

# Report on business analysis of general motors

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## **Procurement practices**

Compared to other multinational automobiles, General Motors is striving to acquire vital auto-components from its suppliers at the lowest possible prices. Since the firm recovered from economic shocks, where the federal government bailed it out, it had to improve its procurement practices as a way of minimizing the operation costs. In 1990, GM deemed it wise to start a lean implementation workshop, Purchased Input Concept Optimization with Suppliers (PICOS) whose mandate was to purchase inputs. The workshop was to be used by suppliers and experts from the firm as a testing and collection center of inputs (Center for Environmental Innovation, 2011). GM could send their team at these workshops to train suppliers on ways of fine-tuning their product for the benefits of GM; the program was successful because it also aimed at eliminated waste.

In 2008, the vice president came up with another procurement practice that would work on the reduction costs. The strategy, centralized decentralization was for the opinion that all purchases for the firm including outlets in foreign markets would be done centrally (Andersson, 2008). In a conference, Anderson said that he could get people who could only access computers and make a booking for the materials the firm needed. For instance, the firm had persons in Mexico, who facilitated the process of buying safety belts on behalf of the firm. He added that when the right people do the job, the firm gets a chance to concentrate on other productive activities. Undeniably, large-scale purchases make the firm to enjoy economies of scales and benefit from quantity discounts. It is also a strategy adopted to eliminate stiff competition arising from pricing models in the market of automobiles.

## **Materials used by the company**

Since it is an automobile firm, it utilizes auto spares, vehicles tires, safety belts, software applications, IT professionals from various parts of the world. Most of the auto spares are sources from overseas markets like China, and few from other countries. The local market also plays a vital role in supplying expertise like IT professionals, some firms like Hewlett Packard supply IT software applications (Andersson, 2008). Vehicle tires are sourced from local firms, as an initiative to create jobs for the local people. In an effort to benefit from vehicle part alliance, GM will purchase 7% of Peugeot. The alliance aimed at stabilizing their position in the European markets.

## **How materials are delivered**

Conventionally, the supplier has the responsibility of informing the GM about the delivery of the booked inputs. Usually the complete process is performed online. Firstly, a request to access supplier's connection with GM is made, after the supplier is approved, he sets the user's preferences, where he may inform GM whether supplies were made by multiple suppliers. Then, the suppliers make shipping schedules notify GM about delivery. The firm, GM can then respond by organizing a place, like a workshop, warehouse, where inventories will be delivered.

The supplier then creates an ASN via turn around feature where he gives information regarding shipment to GM. The shipment or freight company should be known. On the delivery date, GM procurement team then receives the stock, takes them to the laboratories for approval of quality and quantity. The completion period of the procurement process depends with the effectiveness of the suppliers (Blumenfeld, 2007).

## **Supply chain operations**

GM launched its first supply chain solutions strategies, in 2002. Its mandate was to offer operational solutions in New Zealand, Pacific Island, and Australia. The supply chain role was also to offer consultancy services to boost the overall supply chain operations (Blumenfeld, 2007). Supply chain solutions also improve customers' satisfaction levels; feedback from the clients is used to improve the quality of services offered. Most firms including GM have reported that it has reduced the cost of operation.

The CEO of GM announced that, in an effort to improve customers' satisfaction, the GM team could build 45, 000 hybrid Chevrolet volt vehicles by the end of 2012. The vehicles could be charged by electricity unlike other vehicles, which are propelled by fuel. Akerson states that it would not only improve the value of the firm, but also raise revenues collected through sales. As a way of reducing the risks involved in procurement, the firm considered paying its suppliers as a percentage before the delivery; all funds could be made after approval of quality and quantity of the products. In addition, the firm adopted the Just-in-time system of managing inventory to reduce costs (General Motors, 2012). Through its systems and outlets, GM has offered clients an opportunity to send their feedbacks showing the levels of satisfaction, future preferences of the products they have or anticipate acquiring from GM.

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