My Years With General Motors

My Years With General Motors was published in 1963 by Alfred P. Sloan, long-time president of General Motors. The book is part memoir, part essays on management. As Sloan was head of what was arguably the most important company in the industrialized world through much of the first half of the 20th century, the book is also a valuable primary reference source about the development of the American Century.

**Sloan's Story**

Alfred Pritchard Sloan, Jr. was born in 1875, was raised mostly in Brooklyn, New York, and graduated from MIT with a degree in electrical engineering in 1895. From there he took a job with the Hyatt Roller Bearing Company in Newark, New Jersey. This company supplied parts to many firms in the then extremely young automobile industry, and Sloan's responsibilities included helping prospective customers design their cars so that they could best use Hyatt's products (and helping customize Hyatt's products so that they would be useful to the widest possible range of customers.) Today, we might label him a "consulting sales engineer".

Soon after he started at Hyatt, the company ran into financial difficulties and needed outside capital. Sloan's father was willing to pony up the necessary cash and, as a result of his investment, Sloan Jr. was running the company at the young age of 24. He cut expenses, increased sales, and in 1918 Hyatt was bought out by the General Motors Corporation, then the second-largest company in the small but growing American automotive industry.

William C. Durant, the founder of General Motors, bought many manufacturers of automobiles, automobile parts, and other technologies that caught his eye. Some of these went quickly out of business, but others have grown literally millions of times since he bought them. Durant himself was forced out of the company after making some foolish financial speculations for his own account. For a while, Pierre S. Du Pont served as president, with Sloan as one of his chief advisors. When Du Pont stepped down in 1923, Sloan was placed in charge. He ran the company until 1946, continued to serve as chairman until 1953, and held various positions of respect and power until he died in 1966.

**About Management**

The book is a standard and vital text in management. In My Years With General Motors, Sloan ruminates on labor/management relations, industrial design, financial management, wartime mobilization, the evolution of automobile technology, product lines, dealer networks, and the model year. Many of these subjects were handled very casually before he took the reins at GM, and some were concepts that GM invented from scratch.

For example, before he took charge, the various car companies owned by GM were not at all coordinated. They introduced competing models and shared no resources. They maintained separate (unaudited) accounting systems and bank accounts. When the central corporation needed cash, it had to go to each unit, hat in hand, and beg for a disbursement. Sloan ended all of that. He established a unified research division, experimented with unified purchasing, instituted a central banking system, insisted on a single dealer network, drew clear lines between the target audiences for each line of cars, and even created a new brand (Pontiac) when it became clear that GM had no real competition for the low end of the market, then totally controlled by Ford Motor Company.

With his financial reforms, for example, he gave the company access to much more cash, which then reduced its need to borrow money or sell equity. He also established a forecasting ability which prevented the firm from being swamped with inventory during economic downturns. The proof of this came during the Great Depression; GM had almost gone bankrupt during a small economic downturn in 1921. However, with Sloan's changes in place, it got through the Great Depression without ever going into the red.

If Sloan could teach only one lesson with his book, it would be that every effort by a company must be measured by its return on capital. Prior to his reforms, most activities by GM could not even be measured in this way. However, after he took charge, the company could pare underperforming units and bulk up those divisions that multiplied their investments.

Sloan's genius was twofold -- first to realize that consumers would, over time, want fancier, more expensive cars, and that Ford was not positioned to supply them. Second, he created a simple ladder of brands so that consumers could pick their preferred level of expense or luxury, and know exactly which General Motors car to buy. Pontiac was at the bottom, then Oldsmobile, Buick, and Cadillac. I am deliberately simplifying here a bit, and the line evolved over time, but the idea has remained roughly the same through today. My grandfather, for example, was a Buick man. Perhaps when he was younger he had been a bit cheaper and bought an Oldsmobile, but when I knew him he had graduated as far as Buick. He could never afford a Cadillac. Remarkably, adjusting for inflation, the price brackets for the various brands that Sloan dictated in the 1920s are roughly what the same brands cost today.

To make it easier for people to afford these expensive machines, Sloan oversaw the creation of General Motors Acceptance Corp. (GMAC), which loaned money to people who wanted to buy their cars. He also established policies to help dealers take old cars in trade.

All of this sounds obvious now, but none of it was obvious in 1923.

General Motors was the first car company to have new models every year. They resisted it for a long time, but the advantages eventually became compelling.

The development of automobiles in the early 20th century resembles advances in computer technology in recent decades, as they improved in quality while dropping in price every month. The same was true of other General Motors technology. The 1922 B-9 home refrigerator, for example, was made of wood, weighed 834 pounds, and cost $714. The 1926 M9 model was metal, weighed 362 pounds, and cost only $468.

Sloan's background as an engineer shows when he describes the difference between diesel and gasoline engines, or the importance of copper fins in a mid-1920s air-cooled engine. However, there are few such passages in the book.

My Years With General Motors was intended to provide lessons in management, and so it contains long discussions of organizational structures and decision-making processes, including lengthy quotes from board minutes and memos between corporate executives. Many of these passages of the book are quite dull.

Sloan was a 'committee man'. He liked to rule by committee, decide by committee, and an entire chapter of the book is devoted to committees, with charts and diagrams showing how the committees relate to each other. Sloan is glad to share credit for the success of General Motors, but when the names of other executives appear in the book, it is usually in lists of the names of people on the committees tasked with solving one problem or another.

The major counter-examples are engineer Charles Kettering and designer Harley Earl. Sloan was clearly a little in awe of these two, and perhaps also of Walter Chrysler, who had worked for GM at the time Sloan showed up there, but who left to found his own company soon thereafter. Sloan's evident respect for Chrysler stems both from his approval of the quality of Chrysler's products and probably from the fact that Chrysler stole market share from General Motors at the same time that General Motors was stealing it from Ford.

**What Does Sloan Leave Out?**

Throughout the book, Sloan discusses how General Motors tried to anticipate changes in society, and how the company responded by modifying its products and methods. Nowhere in the book does he acknowledge that cars were changing society just as social changes mandated the creation of different kinds of cars. He does not discuss the impact of cars of the growth of suburbs, or on the environment. Of course he never discusses the well-documented destruction of large public transit systems by GM in the 1940s. (General Motors systematically purchased controlling interest in public transit systems in California through shell companies. Then they closed down the companies and destroyed their infrastructure).

He devotes essentially no space to the various Congressional investigations and antitrust suits to which General Motors was subject through these years.