

Chapter 15: Structure

OB in focus

Corporate restructuring and the car industry

Since the start of the recession, downsizing has become the management trend around the world, and corporate restructuring has become key to survival. In just one week in November 2008, Britain's BT, Canada's Nortel and German-owned DHL were just three of many firms announcing massive job cuts. In addition to having to trim down the number of employees, businesses are having to rethink the organization of their headquarters. Many are struggling with the problem of maintaining the right relationship between the centre and the periphery. In the 1970s, large multinationals created large headquarters. In the 1990s, the fashion changed to modest, simple centres. In the twenty-first century, headquarters were beginning to expand again – but the recession will probably force organizations to revert to minimalism.

The car industry has been hit especially hard by the recent economic downturn. Three of the largest US car manufacturers – General Motors (GM), Chrysler and Ford – have been forced to make significant changes to how they operate, while the government has had to step in to help out. All three organizations were in the midst of implementing vast restructuring and cost-cutting strategies when they were knocked back again by tightening credit and rising oil prices. The revelation that GM was in danger of running out of cash concentrated executive minds. Although not quite as desperate, Ford was in a similar position, while Cerberus Capital Management (which owned 80 per cent of Chrysler) sought to offload the car maker to another firm. So the struggling car manufacturers were left with just two options: either the US government would have to come to the rescue, or the biggest car companies in America would have to seek Chapter 11 bankruptcy protection.

Chrysler did in the end file for bankruptcy (despite evidence that customers would be likely to abandon the products of a car manufacturer that took this step). The US government bailed out GM, and President Obama expressed his hope that the company would emerge 'leaner and meaner' as a result of its financial woes. In some ways, it seems that the Obama administration's automotive task force holds the fate of the US car industry and its future structure in its hands.

Sources: Anonymous (2008) 'Centres of attention', *The Economist*, November 13; Anonymous (2008) 'Follow the money', *The Economist*, October 18, p. 72; Anonymous (2008) 'On the edge', *The Economist*, November 15, 2008, p. 75; Keenan, G. (2009) 'Losses force GM to question its future', *Globe and Mail*, February 27, p. B1; <http://news.bbc.co.uk/1/hi/business/8065760.stm>.

