



Dan Akerson Is Not a Car Guy



The new boss of GM has no auto industry experience and a knack for telling employees what they don't want to hear. Does that make him the right leader to save the carmaker?

In June, Daniel F. Akerson, the chairman and chief executive officer of General Motors, gave a speech to about 400 engineers and designers at the company's technical center north of Detroit. It was a boilerplate, morale-boosting speech, generous with exhortations about work ethics and staying vigilant. Then came the Q&A session. One employee wanted to know: What kind of hours did Akerson expect them to put in at the office? Akerson answered with a family parable. He told the crowd he'd called his son's office at 6:30 that morning and found him at his desk. Akerson informed his son, who does not work at GM, that he would call again in 12 hours and that he expected him to still be at work. The moral, as if anyone in the room needed an explanation: "Generous Motors" is gone, so get busy. Next question.

The anecdote didn't go over well, according to two people in attendance who spoke on condition of anonymity because the gathering was private. This was 10 months into Akerson's reign as CEO and two and a half years after the company's bankruptcy and bailout by the federal government. Thousands had lost their jobs, leaving the survivors to do more even as they watched their stock in old GM evaporate. "I hope some people are uncomfortable," says Akerson. "It's not my role to make people comfortable. I don't know what it was like here five years ago, and really I don't care. We're in a war."

When the U.S. Treasury appointed him to GM's board in 2009, Akerson, 62, had no auto industry experience. He does have a résumé, though:

nearly 20 years as a telecom industry executive, successfully leading MCI and Nextel, then a run as a private equity investor with Carlyle Group. Depending on who's talking, these qualifications make him either a refreshing force for change or a clueless newbie doing more harm than good. "It's not that he isn't smart or a good executive, he just lacks the background," says Maryann N. Keller, a longtime car industry consultant. "Even when he gets an answer, he may not know if it's the right answer."

Of course, the same could be said of Ford's Alan Mulally (previously at Boeing) and Akerson's predecessor, Edward E. Whitacre Jr. (AT&T). "Being new was a gift because I could ask questions that were impolite, previously imponderable, or politically incorrect," Akerson says in his 39th-floor office at GM's headquarters in Detroit's Renaissance Center. The office is decorated with large glamour photographs of a Camaro and a Cadillac, but not the auto-racing tchotchkes that industry veterans typically display. "I'm not a car guy," he says. "Nor should the CEO be worried about rear axle ratios on the next transmission."

Now that GM is making money—profits hit \$6.2 billion last year, and the company has \$32 billion in cash—Akerson has moved the company out of survival mode and is pushing it, whipping it even, to grow. "If the company doesn't change its culture, it won't be his fault," says Sean McAlinden, chief economist at the Center for Automotive Research in Ann Arbor, Mich. "GM needs 50 Akersons."

Akerson was born in California and raised in Mankato, Minn. His father had been an enlisted man in the U.S. Navy.

Akerson attended the Naval Academy, graduated in 1970, and served a tour aboard a destroyer during the Vietnam War. He boxed in college—he was a light heavyweight—which may help explain his penchant for talking smack. Since taking over at GM, he has declared Lincoln dead—Ford should "sprinkle holy water" on its luxury brand, he told the *Detroit News*—and ridiculed Toyota's Prius as a "geekmobile."

The job at Toyota came during a speech last December in Washington, when he heaped praise on the Chevrolet Volt, a plug-in hybrid and would-be Prius killer. In December, Akerson and his top managers had a meeting in the office of Thomas Stephens, then the company's vice-chairman of global product development. The team wallpapered the room with plans for the Volt's rollout, including pricing, sales targets, and production. Stephens and the product development staff figured the plan was baked and ready to go. Sales started that month and supplier contracts were already in place for future model years. Akerson homed in on the plan to build 45,000 Volts next year and wasn't satisfied. "The package came to me completely sanitized. Here it is, Mr. CEO, put your stamp on it," he says. "I wanted more, more, more."

Prior to the meeting, Akerson says, someone told him that new models need to sell at least 100,000 in a year to be successful. So that's the goal he gave his team: 120,000 Volts in 2012. When GM's Volt engineers heard about their new stretch target, they blanched—and not merely because engineers everywhere tend to resent orders from the suits. It took the Prius about seven years to hit the annual numbers Akerson wanted. Since the Volt is still a money loser, jacking up production would only push prices lower and losses wider. Quality could suffer, too, they argued, if GM pressured its suppliers to nearly triple the volume of the car's high-tech parts, especially its lithium-ion batteries.

After four months of fact-finding and debate, Akerson backed off. It turned out that the suppliers wouldn't take on the risk of building enough batteries to power 120,000 Volts unless GM guaranteed to repay their capital investment should sales come up short. (In the past, the company had exuberant sales forecasts for hybrid systems in its large SUVs



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Akerson visits a GM plant in Lake Orion, Mich., that produces the subcompact Chevy Sonic

the veteran Stephens in favor of Mary T. Barra, the 49-year-old human resources director, to run product development. (Stephens is now chief technology officer.) Akerson elevated former Hyundai marketer Joel Ewanick to global chief marketing officer and promoted Treasurer Daniel Ammann, 39, to CFO after the resignation of Ammann's predecessor, Christopher P. Liddell. Filling out Akerson's top team are Girsky, a former Wall Street analyst and private equity investor who'd been an in-house adviser in 2005 and 2006, and GM-North America President Mark Reuss. A GM lifer, Reuss is the management team's car guy and has earned Akerson's trust.

Reuss recalls that around the same time Akerson was pushing to sell more Volts, the boss was raising questions about the next-generation Chevy Malibu. At a meeting at GM's design center north of Detroit in December, Reuss and design chief Edward Welburn proudly showed Akerson a hard-foam mockup of the future Malibu. The design added the distinctive tail lights and sculpted haunches of the hot-selling Camaro. Akerson loved it. Reuss says Akerson turned to him and asked, "How fast can we get this?" The car wasn't due to market until mid-2012.

Akerson wanted it as soon as possible. He pointed out that the longer Chevy has to sell the current car, the more incentives it will need. That would push its price closer to the all-new Cruze compact. A loaded Cruze compact sells for almost \$23,000, and the larger Malibu sedan starts below \$22,000, not counting \$1,000 in rebates and cut-rate financing offered on the bigger car. Akerson's fear was that buyers would opt for the Malibu and cannibalize Cruze sales.

Old GM pushed back. One employee sent Akerson a long e-mail telling him why pulling the car ahead was a dumb idea. Engineers said that rushing the Malibu could compromise quality. Worse, the new four-cylinder engine wouldn't be ready until later next year. The engine was designed to make its debut on the Malibu and there is no way to speed engine development, Reuss says.

The rebellion went straight to Akerson. "I started getting e-mails from people I didn't even know saying I would threaten the quality of the product," he says. Others told him that the Malibu already had a POR, for "plan of record," which

that never quite materialized, making it difficult for suppliers to make a return on their investment.) Since no one at GM could say for certain how many of these pricey, tech-laden cars it could actually sell, Akerson settled on a production goal of 60,000—half of what he wanted and still a third more than his development people originally planned. The compromise also sent a message to his team: He may be pushy and unschooled in the practicalities of automobile production, but he wasn't, as he puts it, "just a reckless riverboat gambler." GM Vice-Chairman Stephen J. Girsky says Akerson's sense of when to relent is what makes him more than a mere bully. "Even when he loses," says Girsky, "it's a good thing because he is challenging the organization."

William E. Conway Jr., co-founder and managing partner of Carlyle Group, says, "People say he is tough but I wouldn't say

that. Dan will make the tough decisions, but he is also willing to change his mind."

One of Akerson's first tasks after taking over as CEO last Sept. I was figuring out how to break up the old bureaucracy without losing too much institutional knowledge. For help, he turned to an old pro: retired IBM Chief Executive Louis V. Gerstner Jr., who came to GM's headquarters in January to talk shop. Gerstner was a computer industry novice when IBM's board hired him from RJR Nabisco in 1993. Early on, he brought in a new chief financial officer, Jerry York, who had been CFO at Chrysler. Then he concentrated on assembling a team with deep knowledge of the computer business. His advice regarding GM, says Akerson, was to identify optimists with experience and a competitive streak and promote them.

In February, Akerson nudged aside

is GM-speak for "set in stone." "I asked, 'Don't you ever reshuffle your plan?'" Akerson recalls, his palms raised in exasperation. "Let's think competitively."

He responded to the internal critics by saying that the family sedan business is hotly competitive and GM would blow about \$200 million in incentives over the next year while waiting for a fresher model of the Malibu. Then Reuss, who'd come up through the company's engineering ranks, realized that the company had another four-cylinder engine that would be ready in January and could be mated with GM's eAssist mild hybrid system. After just three meetings—unheard-of at GM—the company figured out how to start selling the new Malibu in January with the hybrid system, offering buyers 38 mpg on the highway. The hybrid version will help GM compete with the Ford Fusion and Toyota Camry, both of which offer hybrid systems in their cars.

Some of the new team's decisions have been costly. Late last year, Reuss concluded that GM should jack up rebates to help dealers boost volume and thin out rising pickup truck inventory. Akerson backed him, and GM offered the industry's largest deals in the first quarter of 2011. The move was an echo of pre-bankruptcy GM, which used massive rebates to boost sales and sell out the capacity of its overblown factory network. The strategy helped sales, but GM's first-quarter earnings showed that the new management team overspent: GM said the incentives lowered profits by \$300 million. Meanwhile, Ford said its price increases helped its bottom line by \$900 million in the quarter. "It's unbelievable that after this huge taxpayer bailout and the bankruptcy that we're right back to where we were," says Jefferies & Co. analyst Peter Nesvold. Lesson learned, says Girsky. "When the gap showed up, Dan started asking some questions," he says. "It wasn't lost on anyone here what had happened."

Akerson is planning to stay at GM for three to four years, says a person familiar with the CEO's intentions. During that time, he'll have some legacy-defining decisions to make. GM has seven global engineering centers, which the company calls tier-one centers, each specializing in designing the foundations of vehicles that are most popular in their regions. The Korean center specializes in subcompacts



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for emerging markets, the U.S. focuses on trucks, Europe on compact cars, and so on. The cars are engineered in those centers and sold around the globe. The centers have produced some recent hits, including the Chevrolet Cruze compact and Buick LaCrosse sedan, but Akerson says the system is too costly and complex. He may shut down some centers and consolidate engineering. It would save money—and it could also backfire by shifting development of some models away from the experts. "There's always that risk," Akerson says. "Does our competition have seven tier-one engineering centers around the globe? I can tell you they don't."

He's weighing how to make Cadillac a global luxury player that can rival BMW, Mercedes, and Audi. This has been the subject of yet another internal debate at GM. Akerson says there was a push to go after Europe first and establish Cadillac as a legitimate competitor to the German brands. He disagreed. Akerson figured that investing in Europe first would mean missing out on the real growth market, China. He won. By the third quarter of next year, GM will be making more than 100,000 Cadillacs a year on the mainland. Going after the European market is at least two years away, Akerson says. "If we wait five years, German brands will take over. We have a chance in the second-largest market in the world."

Another big choice awaiting Akerson is the designation of his successor. He has nothing but praise for Reuss, Girsky, Ammann, and Barra. He says he wants to groom a few different candidates and then heaps even more praise on Reuss. "He has been a real find," Akerson says. "He is a terrific executive." (Reuss's father, Lloyd, was GM's president from 1990-92.)

Akerson knows that none of those decisions will matter if GM backslides, as it has so often in the past. The company

has a long history of following periods of glory with periods of failure. Breaking out of that cycle will require a new work ethic, product vigilance, and all the other virtues he harangues GM employees about. This summer, Akerson had his top 60 managers engage in a kind of automotive war game called Tough Love. The exercise called for six teams with 10 executives each representing GM's major competitors. The executives had to get out of the GM uniform, Akerson says, and figure out how to crush the company.

Akerson was on the Fiat-Chrysler team. Team Toyota, headed by Girsky, examined how that company handled its recall fiasco last year. The Japanese company offered deals to its customers to bring them back. GM figured Toyota may come out swinging with aggressive sales tactics once the tsunami's impact subsides and Japan's factories are cranking again. They also decided the Prius—the geekmobile—still gave Toyota a huge advantage in fuel economy. GM has the Volt, but team Toyota didn't think GM would do much beyond that. GM's remedy: Come up with something Toyota won't expect. As a result, GM this summer resurrected the once-shelved Cadillac Converj, a concept car using Volt technology. Akerson says the car will come to market a few years from now, under the name Cadillac ELR.

When asked later about strategies his team came up with to destroy GM, he demurs, claiming he spent most of his time observing. The main goal of the exercise was getting his executives to consider every threat, as opposed to pretending the competition doesn't exist. Akerson says he's pleased with the changes in attitudes he saw during Tough Love. "Going into this exercise, there were a lot of cynics and doubters," he says. "After, the feedback was, 'Man, we've got a lot of work to do.'"

—With Craig Trudell