



By Harry J. Abramson
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A Perfectly Painful View of GM's Future in the Eyes of a Rep

I'll start this article by stating that I am a certifiable, pre-disposed, positive thinker – it's my nature. If I were not, I would not have chosen the proud profession of being a manufacturer's representative. Therefore, please do not misconstrue my concerns about the future as being "negative". They are perfectly objective, especially for those of us who are located in the so-called Great Lakes Region, aka the rust belt, home of the formerly powerful Big 3 – GM, Ford and Chrysler. Their troubles and potential demise rivals the recent collapse of the telecommunications industry. Read on and you'll see why I feel the way I do.

As I read and listen to the grim news from abroad, I can't help but think that we are overlooking our troubles at home. This article will focus on General Motors, who has historically been our country's largest manufacturer. You know the expressions – the cornerstone, the keystone, and the pillar of the American economy. Well, friends, please don't ask me to stand under that keystone. To some it looks more and more like a tombstone – God forbid.

Looking Around

Our country's global "watch dog" mentality may be admirable, but it's costing us dearly at home. Comments about Katrina and New Orleans and the Iraq war have grown old and are painfully repetitious. Driving by a GM dealership touting employee discounts to all new car customers is a quick reminder that all is not well in the United States. Actually, we are in a boatload of trouble – airlines are going bankrupt, retirees are losing pensions, corporate corruption and government scandals are all above the norm – NOT GOOD!

Coast to Coast

Across our great country, our people, and the electronic industry in particular, are writhing in pain with problems that are not easily fixed. We are, indeed, a benevolent nation. But doesn't it make perfectly good sense to heal ourselves first before trying to democratize a recalcitrant world? What needs fixing?

1. Manufacturing: It's being outsourced and off-shored. We need tax incentives for automation ASAP.

2. Transportation: Roads, rail systems and ports desperately need updating.

3. Education: It's too damn expensive, especially for our middle class. And, yes, it's time to teach Mandarin to our kids. Some of you told me, "No way, Jose." (See, you already learned a little Spanish, so why not the language of what promises to be the world's greatest consumer nation and next super power?)

4. Trade Deficit: I know, that's an old story, too, but it's getting worse, much worse.

5. Balanced Budget: Someday, somehow, I hope! If we don't get it balanced, we are headed for even greater problems.

GM Bleeding

Can it get any worse than General Motors selling their vehicles at an average loss of \$1,200 each? What can be worse than junk bond status? Obviously, GM is spreading the financial mismanagement disease to a first cousin like Delphi. Hip, hip, hooray! Employee discounts for everyone! Let's make up the losses with volume. As if that's not bad enough, GM has saddled itself with enormous payouts to retirees. Fact: There are twice the number of retirees compared to active workers.

Economists say that GM is in a self-destruct mode, and I hope that somewhere there is an answer other than a massive tax increase to bail them out. Then, who's next? Ford? Daimler Chrysler? The airlines? Why aren't the Japanese having these problems? Are they smarter? Auto industry watchers

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state that the Japanese automakers continue to grow their market share despite GM's suicidal discounting. Incidentally, can you recall the last new GM concept that got you excited?

The Toyota Threat

Some people are rooting for General Motors to go bankrupt and be bought out by Toyota. Does this make any sense? Maybe so! Toyota has listened to and delivered what American consumers have been asking for – reliability, quality, fuel economy and a stable workforce. Most importantly, they are committed to selling cars to Americans that are made in the U. S. Thankfully, Toyota (and Honda) have pioneered a hybrid engine that will help enable our economy to fret itself from Mid-Eastern oil dependence.

Quality

GM manufacturing has never reached the quality or profitability level of Toyota. The problem will only be solved by improving the level of GM management. Stubbornness will get them nowhere. Neither will discounts.

Only change, clear thinking and a quality product will prevail. If it takes copying the Japanese, then so be it. News flash: The Chinese have just announced a \$5,000 car and a \$10,000 SUV! Are you interested in buying one? Maybe not, but how about the \$10 an hour employees at Wal-Mart?

Business School Model

GM has been a favorite model of business schools typifying the example of a multi-layered, old-style, hierarchy management. These layers are now expensive anchors. In order for GM to prosper, these anchors have to be cut loose, but at what price? Will the United Auto Workers (UAW) work with GM to keep the company afloat or is the union part of the problem?

Accounting Irregularities

In case you think that GM does business by the book, don't be shocked – they appear to have questionable book-keeping. The November 3rd edition of *The New York Times* reports that GM has fessed up to 5 years of accounting errors dating from 2001 thru 2005. Their losses were far greater than ini-

tially reported and the SEC is really pissed! Their bond ratings have slipped from junk to junkier (if there were such a word). Their profit coffers are now in the coffin. What's next and who's next!

Rep Effect

There are thousands of reps who make their living selling products and services to America's automotive industry and they are especially concerned. In regard to automotive electronics, those designs are created in Japan, not Detroit. So much for the split commission design wins. And, yes, it is a big deal!

Summary

Do you cry or fret for General Motors? If not, you may cry for the big picture – our beloved country. Remember the old adage, "As General Motors goes, so goes the nation." I'm concerned. How about you?

News flash: Ford has just announced their plans to lay off 30,000 employees and Delphi has just proposed slashing hourly pay by over 50%. but no cuts in management compensation. •