

General motors

Business



General Motors Background of the Issue General Motor Company (GM) is an American multinational automobile manufacturer and retailer. This company had undergone bankruptcy proceedings in its endeavors during the 2009-2010 fiscal years owing to the strong negative effects of the global economic downturn on automobile sales. Undoubtedly, such negative effects hampered the share market of GM to a substantial extent being many of its large brands, including Chevrolet as well as Cadillac, and many of its prime subsidiaries sold out. Subsequent to its bankruptcy position, GM and its three associate companies trailed voluntary petitions for assistance under Title 11 of the United States of Bankruptcy code as per Chapter 11 reorganization (United States Environmental Protection Agency, 2010). In this scenario GM, had filed a motion to gain approval by the Bankruptcy court, which led to the creation of NGMCO, Inc. However, after the purchase of “ Old GM” by NGMCO, it was again renamed as General Motor Company. This evolution of new operations advocated in favor of the fact that the bankruptcy conversion was guided by the concept of “ pre-packaged” Chapter 11 reorganization (Stoll & Terlep, 2009).

Analysis of the issue

GM's filing for bankruptcy in 2009 indeed marked one of the darkest falls in the automobile history. Although the turn of events that led to GM's bankruptcy had been predictive, critics were of the view that the sole reasons for the automobile giant's fall was hidden in its managerial faults as well as sudden upsurge of the global economic downturn. As mentioned in The Economists (2009), “ The collapse of General Motors into bankruptcy is only the latest chapter in a long story of mismanagement and decline”.

According to the reports, there were various reasons behind the bankruptcy
<https://assignbuster.com/general-motors/>

of GM. One of the major reasons of the bankruptcy was argued to be its mismanagement of finances and poor liquidity structure. Critics also argued that ineffective forecast of the external business environment affected the efficiency of the company in the global market, where its stagnancy in brand exposure also hampered its long run sustainability. In addition, the company also failed in taking requisite measures to file for bankruptcy, which affected its stakeholders' interests to a substantial extent (Carty, 2009).

Most effective course of action to solve the problem. As can be observed from the above context, the primary problem inherent to GM's failure was related to its managerial deficiencies. In this regard, application of the cognitive theory could have been beneficial in comparison to the configurational and cultural theories, which focuses on identifying their developmental and sustainability needs more precisely (Cole, 2000). This theory argues that applying strategies on the basis of the organizational developmental needs require effective and adequate learning of the internal and external factors that directly or indirectly affect business operations. Similarly, if GM had applied the cognitive theory in first analyzing, evaluating and then strategizing its course of actions to overcome the challenges of the 2008 global economic downturn. This would have not only assisted the company to forecast its probable risks and mandated taking requisite measures, but would have also ensures greater significance to the stakeholders' interests facing lesser losses due to the organizational failure.

References

Carty, S. S. (2009). Seven reasons gm is headed to bankruptcy. Retrieved from <http://usatoday30.usatoday.com/money/autos/2009-05-31-gm-https://assignbuster.com/general-motors/>

mistakes-bankruptcy_N. htm

Cole, G. A. (2000). Organizational behavior: theory and practice. United States: Cengage Learning EMEA.

Stoll, J. D. & Terlep, S. (2009). GM Takes New Direction. Retrieved from <http://online.wsj.com/news/articles/SB124722154897622577>

The Economist. (2009). The bankruptcy of General Motors: A giant falls. Retrieved from <http://www.economist.com/node/13782942>

United States Environmental Protection Agency. (2010). Case summary: 2010 MLC (General Motors) bankruptcy settlement. Retrieved from <http://www2.epa.gov/enforcement/case-summary-2010-mlc-general-motors-bankruptcy-settlement>