Social Responsibility and Risk of General Motors

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This paper is one of two papers that will be used to compare two fortune 500 companies against each other concerning sustainability and risk. Most of the information for this paper was acquired at gm.com (GM, 2019) where such items as the Annual Report, Supply Chain Audits, and Sustainability Report are all available. Further, this paper is in question-answer format, with most questions taken directly from the assignment instructions for this paper (CBE, 2019).

**Step One: Identify Two Companies.**

The assignment asks to choose two fortune 500 companies and compare them. The first company is General Motors, which is currently number thirteen on Fortune 500 list, and secondly, Ford Motor Company, which is presently number twelve (Fortune, 2019). Last year GM was number ten and Ford number eleven (Fortune, 2018).

**Step Two: Research GM**

The following questions are the same on both papers. This is done for continuity of comparison and consistency with the written directions. Using the thirteen questions listed in the assignment, comprehensive research was performed and reported in a question and answer format using a three to eight sentence response with at least one reference.

• Describe, in general terms, the organization’s approach to supply management and risk. What steps has the organization taken to achieve sustainability and social responsibility while addressing risk exposure?

**Supply Chain Management and Risk**

GM’s supply chain extends over 20,000 businesses that are spending $100B on about 200,000 items, including raw materials, parts, supplies, freight, transportation, and other services (GM, 2019). GM’s supply chain is transparent and built on trusted relationships (Gm Sustainability Report, 2019). These relationships are vital in ensuring product quality, availability, and affordability. GM works with suppliers to improve mutual performance which leads to rapid and significant improvements overall. Achieving sustainability goes hand in hand with social responsibility at GM. For example, life cycle analysis exposes that greenhouse gas (GHG) impact is ten times greater in the GM supply chain than in GM facilities, therefore, GM works with suppliers to reduce its GHG emissions to reduce its overall impact (Gm Sustainability Report, 2019).

• Identify two activities the organization conducts in terms of the audit to ensure sustainable and socially responsible behavior in its supply chain.

**Audits to Ensure Sustainability**

Disclosure of information is paramount for GM. In addition to publishing the annual Sustainability Report, GM aligns its reporting with several other leading organizations. GM has worked with the Carbon Disclosure Project (CDP) since 2010 to track carbon emissions reporting on all 15 categories of Scope 3 emissions while being active with the Climate Change Program. As a result, GM was named on the “A” list of the CDP Water and Supply Chain rankings in 2016 & 2017. Unfortunately, in 2017, GM’s alleged misreporting’s of diesel emissions for specific models in the U.S. led to disputes. However, in 2019, GM sponsored CDP’s World Water Day, where GM offered solutions to wastewater reuse (GM-Sustain, 2019).

GM’s sustainability strategy report is based on the results of a 2016 global materiality assessment audit – a bi-annual undertaking. A review that is performed by a third party and uses a process outlined in the Global Reporting Initiative’s (GRI) Technical Protocol (Gm Sustainability Report, 2018).

• Briefly describe the organization’s culture. Include in your description of how the organization addresses sustainability and social responsibility as part of its culture.

**Sustainability as Part of Culture**

GM integrated sustainability into its business strategy and operations. GM defines this culture as a sustainable culture with a focus on governance, environmental, social, and issues energizing long-term value (Gm Sustainability Report, 2018). GM’s vehicle manufacturing process currently has the lowest environmental footprint in history. The firm is making steady progress toward the 2020 operational commitments to reduce energy, carbon, water, and waste intensity--initially surpassing carbon intensity goals three years early, with a 22% reduction since 2010. GM has a goal to use 100 percent renewable energy in all operations by 2050. In 2018, with the addition of a wind power farm near Tuscola County, GM is 20 percent there (Gm Sustainability Report, 2018).

• How many audits has the organization conducted in the past five years? Provide two specific examples of audits conducted and identify the steps the organization took based on audit findings. Be sure to explain the relevance of the organization’s actions.

**Audits a Way of Life**

There are more audits that can be counted every year. However, critical audits are done on a yearly basis and cover potential supplier, process control plan, and financial assessments. Each year’s audit report is available in the annual report for the company. In addition to the key audits for the annual report, GM is regularly audited by government agencies such as the IRS and EPA.

The Financial Risk Council is an internal auditing group which is comprised of members of management and answers to the Audit Committee and Finance Committee of the GM Board of Directors. In addition, GM retains a third-party auditing firm, Ernst & Young LLP from 2017 onward; before 2017 Delotte & Touche LLP was GM’s auditing firm. All audits are in accordance with the standards of the Public Company Accounting Oversight Board United States (PCAOB), and the Company's Potential Supplier Assessment (PSA) to Process Control Plan Audit (PCPA). Additionally, internal financial reporting is based on criteria established in Internal Control as of December 31, 2018. Reported items are criteria listed such as Item 7A “The Quantitative and Qualitative Disclosures About Market Risk” (Reporting, 2019).

• Describe the organization’s use of transparency in its approach to audit, both within the industry and in terms of the public in general. Incorporate sustainability and social responsibility in your discussion.

**Transparency and Sustainability**

GM’s Financials are public record. They have not been quiet about its Zero Emissions initiative (audited and reported). Second in line, is the Positive Environmental and Social Impact Initiative presented through the Driverless Car (Somerville, 2019). Both items are in line with GM’s goal of zero emissions, zero crashes, and zero carbon footprint. GM is betting on innovation; the driverless car almost guarantees a dramatic fall in auto accidents and zero emissions. GM is on track with its goal to have an only positive environmental impact by 2050; GM’s plants are currently converting to the wind, solar, and other renewable power sources. In addition, GM is improving positive environmental impact by helping its suppliers. As an example, life cycle analysis uncovers that (GHG) impact is nine times greater in its supply chain than in owned operations. As a result, GM is working with suppliers to reduce its GHG emissions. In this way, GM is able to reduce its overall impact. GM touts, “Our supply chain is built on strong, transparent and trusted relationships, which are critical to ensuring product quality, availability, and affordability for our customers” (Sustain, 2018). Finally, GM opens up a slew of other audits and reported issues on the web (GM, 2019).

• Identify whether the organization has a supplier code of conduct and, if so, how the organization uses it in the supply management system to ensure a sustainable and socially responsible outcome.

**Supplier Code of Conduct**

One member of GM’s senior leadership is the Senior Vice President of Global Purchasing and Supply Chain (GPSC). This position is considered to be the driver of the company’s strategy. Responsible for making certain that supply chain standards are defined and understood the GPSC works with suppliers to fast-track innovation, eliminate waste and deliver superior financial performance, while reshaping how the company and its suppliers work together. The GPSC ensures GM’s and GM’s partners have mutual success and deliver higher value. Priorities for the code of conduct include: that suppliers accept GM’s terms and conditions, expect that suppliers certify compliance with laws, expectations for ethical social and business and environmental practice, adhere to requirements which clearly states a ban preventing any use of child labor, forced labor, abusive treatment of employees, data protection and privacy, wages, hours and conditions of employment, subcontractor selection, anti-discrimination, occupational health/safety and motor vehicle safety (Sustain, 2018).

• Briefly describe how the organization approaches communication and training, both within the organization and throughout the supply chain.

**Training**

The GPSC has several forums for formal supplier engagement. First, the GM Supplier Business Council consists of 19 global representatives who have a monthly meeting with GM leadership where dissemination of vision, new procedures, and evaluations can occur. In late 2018 GM combined the Supplier Business Council with the Diversity Council to enhance the collective voice and improve efficiency. By striving to have the best-trained environmental professionals in the world, GM addresses a variety of issues, including, but not limited to, implementation of corrective and preventive actions, effective use of safety data sheets, management of GHGs and regulatory requirements for air, waste and water. GM feels that communication and training begin with management who are the best trained in all areas such as sustainability along with those who are adept communicators (Gm.com, 2019).

• Using evidence from training and communication efforts, describe the philosophy of your organization with respect to people, planet, and profit. A short paragraph should enable you to succinctly make your point.

1. **Philosophy**

* Listed next are the categories which identify GM’s corporate approach to risk management:

1. Financial Risk. GM manages financial risk in many ways. First, GM is very diversified, though GM’s vision for sustainability is not. Secondly, GM looking forward through innovation and sustainability with such things as an Environmental Planning System. Lastly, GM uses transparency, training, and such things and Total Quality Management to lower accidents and other indirect costs.

1. Operational Risk GM is dedicated to using the newest safety standards. Also, they purchase the newest up today machinery. Lastly, GM’s transparency actually protects them as there is no question to its goals.
2. Brand/Reputation Risk; GM is the fourth largest automotive provider in the world (Jones, 2019) with not many other brands under them; some may feel that it would be impossible to smear the name “Jimmy.” One has only to look at such epic fails as the “Vega” or the “Luv Truck” to know that customers are fickle. Today most people drive out of necessity, and most have heard never-ending rumors of the 300 mpg cars since the 1960s. Today as GM is at the forefront of the electric car, a sense of appreciation comes over those of us that understand that our bondage to big oil may soon be over.
3. Legal Risk; GM handles Legal risk with first being fully transparent, then, hiring a third-party company to oversee financial audits, while keeping friendly relationships with governments and taxing authorities. Another way GM is managing legal risk is to produce quality and perform great customer service. Lastly, they are well represented by many legal entities.
4. Environmental Risk; GM employs an Environmental Management System that is continually searching for ways to lower environmental impact. Further, they are committed to renewable energy and zero emissions. Globally GM employs 173,000 employees working in 401 facilities all of which adhere to its goals of Taking Care of Our Planet, Waste Reduction, Water Conservation and Quality, Greenhouse Gas Emissions & Climate Change, Energy Management, Renewable Energy, Environmental Management System, Improving Technologies, Environmental Stewardship, Responsible Sourcing, and Obeying Environmental Regulations and Policies (Operations, 2019).
5. Technical Risk. GM manages technical risk though structure. All operational facilities are structured in a way to promote safety and efficiency. Also, GM’s onboarding process seeks to hire the best of the best in an attempt to minimize risk.

* Does the corporation’s attitude embrace a sustainable and socially responsible framework in addressing risk assessment?

1. **Attitude of Sustainability**

Honestly, the attitude of sustainability and social responsibility in this company is amazing. Knowing the end of the fossil fuel era is quickly approaching brings the need for innovation. GM chooses to use innovation that presents sustainability options that leave big oil in the cold—this is a very bold move. Since they are the world’s largest auto manufacturer there is little that big oil can do. In addition, because they are the trendsetter, other smaller auto manufacturers will follow suit (Levin, 2019).

• Identify one specific strategy the organization has adopted to meet customer-driven requirements and expectations for a sustainable and socially responsible supply chain. How does this strategy contribute to success in overall supply management?

**Autonomous Vehicles**

GM’s strategy is to innovate and look to the future. Today gasoline is nearing four dollars a gallon in many locations. Much of today’s paycheck simply goes to getting back and fourth to work. GM’s forward outlook includes such things as an autonomous electric vehicle which will lower the cost of going to work, this the next generation thinking. Not only does it take fuel costs out of the picture but promises that commuters are less likely to be in an auto accident. Accommodating these types of customer-driven requirements is the strategy that will ensure vision, action and longevity. Currently, GM is in league with Israel and others to make this happen as quickly as possible. Working together to provide an innovative solution to problems that these new technologies might bring to the supply chain (Levin, 2019).

• Does your organization deal with hazardous/regulated materials? If so, use outside sources such as the Wall Street Journal, Bloomberg, and The New York Times to complete the following items (a through c). If your organization does not currently deal with hazardous/regulated materials, chose one that might be an issue in the foreseeable future to complete the following items.

**Hazardous Materials**

As of December 31, 2017, approximately 50% of GM’s industrial operations were landfill-free, not counting the 63 non-manufacturing operations which already meet these standards. In a landfill-free operation 95% of the waste materials are composted. GM’s composting program -- a most successful example of the circular economy -- brought a new level to its global headquarters in Detroit. These efforts are minimizing environmental impact, generating revenue from the sales from by-products, limiting raw material through the use of recycling, cutting the carbon footprint and lowering financial liabilities associated with waste disposal (AR, 2017).

o Identify one policy or law related to hazardous/regulated materials that affect the organization’s supply management operations. Think about self-regulation, local jurisdictional requirements (could be state or federal policy), as well as international acts and laws that may have jurisdiction. Identify a risk associated with this policy or law; such as brand/reputation.

**Water**

One policy is the Resource Conservation and Recovery Act (RCRA). Unfortunately, evidence exists showing that this firm seems first to try to sidestep this policy through the granting of a petition when possible (EPA, 2019; National, 2019)

GM’s aspirations are such as to eliminate such problems through its EMS and other means. Confusingly, the zero-emissions goal seems to be on the opposite side of the spectrum to petitioning for exclusion from the RCRA. The risk in doing such a thing is daunting since GM is gambling so much on being seen as ecofriendly green company.

o Identify one example of the organization addressing hazardous/regulated materials through its supply chain.

**Sustainability in the Supply Chain**

GM’s goal is to eliminate waste from value streams and to deliver defect-free vehicles. They are removing landfills, moving to renewable energy sources, and addressing the global greenhouse effect. As such, they require all its supply chain partners to adopt the same goals. By offering training and helping vendors in succeeding in those goals GM improves decreases its overall environmental impact (Sustain, 2018).

o Identify one specific documentation requirement related to hazardous/regulated materials that affect supply management strategies for the organization.

**Data Sheets**

Effective use of safety data sheets which log the management of GHGs and regulatory requirements for air, waste, and water is just one way that GM tracks and documents all regulated materials (Reporting, 2019). The major companies, along with GM, have all generated sustainability reports to track progress. Further, they have been ranked by a number of indices, such as the Dow Jones Sustainability Index and the Newsweek Green Score (Buss, Croteau, Davidson, Kerrey, &Van De Winkle, 2014).

• Briefly describe your organization’s supply chain in the simplest context as it relates to the concept of cradle to cradle. For example, how does it approach “reverse supply chain management”?

Though most automotive companies have done little in the past, GM is forging forward in the cradle to cradle with reverse supply chain management in mind. First, efforts to use recycle by hosting its own GM auto recycling centers ensures recycling (Recycling, 2019). Here GM can reclaim metals, plastics, glass, and other useful items. Metals are melted and recast, plastics are recycled to pellets or turned back into oils through heat exchangers, and tires are ground for use in highways. In addition, landfills are being phased out with the goal of a full cradle to cradle process in mind (Sustain, 2018). Manufacturing facilities are by far GM’s largest consumer of water, accounting for around 85% of its total water use GM’s goal of a 15% reduction in water by 2020 is already showing results with a percent reduction from the 2010 baseline. Indeed, GM’s approach to waste management in viewing waste as a resource out of place has shown promise (Buss et al., 2014).

• Summarize in a list the steps your organization has taken (a track record) to achieve sustainability and social responsibility and address risk.

**Track Record**

Typically, GM and other auto industry leaders were little concerned will the idea of sustainability – the concept in large part is relatively new. However, the changing climate and EPA reports of profound climate change push all firms to adopt sustainability (EPA-Sustainability, 2019). In looking back, GM has had recall after recall, but not as much as some other manufactures. The problem is not finding problems but resolving them. By GM’s admission, defective switches in the Chevrolet Cobalt caused at least 13 deaths. This went unfixed by GM engineers for 11 years. Many of GM’s engineers reported on the switch being unsafe even from before production. Unfortunately, a recall was not performed until GM lost a lawsuit (Frank, 2014).

Under the “Water” section of this paper was another report of social irresponsibility. Sidestepping water RCRA policy through means of the petition is a real black mark as well. Historically, the dollar is the bottom line for most firms, and GM is no different. Knowingly installing faulty parts or ruining the local water is of little consequence when the profit outweighs the fine. Pharmaceutical companies often manufacture and sell a pill which will end in a lawsuit, however, the costs of human life or human pain, as well as any fine associated with those things, is an acceptable loss when considering the billions made before the pill is banned. This thinking has to change. Finally, it should not be forgotten that GM was the biggest bailout in 2008. Thirty billion dollars was lent (actually the government bought GM) to GM from the US Treasuries Troubled Asset Relief Program (TARP), six billion was repaid by GM, and the rest was retrieved through the sale of shares by TARP on the public market (Amadeo, 2019),

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