Bold moves and big rewards: How GM has approached electrification, autonomy, and sharing

Excerpt based on material that originally appeared in the book *Goliath's Revenge*[1]

The automotive industry is changing at an incredible pace. In a late-2016 interview with *Business Insider,* General Motors (GM) CEO Mary Barra said of the industry, "We are in the midst of seeing more change in the next five years than we've seen in the last 50 years." Companies are forging ahead, vying to win the long game of digital disruption by achieving success in three critical areas: electrification, autonomy, and sharing.

But the automotive industry, even more than many others, struggles to attract the people needed to truly disrupt. In addition, few companies in the industry laid the groundwork in past decades to get ahead of the competition on these fronts. Given the industry's pace of change and frequent financial troubles, it is not surprising that it has not taken the risks and made the experimental mistakes necessary to build the breadth of institutional knowledge required for long-term digital market leadership.

Despite being bailed out by the US government during the global financial crisis just 10 years ago, today GM is an industry leader in all three of the areas that are defining success now and for the foreseeable future. By taking risks—including cannibalizing the existing business with, for example, layoffs in its legacy auto manufacturing plants—and being unwavering in its pursuit of people, GM has put itself on a path to being an industry disruptor.

Electrification

Around the same time Apple was developing the Newton, the failed precursor to the iPhone, GM was developing the EV1—the world's first modern electric car built by a major automotive manufacturer. It came to market in 1996, seven years before Tesla was founded and 16 years before Tesla's first internally

[1] Todd Hewlin and Scott Snyder, *Goliath's Revenge: How Established Companies Turn the Tables on Digital Disruptors* (Hoboken: Wiley, 2019).

developed car, the Model S. The EV1 proved to be GM's Newton—unsuccessful and quickly discontinued. Yet it has been essential to the long-term success of the company.

The EV1 not only got the company thinking about electrification reshaping the automotive industry but also helped it develop institutional knowledge on EV technology, inspiring the gas and electric Chevy Volt in late 2010 and the pure-electric Chevy Bolt in late 2016. Although GM will discontinue the Volt along with five other sedans by the end of 2019, its hybrid has had a long run for a first model. And the Bolt was named *Motor Trend's* 2017 Car of the Year, beat Tesla's Model 3 to market by nearly a year, and has been recognized as the first long-range, sporty, and affordable electric car.

Autonomy

GM's customer research demonstrated that self-driving capabilities were crossing the chasm from science experiment to key differentiator. GM leaders realized that autonomy was a must-win battle and an area where entirely new skills would be critical to the company's long-term success. In this area, GM did not have the luxury of long-term, institutional knowledge. Instead, the company had to take substantial risks to acquire the people and technology needed to disrupt.

In early 2016, GM acquired Cruise Automation, a three-year-old San Francisco company, reportedly paying $1 billion for it—valuing each of the start-up's roughly 40 employees at nearly $25 million. The acquisition was a bold move, especially considering GM's own employees are valued at just $0.3 million each. Bets don't get much bigger than that. Today, GM is licensed to test more fully autonomous cars on California roads than any other company.

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Sharing

Investing in sharing was the most difficult shift for the modern company to make. Every traditional automaker wants to believe that consumers will always value owning their cars. It is considered a core tenet of the American Dream and a foundational element of GM's brand, culture, and values. But it was clear that sharing, or "uberization," was a fundamental trend driving the new economy, touching everything from apartments, to power tools, to cars.

GM had some surprisingly early efforts to draw on in this area. In 1926, GM made its entry into the rental-car market when it acquired Hertz Drive-Ur-Self System. The rental car business taught GM important lessons about which "jobs" customers wanted their cars to do and which of those required full car ownership versus temporary vehicle access.

This history gave GM the confidence and experience to make two additional big bets—one in car sharing and one in ride sharing—to acquire necessary people and capabilities.

In January 2016, GM announced its acquisition of the assets and select staff from a failed ride-sharing company, Sidecar. GM immediately relaunched that business as a new car-sharing platform called Maven, providing access to select GM vehicles on an hour-by-hour basis through a mobile app and serving people who want to drive themselves but only need a car for limited time periods. Maven can serve the growing ranks of gig economy workers driving in scheduled shifts for companies such as DoorDash, Instacart, Lyft, and Uber. With GM's muscle and a unique bundled insurance offering behind it, Maven has booked more than 186,000 reservations for a total of around 338 million miles driven.

And just two months later, GM invested $500 million in ride-sharing company Lyft at a private market valuation of $5.5 billion. This investment gave GM a front-row seat to the transition from people buying cars to purchasing rides. To GM shareholders, the investment looked expensive—until Google put an additional $1 billion into Lyft at an $11 billion valuation just 21 months later. GM had doubled its money in under two years.

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Successes in each of these areas have contributed to the overall flourishing of the company. Despite fluctuations in share price, the company's value has grown since early 2016 and the long-term outlook looks promising. GM's progress was recently recognized through a $2.25 billion vote of confidence from the Softbank Vision Fund.

GM is reshaping the company and augmenting its decades of institutional knowledge with bold bets that bring in entirely new domain-specific skills, business models, technology platforms, supplier ecosystems, routes to market, and customer segments. The company's now-balanced portfolio of adjacent internal innovation initiatives and external acquisitions and investments has placed it in the best position of any of the major automotive companies for a digital future. ■

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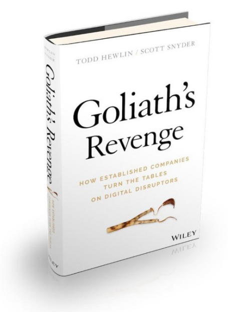

To learn more about *Goliath's Revenge*, by Heidrick Consulting Partner Scott Snyder and Todd Hewlin, go to https://www.heidrick.com/goliathsrevenge.

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