



HARVARD BUSINESS SCHOOL
CASES

MBA核心课案例教学推荐教材

Human Resource Management (Reprint)

人力资源管理

(英文版)



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出版说明

随着 MBA 教育逐渐走向成熟，人们对于案例教学已不再陌生，很多院校，特别是首批 MBA 试点院校已经比较普遍地采用案例教学这种模式。案例教学、案例编写也成为全国 MBA 教学指导委员会十分重视并大力推广的重要工作。为满足教学需要，中国人民大学出版社与哈佛商学院出版公司达成了引进出版哈佛商学院案例的协议，围绕 MBA 教学选择了十门课程，包括：战略管理，人力资源管理，营销管理，公司财务管理，领导学，组织行为学，供应链管理，技术与运营管理，财务报告与控制，企业、政府与国际经济，中文版和英文版同时推出。先由哈佛大学教授从其数千个案例中进行选择、推荐，再由中国教授从推荐的案例目录中遴选，在翻译的过程中又作了进一步的调整，最终确定了目前的案例。

多年来，中国人民大学出版社一直在不懈地打造经管类图书的品牌，特别是，作为高等教育教材出版的市场领先者，我们一直希望能为中国的管理教学和实践提供更多、更好的产品。随着中国 MBA 市场规模的扩大，学生人数的增加、素质的提高，教师队伍的成熟，我们发现，案例教学教材的数量不足及质量不高成了一个比较大的问题，基于大量的市场调研，哈佛商学院的案例便成了我们针对 MBA 教学引进案例的首选。毕竟，哈佛大学是最早开始 MBA 教育的，其 MBA 学位计划有近一百年的历史。哈佛案例每年能销 600 万份，其案例教学法也在逐渐为世界上各大学校所熟悉和借鉴。作为一家以为高等教育服务为己任的大学出版社，我们深感哈佛案例的引进对于我国工商管理教育理论和实践的提升具有十分重要的意义，事实上，我们在 2002 年曾引进出版了一套哈佛商学案例，分商务基础系列和实务系列，共 21 种，在当时引起了很大的反响，只是囿于条件，案例没能根据课程设置选取，不便于教师在教学中使用，基于此，便有了我们这套针对 MBA 核心课程的案例。

在运作这套案例的过程中，我们广泛听取了老师们的意见和建议，我们发现，单是引进一些案例并出版不能满足教学的实际需要，对于很多老师来说，如何讲授哈佛案例才是一个难点。同时，我们在前期调研和筹备工作中也深感案例的推广不再局限于传统意义上的图书推广工作，它已超出了传统单纯出版图书的概念，变成了一种教学理念和教学方法的推广，它需要我们提供更多、更长期的后续服务，并改变传统的出版模式。

就在我们策划出版这套案例书之际，哈佛商学院酝酿已久的 PCMPCL (Program on

Case Method and Participant-Centered Learning) 培训计划正式启动。为配合 PCMPCL 项目, 哈佛商学院出版公司邀请包括中国大陆、香港、台湾等地区和新加坡在内的 16 所大学的商学院选派一些教授到哈佛商学院参加哈佛案例教学的培训。首次培训定于 2005 年 8 月, 同年 12 月还将在中国举办第二期有关案例教学与写作的培训。

同时, 为帮助广大教师更好地使用哈佛案例, 中国人民大学出版社还将配套引进案例的教师用书、教学录像等辅助资料(出于授权限制, 仅向使用本案例教学的教师提供)。在案例出版后, 我们还将提供教学支持, 帮助中国教师更好、更便利地使用案例。

运作案例出版的过程是艰苦的, 但结果是美好的、令人难忘的。在和哈佛商学院出版公司的合作中, 我们一次又一次地听到他们虔诚地谈及他们的使命: 改善管理实践。在案例出版的过程中, 很多人做了辛苦的工作, 我们感谢哈佛商学院高级副院长、贝克基金教授史蒂文·C·惠尔赖特(Steve C. Wheelwright)先生, 他为我们的案例出版写了序, 他在这套案例书 10 门课的选择中起了决定性的作用, 没有他的努力, 这套书的出版是不可能的。感谢 John Quelch、Michael Tushman、Debora Spar、Pankaj Ghemawat、David Hawkins 以及 David Upton 等教授, 他们在我们初选案例的过程中给予了建议和指导; 感谢哈佛商学院和哈佛商学院出版公司的下列人员, 他们为案例的挑选做了许多工作: Paul Andrews、Tim Cannon、Tad Dearden、Mike Derocco、Pat Hathaway、Amy Iakovou 和 Carol Sweet; 感谢哈佛商学院出版公司国际部总经理陈欣章先生, 他促成了案例最终出版协议的签订和执行, 并完成了整个过程中的协调工作。最后, 也要感谢所有参加案例中文版翻译的教授, 他们都有自己繁重的教学任务, 在出版时间紧迫的情况下, 各位教授都保质、按时地完成了翻译工作。

我们希望这套案例书的出版以及后续的培训能影响几百、几千乃至上万个 MBA; 我们希望他们能用一种新的视角, 适应国际化的大趋势, 理解现代企业的管理方法, 理性地接受信用经商的理念, 推动中国经济的更大发展; 我们希望能通过我们的出版物来引导中国的管理实践。如能做到此, 那么其间的各种辛苦努力也就值得了。

感谢您选用或关注我们的这套案例书, 对您的任何反馈我们都十分珍视。我们的联系方式: 010-62510566 转 551 或 541; E-mail: rdcsjg@crup.com.cn 或登录: <http://www.rdjg.com.cn>。

中国人民大学出版社

2005 年 7 月



序

“培养世界上有影响力的领导人”是哈佛商学院的使命。1908年，哈佛商学院正式成立。为实现这一使命，哈佛商学院通过实施各种项目，影响众多不同的人。哈佛商学院最出名的可能是其MBA项目，但同时我们也通过开展高级管理人员培训项目（Executive Education Program）（包括AMP项目以及其他逾100个为职业经理人开设的各种培训项目）和通过哈佛商学院出版公司的出版物追求我们的使命。我们的出版物包括《哈佛商业评论》、哈佛商学院图书、网络课程，以及哈佛商学院案例研究。

为杰出院校提供建议也是我们使命的一个重要方面。在过去的60年里，哈佛商学院为世界上许多院校不仅提供了教学案例，还通过各种项目帮助他们及其教师提升了自己的案例教学能力。包括：国际教师项目（ITP）、以参与者为中心的教学法培训项目（CPCL）、案例教学与以参与者为中心的教学法培训项目（PCMPCL）。其中，PCMPCL项目发起于2005年8月，其目的在于帮助中国大陆、香港、台湾等地区和新加坡的主要商学院提升其在MBA项目、高级管理人员培训项目以及以管理实践为导向的研究中，熟练运用案例教学和启发式教学的能力。

通过多年的实践，哈佛商学院发现案例教学的应用通常需要经历三个阶段。第一阶段，案例在管理学课堂上是作为概念或原理的例子、说明来使用的。第二阶段，将案例研究作为主要的学习方法，依靠案例讨论。第三阶段，教授开始把他们在案例研究和课程发展上取得的成果大量应用于教学，以便更好地理解 and 传授如何做决定。

为实践我们的使命，哈佛商学院和哈佛商学院出版公司很高兴与中国人民大学出版社携手帮助中国商学院及其教授实现从第二阶段向第三阶段的跨越。我们的努力包括：为来自中国大陆、香港、台湾等地区和新加坡的教授提供为期10天的PCMPCL培训；出版一套根据MBA核心课编辑的案例书（分中文版和英文版）；组织一系列后续服务的案例教学和案例写作的培训班；建立一个服务于中国教师的案例服务中心。

我们这样做的目的有两个，并且这两个方面都与哈佛商学院的使命紧密相连。一

个目的是通过帮助全球教育机构——正如我们在中国发现的那些机构一样——发展他们自身的、着眼于管理实践的案例教学能力，从而促进全球管理教育水平的提高。另一个目的是帮助这些机构培养一些能够在他们的学校中起到带头作用的教师，使他们能够写出新的、能够与世界分享的案例研究和教学资料。这种既符合国际标准，又与中国具体管理实践相关的案例研究正是中国管理教育机构所急需的。

我们很高兴中国人民大学出版社和中国许多优秀的商学院加入我们的队伍。我们希望哈佛案例书在中国的出版能对中国的教育机构、教师及其培养的未来职业经理人有所帮助，帮助他们实现在全球经济中扮演重要角色的梦想。

史蒂文·C·惠尔赖特 (Steven C. Wheelwright)

哈佛商学院高级副院长，贝克基金教授

2005年6月



PREFACE

The mission of the Harvard Business School (HBS) is “to educate leaders who will make a difference in the world.” Founded in 1908, when Harvard University was already more than 250 years old, HBS achieves this mission by reaching a wide range of audiences through a variety of programs. While HBS is perhaps best known for its MBA Program, it also pursues this mission through its Executive Education Programs (including the Advanced Management Program as well as over 100 additional programs for practicing managers) and through the publishing activities of Harvard Business School Publishing (HBSP) which include Harvard Business Review, HBS Press (books), E-Learning products, and HBS Case Studies.

Providing guidance for leading academic institutions continues to be an important aspect of the HBS Mission. Over the past 60 years, HBS has not only made its case studies available throughout the world, but has assisted other Universities and their faculties in developing their ability to teach by the case method. This has included the offering of such courses as The International Teachers Program (ITP), Colloquium on Participant Centered Learning (CPCL) and the Program on Case Method and Participant Centered Learning (PCMPCL). The PCMPCL Program initiated in August of 2005 is aimed at helping leading Business Schools in Greater China and Singapore to develop excellence in the use of the case method and participant centered learning in both MBA and Executive Programs, as well as in practitioner-oriented research.

HBS has discovered over the years that adoption of the case method often proceeds through three stages. The first stage is where cases are used as examples and illustrations of principles and concepts being taught in a Management Course. The second stage is where cases become a primary means of learning, with a majority of the class sessions in a program relying on field-based cases. The third stage is then where the faculty begin doing significant amounts of their case-based research and curriculum development to better understand and teach about decision making.

Consistent with our mission, we at HBS and at HBS Publishing are pleased to offer—in conjunction with our partner, China Renmin University Press—a comprehensive approach to Chinese Business Schools and their faculty, that is focused on helping them progress through

the second stage of participant-centered learning and into that third stage. This overall effort consists of offering the 10-day PCMPCL Course to teams of business school faculty from Greater China and Singapore, providing a series of case books (through China Renmin University Press) tailored to the Ministry of Education's MBA curriculum recommendations, offering a set of follow-up case teaching and case writing seminars in China, and establishing an academic support center to assist faculty with their unique course and case requirements.

Our purposes in doing this are two-fold, but both are directly tied to the HBS Mission. One purpose is to facilitate better management education throughout the global economy by assisting leading educational institutions—such as those found in China—in developing their capabilities in practitioner focused, case based teaching. The other purpose is to help the leadership at such institutions to develop a critical mass of faculty who can lead the efforts of their own institutions in creating additional case-based teaching and research materials that can be shared with other parts of the world. Such China-specific management materials of a world class caliber are anxiously needed by academics elsewhere in the world.

We are pleased that China Renmin University Press and so many leading Chinese Management Schools would join with us in pursuit of these purposes. We anticipate that this series of case books will be a significant contributor to the pursuit of the important role that Chinese Educational Institutions, their faculty, and the practitioners they serve will have in the global economy.

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June 2005

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Saturn Corporation in 1998

General Motors, the largest company in the world, began a planning process in the early 1980s that led to its first new American car nameplate since the 1920s: the Saturn Corporation. Saturn's short history since then was marked by a number of unprecedented breakthroughs.

During the planning phase, GM management and the United Auto Workers pledged to operate cooperatively through an innovative partnership. The pledge signaled an end of an era in which management responded to competitive problems by going "down to the line [to] knock some heads."¹ In preparation for the small-car launch in 1990, GM invested \$3.5 billion in engineering, design, and a new manufacturing facility in Spring Hill, Tennessee. The facility was staffed entirely by UAW members that had been laid off by General Motors and that elected to relocate to the new Saturn site. Saturn's mission reflected the expectation that both General Motors and the workforce would benefit from the investments.

Saturn's Mission: 1) to market vehicles developed and manufactured in the United States that are world leaders in quality, cost, and customer satisfaction through the integration of people, technology, and business systems. 2) to transfer knowledge, technology and experience throughout General Motors.²

The second phase of Saturn's development began with the launch of the company's first car in 1990. Skeptics doubted that the new corporation would achieve its goal to manufacture a small car with quality comparable to Toyota and Honda. Saturn had quickly defied the skeptics and won awards for quality, customer service, and innovative management practices. In 1993, the company had been ranked first in overall value by the *Consumer Reports* in its small-car issue. In 1995, Saturn overtook Ford's Escort to become the best-selling small car in the United States.

By 1998, Saturn had entered a third phase, characterized by new competitive and organizational challenges. With the success of the small car, attention turned toward the second part

¹ *Business Week* (May 12, 1973) and Saturn: A Different Kind of Car Company" (HBS 795-010), p. 4.

² "Saturn: A Different Kind of Car Company" (HBS 795-010), p. 10.

Associate Professor Anita M. McGahan prepared this case with assistance from Research Associate Rebecca Evans as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. The case is an adaptation and update of "Saturn Corporation in 1996" (HBS 797-052) by McGahan and Research Associate Suzanne C. Purdy. It draws on "Saturn Corporation's Module II Decision" (HBS 795-011) by Research Associate Greg Keller under the supervision of McGahan. Thanks to editor Barbara Feinberg and to Sarah Woolverton for additional research support.

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of the mission: transferring the learning from Saturn to General Motors. Financial analysts pointed to the transfer as critical for recouping GM's \$3.5 billion investment in Saturn.

The problem of transfer was complicated by organizational dynamics at GM. During the late 1990s, corporate performance had improved considerably (see **Exhibit 1**). As a consequence, some observers reported a diminished sense of urgency within General Motors about incorporating the lessons of Saturn. One early effort at transferring Saturn practices—adopting Saturn's famous “no haggle” sales approach at Oldsmobile dealerships—met with limited success. In an important 1998 development, General Motors announced plans for a “Delta” small-car platform that would include a new Saturn sports-utility vehicle as well as a Chevrolet Cavalier, Pontiac Sunbird, and European Opel Astra. Sharing the platform across divisions would allow GM to achieve economies of scale in the procurement of common parts such as frames, power trains, door hinges, and brakes. The business press responded by questioning Saturn's status as an independent company with experience that could be transferred to the parent.

Shifts in the small-car market also created pressure on Saturn. Overall sales of small cars flagged during the late 1990s as mid-sized and sport-utility vehicles became more popular. As the small-car model aged, some analysts reported that Saturn's relative quality was diminishing. By 1998, the company had engaged in a number of initiatives to address its market position. The existing small-car model had been introduced in Japan to expand the geographic footprint of the company. In addition to the sports-utility vehicle, the company had announced that it would introduce a mid-sized car in 1999. The mid-sized model would be manufactured in a converted Wilmington, Delaware, facility based on a design from General Motors' European Opel division. A new management team at Saturn promised to renew the company's commitment to principles of consensus and cooperation with the UAW.

General Motors

In 1997, General Motors posted net income of 3.7% on \$178 billion in revenues (see **Exhibit 1**). Analysts attributed the auto maker's better-than-average results to improved products and a strong yen, which eased price competition from Japanese imports. The company's core automotive business was organized in a group of divisions called North American Automotive Operations (NAO). NAO included seven car and truck lines.³ In 1997, NAO accounted for \$100 billion of GM's revenues and posted a modest loss of \$86 million.

The Car Divisions

The divisionalization of GM in the 1990s reflected a strategy first formulated in the 1920s by GM President Alfred P. Sloan. Sloan organized GM divisions to offer “a car for every purse and purpose.” Chevrolet targeted entry-level buyers, while Pontiac, Oldsmobile, and Buick offered models that moved progressively up the price scale. Cadillac staked out the higher-end market by providing the largest and most luxurious cars on the road.

From the 1930s to the late 1950s, each of GM's five divisions sold distinct models. While sharing basic components to save costs, every brand offered a different engine, chassis, and body style to create individual personalities. The corporation first deviated from this formula in 1959 when it introduced smaller cars that shared “platforms” (i.e., engines and chassis). This practice became known as “badge engineering.” A decade later the company offered just 18 models, many differing

³ Buick, Cadillac and Saturn were strictly car brands, while Chevrolet, Pontiac, and Oldsmobile marketed passenger trucks in addition to cars. GMC Truck, the seventh division, sold larger utility trucks and vans.

in only cosmetic features. For example, the 1969 Buick Skylark, Oldsmobile F-85, Pontiac Tempest, and Chevrolet Chevelle were virtually identical except for their body panels and upholstery.

Analysts believed GM's increasing reliance on badge engineering during the late 1960s and early 1970s reflected concerns about antitrust scrutiny by the U.S. government. The firm had achieved a 50% market share and could no longer aggressively increase sales without the threat of prosecution. As a consequence, GM pursued policies like badge engineering to improve profits through reduced costs. A strong manufacturing culture developed around these initiatives.

In the face of new competitive challenges, GM attempted to revive the division's separate identities under a major reorganization plan in 1984. The company's leaders considered reconstituting the five divisions, but eventually decided to separate Buick, Oldsmobile, and Cadillac (BOC) from Chevrolet, Pontiac, and Canadian Operations (CPC). One executive recalled, "As we got to looking at the individual areas of expertise..., it was clear that you couldn't cut them into fives without losing your critical numbers in any one of the capabilities. We finally concluded that two (groups) was as many as you could do."⁴

Saturn was formed outside the BOC/CPC framework to insulate the new division from budget pressure and tensions among brands. This independence was intended to provide flexibility for testing new ideas. Saturn was allowed to produce its own engines and transmissions to infuse the models with a unique feel. New features and styling choices reinforced the claim that Saturn was offering "a different kind of car."

The Turnaround

Starting in 1992, CEO John F. "Jack" Smith pursued an aggressive plan for improving GM's financial results. Costs were trimmed by shedding layers of management and by following through on plans to close more than 20 assembly factories and to outsource parts from efficient independent suppliers. Smith also dismantled the BOC/CPC structure, replacing it with a unified NAO strategy board. This group aimed to eliminate redundancies across divisions by centralizing the design, engineering, and purchasing functions for all brands but Saturn. Smith also announced plans to shrink the number of basic car platforms from 12 to five, while supplementing the lineup with designs from GM-Europe. Observers applauded the plan as an important component of the turnaround. The development of each platform was estimated to require an investment of \$1.5 to \$2.5 billion over an eight-year period, and even more when development was accelerated.

During this transition, several observers predicted that GM would merge Saturn with Oldsmobile or Chevrolet. GM sources denied the rumors, but did not end speculation about the brand's future. Analysts said Saturn could achieve its volume targets by broadening its product line with either larger cars or subcompacts. A more conservative course involved building sales of its current class of products by adding dealerships in the U.S. and moving into international markets more aggressively. Every option carried implications for Saturn's current capacity expansion, as well as for GM's other divisions.

Chevrolet GM's largest division led the NAO recovery during the spring of 1994, but was again losing market share by 1997. During the early 1990s, Chevrolet's success had been driven by a strong increase in sales of light trucks. Managers said the gains could be attributed to Chevrolet's product "renaissance." The division had recently introduced several redesigned models. These models were part of the first wave of products flowing from the NAO's "common parts" strategy.

⁴ Keller, MaryAnn, *Rude Awakening: The Rise, Fall, and Struggle for Recovery of General Motors*, p.110.

As a full-line manufacturer of passenger cars, Chevrolet epitomized GM's difficulties during the past 20 years. General manager Jim Perkins reported, "We lost our place in the '80s... We let our products slip."⁵ Between 1979 and 1993, Chevy's share of the U.S. car market fell from 20% to 12%.⁶ In the interim, the division took steps to keep buyers from defecting to imports, especially in the smaller car classes. Chevrolet's Geo Metro, sourced from Isuzu, had achieved limited share as a subcompact. Chevrolet had also introduced the Geo Prizm in the small-car market. The Prizm was produced by NUMMI, a joint venture between GM and Toyota, that produced a nearly identical Toyota Corolla. The Prizm received better-than-average ratings from auto critics but captured less than 4% of the small car market compared to 9% for the Toyota Corolla, despite the Prizm's lower base price. Chevrolet also attracted entry-level buyers with its Cavalier, a mid-size model that was aggressively priced to compete with smaller imports. In 1997, Chevrolet's share of the U.S. car market was 11.8%.

When Saturn was introduced, several Chevrolet managers complained that the new brand was cannibalizing Chevrolet sales. Research revealed that only about 6% of Saturn's buyers listed a Chevy or Geo as a second choice. Moreover, sales trends showed that Chevrolets were most popular in the Midwest and South, while Saturn's core territories were in the East and West. Chevrolet had recently dropped its "Heartbeat of America" advertising in favor of a more nostalgic "Genuine Chevrolet" theme. Some observers noted that the ads were reminiscent of Saturn's early spots.

Pontiac Sales gains in 1997 made Pontiac the fourth-best selling brand in the U.S., behind Ford, Chevrolet, and Toyota.⁷ General manager John Middlebrook said the division thrived by offering sporty models at a more affordable price than the competing imports.⁸ In particular, the brand's two bestsellers, the Grand Am and the Grand Prix, were mid-size models that listed for several thousand dollars less than the Honda Accord and Toyota Camry. Sales of the Grand Prix and Grand Am accounted for about 70% of Pontiac's volume. The Pontiac brand as a whole had increased its share to 6.7% of the national market by 1997.

Pontiac's performance had been particularly strong in California, where dealers were experimenting with a "Value Selling" concept. Cars were packaged with popular features and offered at a "Suggested Value Price" to eliminate haggling. Managers hoped the program would enhance the buying experience by minimizing the need to shop at different dealerships.

National advertising emphasized styling and performance, appealing to a younger group of buyers than did traditional GM brands. The median age of ownership was in the mid 40s, comparable to most imports and slightly above Saturn. Pontiac sold cars in the medium, large and sporty segments. It dropped its small car, the LeMans, in 1993, so dealers relied on a variation of the Chevy Cavalier (sold as a Sunbird) to attract entry-level buyers. Industry sources also speculated that Pontiac would eventually put the LeMans name on a small car imported from one of GM's international divisions.

Oldsmobile GM's oldest brand was rebuilding its loyal customer base in the late 1990s. During the mid 1980s, Oldsmobile had sold more than 1,000,000 cars annually. By 1993, however, sales had slipped to less than 400,000, prompting analysts to question the brand's viability. Olds' managers committed to remodel after Saturn-- a process the media called "Saturnization." Dealers were schooled in team-building and customer-service principles. The division also set up a governance board with dealer representatives. The governance board endorsed "no haggle" pricing and moneyback guarantees.

⁵ "Compact Cars Loom Large for U.S. Makers," *Advertising Age*, April 4, 1994, p.4.

⁶ Chevrolet's share of the combined car and truck market was 16.8% in 1995.

⁷ "U.S. Car and Light-Truck Sales," *Automotive News* (1998).

⁸ Quoted in "Saturn Corporation's Module II Decision," HBS 795-011 (August 1994).

Oldsmobile received above-average reviews on its line of mid-size and larger cars but seemed to have trouble implementing the no-haggle policy and in shaking a stodgy image. To reshape this perception, the brand launched the Aurora, a \$32,000 sedan that was designed to challenge the best of the luxury imports. Although Aurora sales would not turn the division around, Olds' marketing staff hoped the car would bring curiosity seekers into showrooms, where they could become familiar with other models and experience the new sales techniques. Olds wanted to attract the same profile of customer as Saturn, but one who might be shopping for a larger vehicle. Oldsmobile offered seven different models, including a minivan and a sport utility vehicle. The brand's share of the U.S. car market dropped from 3.8% in 1996 to 3.0% in 1997.

Buick During the 1980s, Olds and Buick models were so similar that some called the cars "OldsmoBuicks." In the early 1990s, Buick had distinguished itself by appealing to more conservative tastes. The division's general manager, Ed Mertz, described the brand's image as "distinctive, powerful and mature."⁹ Buick had tested several of the customer service ideas developed by Saturn, but determined they were not relevant to its target customer population. For example, the division's market research found that most of its buyers liked to bargain over the price. Moreover, Mertz said that Buick's customers generally did not consider import models.¹⁰

Cadillac GM's top-of-the-line brand traditionally produced the largest cars on the road. Within the past decade, the division had been challenged by European and Japanese imports that offered new performance and safety features. Cadillac responded by emphasizing product quality. Efforts to improve product and process design earned it a Malcolm Baldrige award for quality in 1990. The first new products following the quality initiative proved popular with critics and customers. The mid-sized, sportier cars showcased Cadillac's ability to integrate technology, style, and comfort, and drew a younger audience (median age of 52) to the brand.

The Catera, a new model in 1996, expanded Cadillac's reach in the luxury segment. The smaller sedan and coupe were developed by a GM-Europe division to give the cars a European look and feel. This design approach also fit Jack Smith's plans to limit the number of platforms GM produced. Cadillac expected the average Catera buyer to be 45 years old and have an income of \$75,000.

GM's Competitors *Automotive News* listed more than 150 car models and over 50 passenger truck lines in the U.S. In 1997, GM sold 8.2 million vehicles worldwide, and captured 32.2% of the U.S. new car market. Ford Motor Company finished second with a 19.5% share, followed by Honda (10.0%), Toyota (9.9%), Chrysler (8.9%), and Nissan (5.7%). **Exhibit 2** shows each company's market share by product segment for 1995, and **Exhibit 3** shows financial results.

Successes in 1998

By 1998, most analysts in the car industry concurred that Jack Smith had led General Motors through a successful transition. The centralization of small, midsize, and luxury car operations had led to new efficiencies. A program called Plan 2000 had been implemented to reduce the number of GM dealers to 7,000. In addition to the 20 assembly-plant closings announced by Smith, General Motors closed or sold 53 component plants during the 1990s.¹¹ Inventory had been managed down to nearly half the level of the previous decade. Although the corporation had not yet met Smith's target of a 5% return on sales,¹² profits had improved considerably. Many of the analysts also agreed

⁹ Ibid.

¹⁰ Ibid.

¹¹ "General Motors Corporation," *Paine Webber Analysis* (August 7, 1998), p. 1.

¹² "General Motors Corporation," *Ward's Automotive Yearbook 1998*, p. 159.

on General Motors' most important challenge: improving labor productivity. A Morgan Stanley Dean Witter analysis indicated that GM produced an average of 27 cars per worker in 1997, compared to 46 per worker at Ford.¹³

Saturn's Mid-Sized Car

On August 6, 1996, General Motors contacted the press with the following information:

General Motors, Saturn Corporation and the UAW announced today that Saturn will build a new generation vehicle at the Wilmington, Delaware facility. The program, known as Project Innovate, was approved yesterday by GM's Board of Directors at their August meeting in Detroit. This innovative product program is the result of a need to expand the success of the Saturn brand, according to Skip LeFauve, GM Vice President and Group Executive, Small Car Group, and Don Hudler, Saturn President.¹⁴

The Saturn Innovate would be based on a design by GM's European Opel division. The model would be a mid-sized four-door sedan with a recently designed, lightweight overhead cam engine and Saturn's trademark plastic door panels, fenders, and bumpers. Priced comparably to the Honda Accord, Ford Taurus, and Toyota Camry, a loaded Saturn Innovate would sell for \$17,000 to \$22,000. GM planned to begin production in mid-1999 for the model year 2000.

Labor In August 1996, General Motors approved a \$927 million budget to convert Opel's Vectra into Saturn's Innovate, although GM had denied Saturn's bid to build the new model in Spring Hill.¹⁵ Instead, GM elected to convert a 50-year-old Wilmington plant to Innovate production. The Wilmington plant manufactured the Chevrolet Corsica and Beretta models in 1996, and was slated to close by the end of 1999.

The labor agreement between UAW Local 435 at the Wilmington plant and General Motors covered 2,600 Wilmington employees. The Wilmington contract differed from the non-expiring labor agreement at Spring Hill partly because the Wilmington contract had been negotiated under the umbrella of GM's main contract with the UAW. Some of the 7,500 workers at the Spring Hill plant had expressed concern that they would lose their voice in the future of Saturn.

Production The big three automakers traditionally had limited success in convincing U.S. consumers to buy cars that were designed in Europe.¹⁶ The initial plans for Innovate stipulated that Saturn would have to earn \$3,300 per car and sell 280,000 cars to recover the initial investment of \$927 million.¹⁷ Saturn would pay Opel a royalty on the design estimated at about 3% of operating margin per car.¹⁸ GM had revised its initial plan to project total unit sales of about 150,000 Innovates after reviewing prospective competition from Toyota's Camry and Honda's Accord.¹⁹

¹³ Stephen J. Girsky and Monica Mullick, "General Motors (GM): Defending Against the Pick and Roll," *Morgan Stanley Dean Witter Analysis* (July 7, 1998), p. 5.

¹⁴ Press Release, General Motors and International Union UAW.

¹⁵ Lindsay Chappell, "GM's Flint Problems Spill Over at Saturn," *Crain Automotive News* (July 20, 1998), p. 1.

¹⁶ "Innovate: New GM Car Equipped with Challenges," *USA Today*, July 5, 1996, p.3B.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

GM would also have to assure buyers that parts would be available to service the Innovate. Shipping parts to the U.S. from European plants would be too expensive. Under current plans, Innovate parts would be made at Spring Hill.

Market The Saturn Innovate would be introduced into the medium-sized car segment in the U.S. In 1995, GM had 13 cars in this segment, led by the Pontiac Grand Am, Chevrolet Lumina, and Chevrolet Corsica (see **Exhibit 1**). With the medium-sized model, Saturn planned to add 200 new retailers by expanding the number of retail stores in each market area.²⁰

Concerns about cannibalization of GM's most profitable lines continued to arise as plans developed. Although GM's medium-sized models were considered to be profitable, unit sales had been limited because of competition from both domestic and Japanese rivals. Initially, GM attempted to persuade loyal Saturn customers to trade up to other GM products, particularly those of the Oldsmobile division. GM instituted one-price selling policies for Oldsmobile, and began a program to rationalize the number of Oldsmobile dealerships. Olds dealers were trained at the Spring Hill plant in teamwork and selling skills. The institutionalization of Saturn's policies at General Motors required changes on a scale that were virtually unprecedented in the company. For example, General Motors sold its products through 8,500 dealers in the U.S., of which 340 belonged to Saturn.

Management In 1994, Saturn's president, Skip LeFauve, was promoted to head a new group at GM charged with the development of small-car platforms. The new group would seek opportunities to coordinate platform development across GM divisions. Don Hudler, previously responsible for marketing and sales at Saturn, was named Saturn's new president.

The Delta Platform

In early 1998, General Motors announced that it had embarked on a program to develop a series of new cars on the same chassis, called the "Delta" platform.²¹ The badge-engineered cars would be global in scope and would be introduced in 2002. The models built on the Delta platform included a new Saturn sports-utility vehicle as well as the Chevrolet Cavalier, the Pontiac Sunbird, and the Opel Astra. The cars would share common parts (including frames, power trains, and brake systems) produced by the most efficient of independent suppliers.²² The power train and chassis also might be used at NUMMI, General Motors' joint venture with Toyota. The NUMMI plant produced the Toyota Corolla and the Chevrolet Geo Prizm. GM forecast that the Delta platform would eventually account for a third of corporate volume.²³

Spring Hill and the Small Car

There were 1.7 million Saturns on the road in the United States eight years after the brand's introduction. Saturn accounted for about 5.0% of GM's unit volume in North America. Although the 1998 Saturn was built on the same platform as the 1990 Saturn, the models had been redesigned and the product line expanded over the years. In 1998, the Saturn small-car line included two compact sedans, a coupe, and a station wagon. Critics argued that not only was Saturn's small car model

²⁰ "Nuts & Bolts: Bugs Ironed Out After First Year," *The Atlanta Journal and Constitution*, August 23, 1996, p.25.

²¹ "GM Looks to Boost Saturn," *Free Press News Services* (February 2, 1998).

²² Lindsay Chappell, "GM's Flint Problems Spill Over at Saturn," *Crain Automotive News* (July 20, 1998), p. 1; "Most Saturn Engineers to Shift into Main GM Group," *Houston Chronicle* (August 20, 1998), p. 8; Tom Incantalupo, "Saturn Fading in GM Galaxy," *Newsday* (New York: August 23, 1998), p. F08.

²³ "Most Saturn Engineers to Shift into Main GM Group," *Houston Chronicle* (August 20, 1998), p. 8.