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Lessons Learned

Harry Wilson

By Mary Anne Chute Lynch

Harry Wilson was one of four senior advisers to the US Department of the Treasury during the Obama administration and served on the President’s Task Force on the Auto Industry, which was established in 2009 and charged with providing aid to General Motors and Chrysler, and later to other entities, to avoid their disorderly failure and the loss of a million or more jobs. The Auto Task Force worked intensively throughout 2009 to swiftly negotiate with the corporate leadership, unions, investors, and other stakeholders of the two manufacturers to design an orderly restructuring that would put the companies on a path to stability. Wilson led the government’s efforts regarding General Motors while it went through its bankruptcy and restructuring. This “Lessons Learned” is based on an interview with Mr. Wilson.

Leaders need to be laser-focused on solving the problem long term, which requires them to hire needed experts and keep politics from muddying the waters.

We asked Wilson about his general views on what makes for a successful team in considering the auto rescue.

In terms of the leaders, you need folks who are laser-focused on solving the problem. There’s too much political debate around blaming somebody else or the other side. . . . Anytime we go through a restructuring, I always make the point: it doesn’t matter how we got here. We need to understand it. We need to fix it. But the most important thing is, what do we do from here? Instead of spending time blaming the past, it’s much more focused on where we are and what we do to fix it.

The first thing is having a solution-oriented mindset and a fact-based approach, a desire to collaborate rather than attack in a two-party system, having people with real expertise in certain areas and the ability to bring in outside expertise in areas they don’t know—that’s essential. On the task force, it’s a combination of domain-specific knowledge and a commitment to long-term success. If you don’t have domain-specific knowledge, it’s hard to really make a contribution.

We have unbelievable pockets of expertise across the U.S. and the world . . . Tapping into that for task-force members is valuable, and folks with that expertise must be willing to focus on long-term success. That is . . . an essential, essential combination.

Wilson commends the leadership—Steven Rattner, Tim Geithner, and Larry Summers—for setting the tone as they did; focusing on long-term success and bringing out the best in every member of the team was essential. “They deserve incredible credit for establishing a very healthy and successful culture for each of us,” he said.

With a small team, a Herculean task, and short time span, make a plan and divide and conquer.
Harry Wilson was one of four leaders of the President’s Auto Task Force working closely with the Department of Treasury. According to Wilson, because of their small size, planning and efficiency were critical in saving the auto industry:

We were a nimble team because we were small. We had a lot of work to do . . . We mapped out what needed to be done and who would be able to do the work. Secondly, we developed a game plan and the key items we had to assess . . . President [Barack Obama] made the decision to move forward with the restructuring of General Motors and a potential sale of Chrysler, with a very short timeframe to get it done. As a result, we divided and conquered. I took responsibility for the General Motors restructuring and the suppliers.

Wilson quickly became known for his assiduous analysis of data and facts as he led his “deals and diligence team” taking GM through its bankruptcy.

In a crisis, for the experts to be most effective, you have to build trust rapidly. Being open and transparent, listening to all approaches, and brainstorming will usually surface the best solutions.

The sheer volume of work streams facing the Task Force in a short period of time was very demanding, Wilson said. From the beginning, it was important for the ad hoc team to establish a pattern of interaction that would allow them to be most effective. Wilson described this dynamic:

We had a great, healthy, robust debate around [the future of Chrysler]. One of the great things about our team is we worked well together. We didn’t always agree, but we disagreed respectfully and thought through things together, collaboratively.

Wilson further shared that his approach was to get as much out of people as possible, which was a challenge operating with a team that had no history. Openness and civility provided a framework for maximizing everyone’s contributions, said Wilson:

In all of the negotiations, if people could articulate a better rationale, we were all ears. There was no pride of authorship, no sacred cows . . . If someone’s got a better idea, let’s understand it, let’s turn that way . . . I find that approach tends to breed trust because it’s very transparent; you’re very clear about each of the issues.

It allows people to feel comfortable voicing their opinions, and aggregating things from the other side of the table. I ended up being a big believer in it—brainstorming, coming to a better solution . . . We found that transparency leads to better and more ideas.

[...] You want to get as many smart people as possible who can contribute to the topic in the room with you and have a real exchange of ideas. It’s important to have that framework and that process, so if you don’t feel comfortable, you can get increasingly comfortable with time, contributing your best ideas.
I’m biased probably because I’ve seen it work. At this point, 27 years, I’ve seen different approaches in negotiations that are exploitable—people who bluster, people who hold the cards close to their chests, people who just like to talk, to just listen. I think in a situation where you have extremely important decisions to make in a very short period of time with people who have not worked together previously, you have to build trust rapidly. The only way to do that is to be transparent and open. You can talk about being trustworthy, but unless people see that and believe it, they’ll never open up.

Notably, Wilson emphasized that he and the Task Force used the same approach when negotiating with GM and its stakeholders: “There were [often] disagreements on both sides. If one side liked the deal, the other side didn’t, but that never ended a deal . . . we were [usually] able to strike a balance that no one love[d], but [which] was the best path.”

**Pay attention to the tradeoffs when negotiating. At the end of the day, employees must feel valued, but employment terms must also be competitive for the rescue and business to succeed.**

Wilson’s father was a bartender, and his mother was a Greek immigrant who worked in textile factories. His family suffered first-hand the consequences of factory closings and job losses when he was young. Because of this, he brought a sense of empathy to the high-level work of the Task Force, which included assisting GM in renegotiating its labor contracts that were generally thought to be out of step with its competitors and a factor in the company becoming less competitive. He discussed how choices were made to minimize job losses but still position the company for success:

You want to have a work force that is valued, but you also want them to be competitive relative to the company’s direct peers. That’s a balance, and when we ended, wages were competitive, benefits were less generous.

[...] Had there been more aggressive reductions made, would they have passed in a ratified labor agreement? Probably not . . . Part of the reason General Motors has been so successful in the last 11 years [since the bankruptcy] [is] because you’ve got a pretty motivated workforce that’s really been investing in transforming the business . . . I personally have a philosophy of wanting to do the right thing for all the stakeholders, and sometimes there are tradeoffs, but you have to be conscious of those tradeoffs instead of just imposing an onerous labor agreement or whatever it is.

**It may be enticing to replace corporate executives and board members in failed companies, but many details should be considered before deciding to do so including when the government’s role should end.**

According to Wilson, leadership at GM and Chrysler had allowed their companies to fail under their watch, which is why the Task Force replaced them. But, he said, they were very
deliberative in making those decisions and considered just what the role of the government should be in supporting the company:

It was a tough issue we had to wrestle with. Fritz [Henderson] was the obvious successor internally (at GM), and the real debate became between Fritz and someone external. There was a little bit of cost-benefit analysis, and we all thought Fritz was solid, and the person who’d be able to transport General Motors [to success], no question … The chance that GM gets someone [external] who’s a real superstar, who’s up to this task was very low.

[...] We believed strongly that good corporate governance is an essential ingredient for long-term success and good decision-making and checks and balances in the corporation. It became very clear there needed to be substantial change in the board and senior management. Then the question becomes, is that enough, or is there a need to do more? We had a great series of discussions around that. I was concerned that would not be enough; that GM, once it was through bankruptcy, even with these changes, that the cultural problems that had been significant and ongoing, would become even more significant without a push to be successful. .. But Larry Summers was of the view that if we do that, we are going to be overstepping our authority. Even though it’s taxpayers’ money . . . there’s a limit to what we should do. We should set the company up to succeed, but not be involved post-closing. Whether I agree with that or not, as we talked it through, I came to that same view. Larry was very thoughtful . . . If we were more engaged post-closing, that would make it mostly political.

**Structuring the financial side of positioning the company for success requires considering the practicalities that exist, how much taxpayers’ money has to be invested, and a plan for recovering that investment. Keep politics out of it.**

Wilson discussed how the Task Force “spent a lot of time to ensure the company would not need to restructure a second time … We wanted the company to succeed in the long-term.” A significant issue was deciding how much capital the “New GM” that would emerge from the bankruptcy would need, which was particularly challenging because of GM’s poor cash controls. This, said Wilson, led Treasury to “out of necessity and concern, put in a little bit more capital than we thought might be necessary.”

Another major challenge, said Wilson, was deciding how to structure that funding:

Even if the company could get back to where it was, it still had too much debt to be able to best innovate, grow, attract talent, et cetera. I thought [starting the new company with a huge debt load] defeated the whole purpose of what we were trying to do, which means, not only avert a humanitarian crisis, but also set these companies up to succeed.

Wilson explained that in a purely private-sector deal, “you would never put $50 billion in General Motors.” But he concluded that a government equity investment would be the best
solution. “This was an anathema to some people who think about governance and supports and loans,” he described, “but the whole purpose was, how do we help the company succeed.” With the government’s equity investment, GM had a much healthier capital structure and much less financial risk going forward, Wilson explained.

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