

Will gm's strategic
plan lead to future
success essay
sample



1. Which of the four basic strategy types were used by GM? Explain your rationale. GM employed the use of establishing the grand strategy, and formulating strategic plans. In this case, it used the growth strategy as the means of carrying out its restructuring. My reasoning behind this choice is that establishing the grand strategy is the level at which a company makes a "rigorous analysis of the organization's present situation to determine where it is presently headed." After that, the next step is to "determine where it should be headed in the future." In GM's case, its present situation was a bailout by the federal government due to debt and bankruptcy.

Its goal for the future was to make more than \$10 billion a year, raise its profit margin by 10%, and reduce cost drastically by using fewer auto "platforms." GM also formulated the strategic plan by setting goals to reduce the total number of auto platforms from 30 in the year 2010, to 24 in 2014, and to 14 by the year 2018. According to the textbook, a growth strategy is a grand strategy that involves expansion, such as sales revenues, market share, number of employees etc. Since GM's goals and objectives fall within these categories, it is reasonable to arrive at the conclusion that it is using the grand strategy.

2. Based on the case, what is GM's vision? Do you think it is realistic?

Explain. GM's vision and main focus is to achieve a healthier margin and profit. Although this vision may not be very easy to attain, is a very realistic one. In spite of the fact that it seemed to be a "once-unthinkable" goal, GM reported its highest-ever net income of about \$8 billion in 2011. This was a massive increase from the previous year's net income of \$4.7 billion, and was in accordance with its vision of achieving higher profit. A short while

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after that, GM also released figures of its global sales, which showed its reclaim of the ' world's largest auto maker' title from its rival, Toyota. Based on these facts, I think GM's vision of achieving a healthier margin and higher profit is very realistic and attainable, as long as it doesn't deviate from the current course.

3. State two SMART goals for GM based on the case. Are these goals attainable? Discuss. A SMART goal is simply a goal that is Specific, Measurable, Attainable, Results-oriented, and has Target dates. One of GM's SMART goals was its strategic plan to reduce the total number of auto platforms from 30 in the year 2010, to 24 in 2014, and to 14 by the year 2018. This goal is SMART because it is very specific; reducing the number of auto platforms from 30 to 14 within 8 years. It is measurable in the sense that GM set specific points for these goals to be achieved. By setting a 4-year interval (2010-2014, 2014-2018) within this goal, GM seeks to measure the level of success of this goal. By measuring its level of success, its attainability can also be determined.

GM's primary objective behind this objective is to make a lot of savings on its huge engineering budget by building vehicles all over the world that are made from the same basic parts and assembled in plants that use the same type of tooling. This objective therefore makes the goal result-oriented since it gears the company towards achieving its vision. GM also sets target dates for which these goals would be implemented. Specific years for the implementation of these goals are indicated. A second goal is GM's ambition to raise its profit margin to 10% over the next several years. This goal is quite unattainable since there are no specifics, measurability, nor target

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dates defined on it. The parameters of the goal are vague (over the next several years), and with no specific details as to how it will be arrived at. There would therefore, be no way of measuring its progress and results in order to determine whether it is even attainable or needs a re-evaluation to fix any deviations or adjustments.

4. Using Figure 5. 5, describe the extent to which GM is using the planning/control cycle. In the past years, GM had set out part of their primary goal to selling as many cars and boosting its market share in the U. S. as much as possible. This goal became its focus, even though it was sometimes at a greater cost to the company. During the January sales total report, GM reported a 6% fall while Chrysler and Ford reported 44% and 7. 3% rises from the previous year respectively. GM later decided to focus more on a healthier margin and profitability rather than market share. Also in 2011, GM made plans and started offering fat incentives on Chevrolet trucks, Cadillacs, and GMC sport-utility vehicles in an attempt to get sales “ off to a quick start.”

As it carried out this plan, sales jumped up to 20% but investors were disappointed by North America's soft profit. In view of controlling the direction of the plan and taking corrective action, Mark Reuss, GM's North American chief, met with top sales executives to compare the results of the plan that was carried out and devise a strategy to cut incentives. By cycling through these plans and re-evaluating to correct any deviations that may have caused an offset, GM had used the planning/control cycle successfully move towards its goal.

5. What did you learn about planning based on this case? Explain. I've learned that planning is not just a process that requires implementation, but also an assessment and re-evaluation to make sure that the plan and its implementation process are both moving company towards its goal. GM's use of the strategic planning methods, as well as the planning/control cycles are clear examples of how any vision, goals, and objectives should be carried out. I've also learned that in order for goals to be very effective and realistic, they must be Specific, Measurable, Attainable, Results-oriented, and has Target dates. Goals that are not specific but vague parameters are very unlikely to be successful.