

## **Now for the Hard Part – Doing More With Less**

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As the automakers get through the period of fast-track bankruptcies, substantial shutdowns, and summer changeovers, things are going to really start getting interesting. Because, after all, what happens when you try to ramp back up with an organization that has shed a considerable number of employees and all the institutional knowledge riding around in their heads? What happens when you have new owners, new mandates, and new constraints? What happens when you throw some cross-cultural dynamics into the mix? Now we will really see what these companies are made of.

Some points that illustrate the new challenge that companies face in bringing vehicles to the point of production-readiness are as follows:

- GM plans to have cut 14% of salaried jobs, including designers, engineers, manufacturing management, etc., globally in 2009 (the company had 29,500 white-collar workers in the US as of February).
- Chrysler has had 12,000 in white-collar headcount reductions over the past two years (the company had 66,000 employees total in the fall of 2008).
- The product plans that both companies announced at the beginning of the year featured about 24 new vehicle introductions or major product launches in the period 2009-2012 – lower than in previous time periods but under more acute circumstances and of more critical importance now.
- With its new 20% ownership stake by Fiat, Chrysler has to please the three Fiat-appointed Board members and Fiat chief Sergio Marchionne.
- Chrysler needs to act on its promise to leverage Fiat's strength in small vehicles by tailoring the Italian company's existing platforms to successful North American-built entries. In some respects it is easier to start from scratch, but that is a luxury Chrysler cannot afford.
- Coming out of the gate after Chapter 11, Chrysler has made substantial changes in leadership of its engineering staff and introduced a new product development structure, with a new vehicle line executive for each of six vehicle segments.
- In the waning days of GM's stint in Chapter 11 restructuring, Steven Rattner of the Auto Task Force referenced a 35% reduction in the top leadership group at GM, from approximately 1300 today to just under 850 in the new organization. This dramatic reduction will streamline the new organization, but a reduction of this scale may delay some key decisions (e.g. programs) as departments are merged/eliminated and decision-makers change.

- Most parts suppliers have coped with the tremendous downturn in vehicle production by shedding corresponding levels of variable costs, i.e. 40-50% of their personnel. Although it is great if your organization is scalable, i.e. able to grow and shrink with demand, it is difficult in practice to successfully time your staffing capabilities to the market. Also, automakers with diminished engineering staffs are expecting to rely even more heavily on suppliers to provide the technical services to fill the gap.
- And as if all this organizational flux didn't make it hard enough, the vehicles coming out of this current era cannot rely entirely on familiar technology, because of new U.S. regulations requiring better fuel economy and fewer greenhouse gas emissions. New vehicles will need to make use of new engine and powertrain technology, lighter materials, and new fuels in order to meet expectations.

So, much, much more is being asked of what is left at these downsized organizations. A company that has developed systems that both draw on creativity for continuous improvement but also ensure reliable and consistent procedures will find it easier to carry on even if some of its players are gone. The main risk in that situation is in trying to do more than the system's resources can handle. This appears to be the object lesson learned by Toyota over the past year or so, resulting in some slippage of its performance, and its recent announcement of shuffling its manufacturing executives in Kentucky.

But a company that didn't have that level of operational excellence to begin with is going to face an extraordinary challenge now. The old ways of product design, development, and manufacturing are no longer an option because there has been so much downsizing and loss of personnel. The mission now is to adopt new, better ways, quickly, without the luxury of time for trial and error. It can be done – others have provided a model. We are hoping to see good clarity of vision and purpose from the companies that have gotten a reprieve from market forces, like GM and Chrysler. Their continued survival depends on it.