's what kind of environment you have for the employee to do the job right," insists McDonald. "We've got plants where we are working inspectors right out of their jobs. The employee is his own inspector."

There's still plenty of work to be done at those plants that have not yet adopted a Quality of Worklife program, McDonald says, and strong opposition from the union over various issues is inevitable as the company tries to institute changes. Competition from foreign manufacturers, and particularly from the Japanese imports, is unlikely to ease. But McDonald finds these challenges exciting as well as tough, and he believes they are matched by a wealth of opportunities in the marketplace and in GM's own plants.

"A lot has to happen yet," admits McDonald, "but the signs are certainly encouraging. As far as technology in the manufacturing process goes, there isn't anything anybody else has that we haven't got. In our Quality of Worklife programs, we've got some grand successes that indicate that we can change worker attitudes. I'm excited about those possibilities. Sure, we can compete." ■

Gary Witzenburg is a Detroit-based automobile writer.

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