

Planning for the chevy volt essay



**ASSIGN
BUSTER**

1. What does the Chevy Volt case tell you about the nature of strategic decision making at a large complex organization like GM? Decision making at the top management level at a large complex organization is not straightforward and is quite complicated in nature as many stakeholders come into play. To make a convincing proposal, it requires supporting evidence from both macro and micro level. However, sometimes it takes too long time that other rivals implement a similar plan resulting in the failure to gain competitive advantage.

2. What trends in the external environment favored the pursuit of the Chevy Volt project? The surging oil prices and people's attitude toward green energy favored the pursuit of the Chevy Volt project as customers can save more on future energy spending and Toyota Prius, a similar car model proved to be successful.

3. What impediments to pursuing this project do you think existed within GM? First, the gone-by failure of EV1 model makes this similar plan unattractive in the minds of top management. Second, it is still skeptical about the viable technology for producing lithium ion batteries. Finally, huge investments (sunk cost) in fuel cells were already made. Without taking any step further, this amount of money is wasted with no returns on the project.

4. The plan for the Chevy Volt seems to be based partly on the assumption that oil prices would remain high and yet in late 2008, oil prices collapsed in the wake of a sharp global economic slowdown a. What does this tell you about the nature of strategic plans? The strategic plan is based on the current situation. In other words, it is not long-term focused. To sustain in

the market, the company must come up with emergent plan when new circumstances emerge.

b. What do falling oil prices mean for the potential success of the Chevy Volt?

When falling oil prices occur, people may switch to fuel engine car and the lithium ion model may not be as successful as expected.

c. Do you think oil prices will remain low? In my opinion, oil prices can fluctuate in the short run. When the economic downturn is remedied, oil prices can rise again. However, due to the scarcity of future oil in the future, it is likely that oil prices in the long run would keep increasing.

5. What will it take for the Chevy Volt to be a successful car? In light of your analysis, how risky do you think this venture is for GM? What are the costs of failure? What are the costs of not pursuing the project?

1) To be a successful car, Chevy Volt must at least provide similar features as other energy car models do at a superior quality. Possibly, it can compete in terms of enhanced features nonexistent in other products. 2) Compared to today's decision making, the plan of introducing the car in 2010 seems lag behind its main competitor, Toyota. This plan could hardly guarantee success as more affordable energy cars are now available in the market.

3) Given the likely failure, the company cannot help bearing extremely high costs of investment in energy car and also the sunk cost of the previous project simultaneously. 4) However, if GM does not pursue the opportunity to produce an energy car, the cost of not pursuing this opportunity means the loss of a large portion of market share in the automobile industry, as more consumers show interest in this type of vehicle. In addition, main

competitors such as Toyota and Ford Motor Company have already introduced their versions of alternative energy vehicles.