

General motors report examples

[Business](#), [Company](#)



Introduction

After many years of operational activity in the US and world markets, General Motors Company (GMC) faced the problem of insolvency. It was on the point of bankruptcy after the world recession of 2008. Currently, the Company faced the issue whether it should merge with another company to return lost positions in the world markets.

The aim of the current paper is to develop recommendations regarding possible mergers with other companies. The discussion is devoted to the opportunity of mergers and its influence on the solvency of the Company. The report addresses the issues of operational management of GMC. The recommendations that were developed are based on the SWOT analysis of the Company. The main issue is to define whether the Company should merge, enter business alliances or acquire other company to ensure further growth.

Company Overview

General Motors Company is of the largest carmakers in the US which also established its worldwide presence. It operates in 34 countries of the world, employs approximately 244, 500 of employees, and sells its cars in 140 countries. The Company is involved in design, building, and selling cars, automotive parts, and trucks all over the world. The Company is currently operating in four segments, namely: GM North America (GMNA), GM Europe (GME), GM International Operations (GMIO), and GM South America (GMSA). The world sales of the Company made up 9 million in 2011. GMC manufactures GMC, Cadillac, Buick, and Chevrolet for North American

customers. Outside the US the Company develops automobiles under the following brands: GMC, Opel, Daewoo, Holden, Buick Chevrolet, Cadillac, and Vauxhall. The market share of GMC in the North America is 19. 2%, while its world market share made up 11. 9% in 2010 (Harrison, Michalski, Winbigler and Wind, 2012). Market share of the three companies competing in the global market is shown in the Appendix 1.

The Company grew exploring the strategy of growth through sales and acquisition since it was founded in 1908. However, high labor costs, foreign competition, ineffective management, and economy recession of 2008 played crucial role for further development of the Company. In 2009 the Company filed for reorganization taking advantage from the US government bailouts. Currently, GMC considers the opportunities to merge with other main players of the US market (Reuters, 2012). Sales volume of each division of the Company is reflected in the Appendix 2.

Brief Description of the Problem

Currently, the Company uses operations strategy of partnerships and alliances – the same strategy used by Toyota. Mostly, GMC utilizes this strategy for new plants located in China, Poland, and Argentina. This strategy has certain advantages and disadvantages. The advantage of utilizing this strategy is that standardized plants built by GM in foreign countries aims at cutting costs of production. It allows the Company to maintain its presence in the emerging markets of the world. Another advantage of standardized factories is that they are designed with efficiency and flexibility so that they could be expanded. The design of the plants allows suppliers to deliver

components and accessories to the assembly section of the plants. Such design helps cut down warehouse costs and improve productivity (Woodhill, 2012).

However, such an organization of operations activity has certain disadvantages as well. The adjustments made at one of the standardized plants should be also made at other plants to remain their uniformity. Thus, poor infrastructure challenged JIT system of the plant located in China. In addition, the Company's international strategy is typical: GMC exports, and then builds a subsidiary, for example, plants in Argentina or Germany; then it joints ventures, for example, Toyota plant in California. Thus, the Company manufactures identical product providing economies of scale (Harrison, Michalski, Winbigler and Wind, 2012).

SWOT Analysis of the Company

SWOT analysis is an important tool in evaluation further development strategy. The global recession made a significant impact on the operations and financial activity of the Company. The following SWOT analysis aims to reveal strength and weaknesses of GMC as well as its threats and opportunities for development of its business (Marketing Teacher Ltd., 2012).

SWOT analysis is represented in the Table 1 below.

Among unquestionable strong points of the Company are strong brand name and global presence established by the Company. The brand took strong roots not only in North America, but in the world as well. GMC maintained strong presence in many countries of the world including Australia, Germany, Poland, Russia, Ecuador, Argentina, Brazil, China, South Korea, Vietnam,

Spain, Sweden, Thailand and Egypt. The Company located its manufacturing, warehousing, and distribution functions in many other countries (Reuters, 2012).

The dealer network of the Company is diminishing. Recently, the Company announced closures of a huge number of its dealerships – more than 1, 000 dealerships were eliminated in 2009. The Company experienced a significant drop in sales since 2008 influenced by economic recession. The recession caused reduction in sales. Reduction in working capital was caused by the reduction in sales. As a result, liquidity of GMC declined as well. Many business segments including GME, GMNA, and GMAP experienced decline in sales. The decline of GME made up 8. 8%, GMNA – 23. 9%, GMAP – 15%. Low debt rating of GMC was indicated by the three rating agencies including Moody's, Standard & Poor's, Fitch Ratings DBRS (Marketing Teacher Ltd., 2012).

Among the opportunities for further growth is development of Indian and Chinese automotive markets, using advantage of increased demand for trucks, and satisfying an increased demand for hybrid cars. The potential for growth of Chinese market was estimated on the level of 14%, Indian market was projected to grow for 15. 5%. The truck market was projected to increase to 21. 5 million in 2013. Currently, GMC is heavily investing in development of hybrid cars and trucks. At the present time it produces six models of hybrid and plug-in cars. The demand for alternative cars is expected to rise in the nearest time. GMC plans to produce 4. 5 million hybrid cars in 2013 (Cable, 2012).

Continuing global recession is the major problem for GMC business. It caused reduction of consumer demand and credit markets experienced decline. The consequences of crisis provoked the decline in sales making a significant negative impact on the Company financial performance. GMC was also influenced by the weakening of global automobile industry. Thus, automotive markets of Spain experienced a decline of 28.1%, Italy - 13.45%, UK - 11.3%, Japanese - 4%. Total decline in European market made up 8.4%. Another threat for GMC business is an increased competition in the global market. Financial status of the Company makes it vulnerable to rigid competition from such well-known carmakers as Volvo, Daimler, Mazda, Nissan Motor, Renault, Hyundai, and many others. The competitors of the Company succeeded to offer discounts, leasing programs, and other marketing incentives for their customers (Senter and McManus, 2012).

Strategy Evaluation

Starting from 2008 GMC faced several issues that lag further Company growth. Among those issues was a necessity to restructure product portfolio, to strengthen a position in technologies field, to improve product development processes, to shrink to more narrow market segment, to maintain capital to resist recession, to create mutually beneficial relationships with foreign competitors and the US government, to change organizational structure and corporate culture (Senter and McManus, 2010).

Traditionally, the Company had been using the strategy of cooperating with other companies and creating strategic alliances. Thus, the Company considered forming strategic alliances with Chrysler and Ford (Snow, Heller,

Koehn, Austin, Bower, Salter, Hill, Yao and Fouraker, 2009). Senior management of GMC even considered an opportunity to merge with one of these companies. However, it was impossible to guess how to merge two huge empires using quite opposite strategies. Finding the most appropriate manner for merger was a challenge. One of the alternatives proposed was merging of Chrysler Finance and GMAC that could result in back-office cost savings. GMC senior management assumes that GMC can benefit from merging with Chrysler while cutting jobs and overhead expenses to create revenue. A possible win-win strategy includes merging with lenders making a strong alliance where a manufacturer (GMC) produces cars while financial corporation offers lending services for the customers (Welch, 2008).

However, the CEO of Ford Company denied the proposition of merging realizing that Mr. Wagoner, CEO of GMC, was ready to do anything when he came to his office making another desperate attempt to save the Company (Welch, 2008). The opportunities of merging with another company are considered below.

Recommendations

Taking into account SWOT analysis of the Company, the following recommendations can be developed:

- The Company needs to develop a portfolio of products which could be competitive in the global market;
- Maintain its global presence and presence in emerging markets (Asian region);
- Maintain a competitive structure of costs;

- Reduce financial leverage and strengthen the balance sheet (Harrison, Michalski, Winbigler and Wind, 2012).

Previous strategy based on development of strategic alliances proved unsuccessful. Now it is time to make significant changes in operations and financial activity. Thus, there are no many alternatives left: first, explore previous strategy moving small steps; second, significantly change the strategy merging with another company (Welch, 2008).

As GMC experienced hard times after the global recession, the primary focus of the Company strategy must be merging to have better balance sheet. From this perspective merging with financial corporations sounds like good alternative (Bennett, Coleman & Co. Ltd., 2012).

This merger could stimulate GMC revenue growth for \$11 million. The Company may acquire 1.4 million customers as well. Realizing a win-win strategy the merged company is supposed to have 11 brands, produce 10 million vehicles a year, and revenues of approximately \$220 billion (Welch, 2008).

Conclusion

In the current paper the operations management issues and financial position of General Motors Company was analyzed. The current strategy of the Company was evaluated. The recommendations regarding merger of GMC and Chrysler were developed on the basement of SWOT analysis. The previous strategy of strategic alliances needed to be changed. New win-win strategy includes merging with a financial institution for better servicing customers willing to buy a car in post-recession period.

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