

General motors (gm) case study: porter's five



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In this given case-study is explained in bits and pieces about how the GM lost its market share owing to a number of factors. GM is an American based company concentrating on a lot of Brands, models and having a large spread of price-bands. So the market focus failure in GM can be related to its portfolio proliferation and replication, which in return has given the company a set of negative effects on cash flow. On the other hand its competitor companies like Toyota and Honda have acquired a huge market share with a limited portfolio and a large acquisition of the market share. So the purpose of this report is to critically analyse the different strategic levels of GM motors with respect to the corporate, business and operational level. Also to analyse and identify the capabilities that would allow GM to achieve the lost competitive advantage and regain the market focus.

CRITICAL ANALYSIS OF THE GM MOTOR'S CASE-STUDY

On critically analysing the given case-study, GM lost \$30. 9 billion for the year 2008 and around \$38. 7 billion in the year 2007.

So far , GM's market share has fallen to 24 percent from 31 percent last year, while Ford's has risen to 18 percent from 15. 5 percent. Chrysler's Northeast Ohio market share has slipped to 9. 8 percent from 10. 3 percent a year ago.

GM's national market share is about 20 percent, down from 22. 5 percent a year ago. Ford's national share is about 16 percent so far this year, up from 14. 5 percent.

A diagrammatic presentation of the financial performance of these automobile companies is as given below:

WHERE F-FORD MOTORS

DCX- DAIMLER AND CHRYSLER

GM- GENERAL MOTORS

HMC- HONDA MOTORS COMPANY

NSANY- NISSAN

TM- TOYOTA MOTORS

Business Level Strategy

The key elements to be highlighted at the business strategic level are as follows:

Integrated BLS [business level strategy]

Failed application

Trade-off between cost and differentiation

Implications of united labour force and legal costs.

Corporate Level Strategy

They process have a multilayer structure and the key process are all centralised that in turn is having a lot of impact on the company, they do not have any regional head and so there is no one who look are each regain in specify terms they only listen to the manager and then decide what is right

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and is wrong. From the given data, we can come to a conclusion that the major reason behind the market loss was the lack of entrepreneurial spirit. The important this is that they do not have a specific structure as well, what they need to concentrate is that as different companies such as its competitors concentrate on a specific segment and get there profits, the spirits are low and they are not going in the right direction, they will have to work hard and promote the right segment to the right consumer needs, they are not even sure of what environment they are using the other problem that they are facing is that they are not concentrating on the right consumer product for the right environment and so resulting in dip of the sales and in turn loss for the company.

STRENGTHS OF GM TO ACHIEVE COMPETITIVE EDGE

The following are the capabilities that are exhibited by GM motors in order to revive back its position and achieve a competitive advantage in the market:

1. Large Market Share

Though the General Motors is been struggling to make profits in the past few years and it is running out of cash flow still it hold a very high sales market in japan and United states, the problem is that it is not making profits as it is not allowing a lot of cash flow to occur but still it is one of the largest automobile company in the world and it hold a large amount of market share.

2. Global Experience

The company being one of the largest company in the manufacturer of automobiles it has a get a global name for itself as it has a lot of brands, as it has got a lot of brands and thought it all may not be successful it has made a mark in the global market and it has got a global experience and that is again a very big advantage that the company has.

3. Wide range of brands

General motors has the highest number of cars it has already got 95 different types of cars and as aware there are around 18 segments in automobile industry and it has got 3 cars for each segments, that is one thing that only General Motors have been able to achieve, thought it has been criticized by lot for not able to concentrate on any specific segment, but if they concentrate each segment properly and put the hard work in right direction they are bound to succeed.

PORTER'S FIVE FORCES MODEL

The competitive structure of an industry is another important component of identifying factors that are a threat to diminish profitability. One of the most efficient ways to assess competitive issues is to consider Michael Porter's five-force analysis. Porter (1980, 1985) has highlighted five such factors: (1) rivalry between existing competitors, (2) threat of entry by new competitors, (3) price pressure from substitute or complementary products, (4) bargaining power of buyers, and (5) bargaining power of suppliers

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Rivalry between existing competitors:

There is always rivalry with other the competitors and that it needs to give a lot of importance, and it is the competitors with a better product that succeed in the todays market, so general motors but give a lot of importance to its competitors and always try and be ahead of them, in the present situation they are lacking being them in a lot of ways, the rivals have got a lot of products which is more competent and that is more of the requirement that the customers are looking for and they are also getting that important as they are quite important that they thing what the rivals are don't and what they are not doing.

Threat of entry by new competitors:

In the present days market there, in any industry there is a lot of threat of new entrants in the market, s you should always think out of the box and try and be innovative as much as you can so that you have an advantage over your competitors and even if there are any new entrants into the market, The another threat of the entry on a new company or competitors is that they might give you a thought price in the price and so you might need to cut on the prices of your products and this will indeed lead to less profits, Thought an automobile market is not a small market and there are a lot of hurdles for a new entrant into this sort of market that might lead them to trouble and this in turn will not let the new entrant to enter the market as this is require a lot of investment , moreover the new entering will have to capture a large amount of market share to have a good hold of the market.

Price pressure from substitute or complementary products

For instance the demand will never come directly in play for this section but it will have an impact with a lot of factors that influence it and it will generally be the substitute and the complements. For example in the U. K. when you want to travel to Central London you even though you have a car you will still not consider going with your own car, there are few reasons for not taking your car along with you and firstly you have a substitute that is available as taking a transportation in a form of tube is much easier it will save your time, money and you will not have the hassles of going through all the traffic this a substitute a lot of people use in London, the reason behind this is that firstly the transportation by your own car will be expensive and other thing is that in Central London there are a lot of parking problem and they will charge you congestion, so traveling by the tube will save all this hassles. So that is more beneficial for you, and this days a lot of people feel that the fuel prices or in other terms the gas prices are rising and so it will be better to find an alternative or substitute to car as so this is reduce the sales of car not directly but indirectly.

4. Bargaining Power of Buyers

Bargaining power of the buyer here means that the power of the consumers who are will to buy a car, in this form of bargaining if a consumer who is not aware of the prices and goes for a bargain for a car if the dealer doesn't agree to sell the car on that bargain then the impact will come directly on to the dealer and not to the manufacturer directly, the consumer might go to some other dealer to get his deal done. So it is the consumers who will benefit from that and this will lead the deals to give the customers a good

deal and in this form the consumers are not dealing directly with the customers and so the dealers will suffer a less profit and not the manufacturer, so it will not always but might have an impact on the manufacturer.

5. Bargaining power of the suppliers

The bargaining power of the suppliers means, the cost of raw material that is being used in the manufacturer, the labour function and the services that is being provided to them, and so in an auto manufacturer the labourer and the raw material, along with the the technology services are being used are playing a very important role, for instance we can go back into the case of General Motors and know that they had serious issues with the powers of the suppliers that is the labour that they had and that a lot of demands and that had to be fulfilled and that they were claiming a lot of pension, medical and seek leave and also wanted their wages to be increase so that was all the troubles of that they were facing in the past and the reason that they lost a lot of business was the reason behind it.

ENVIRONMENTAL ISSUES OF GM- 2011

Shanghai – Shanghai GM's Drive to Green strategy, which was launched in January 2008, is aimed at introducing products that offer better performance, consume less energy and generate lower emissions than vehicles currently on the road. The success of the green strategy didn't work out they. They are trying to work on the environment issues that a lot of cars this are using a lot of fuel and this generates a lot of smoke in the air leading to air pollution and so the amount of oxygen in the air throughout the world is decreasing with the increase in carbon-monoxide will lead to a lot of

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environmental problems, they are there for trying to drive people towards the direction of hybrid cars and they have named the project as green strategy and they are really promoting it, those it has not been a hit it has just been a flop they are still working on different strategies and they and conclude on a high note.