

Detroit's Revitalization Plan

In two weeks a plan to revitalize the auto industry must be presented to Congress. If it's laden with cost cutting, renegotiating union agreements, and selling off divisions, but doesn't address the underlying fundamentals, they are doomed to a slow death.

You can't cost-cut your way to prosperity.

The Fundamental Problem

Detroit has lost more than \$100 billion since 2005 because their Japanese rivals are out-innovating the American auto industry.

Toyota has turned their entire value chain into an innovation engine. It receives more than 900,000 ideas from employees each year – just from its North American operations. To expand their innovation stream, it receives 65% of its innovation from its strategic suppliers.

The strategy of collaborative innovation is exemplified by The typical Japanese Company receives 30 ideas per employee per year, and implements nearly three quarters of the ideas, while typical U.S. companies discourage new ideas, receiving only 1 new idea per 8 employees annually.

By stifling collaborative innovation, we are strangling our corporate future.

Rather than lament the fact that Detroit has squandered a rich legacy, we must come to grips with the fact that Detroit's problems are strategic, cultural, and structural. These can be fixed, but, like the alcoholic, management and labor must admit they are the problem and make a powerful and concerted commitment to set a new course with a new strategy and build a different, energetic work climate.

What Detroit Must Do

Strategically, the problem requires a radical rethinking – turn Detroit into a Collaborative Innovation Engine. It can be done by leveraging all the latent creative talent that exists in its hundreds of thousands of employees, both internally and within its supply base. Turn every employee and every supplier into an innovator.

Culturally, both management and labor have to address the long-tradition of adversarial relationships and recognize their interests are really aligned. Flexibility, creativity, and trust must become the essence of their operations. Tear down the walls; build bridges.

Structurally, the automakers must reinforce the changes with a Profit Sharing Plan, which gives the workforce an opportunity to share in the wealth generation that's possible by incentivizing employees to be collaborative and innovative. As stability is regained, this should be augmented by an Employee Stock Ownership Plan (ESOP).

Shifts in Thinking

Detroit must adopt the collaborative innovation direction or suffer more of the same dire consequences. The UAW must also come to grips with the severity of this problem by reframing its role. The interests of labor and management are quite aligned – survival first, then “thrival.” No longer can Labor see itself as protector against management – a hangover from the Walter Reuther days – but as a partner in the business which must bring a talented and intelligent workforce into an alliance with business to create

competitive advantage. Management must decide to change course, or the Detroit battleship will crash onto the rocks and shoals of extinction.

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