

Effect and process of globalization at general motors



General Motors Corp, the worlds largest automaker, has been the global industry sales leader for 75 years. Founded in 1908, GM today employs about 327, 000 people around the world. With global headquarters in Detroit, GM manufactures its cars and trucks in 33 countries. In 2005, 9. 17 million GM cars and trucks were sold globally under the following brands: Buick, Cadillac, Chevrolet, GMC, GM Daewoo, Holden, HUMMER, Opel, Pontiac, Saab, Saturn and Vauxhall. GM's largest national market is the United States, followed by China, Canada, the United Kingdom and German. The company reported \$192 billion in sales and generated net income of \$10. 6 billion. (www. gm. com, 2010).

Despite GM's enormous success, it has been facing pressures as a result of the intensity of globalization to innovate technologically and this has resulted in the company slashing 30, 000 jobs and closing nine North American factories. (Weier, 2005).

Globalization

For the purpose of clarity in understanding the meaning of globalization, a quick understanding of the overall concept of globalization is important. Adiwijaya and Djati (Schulp 2006, p. 2) defined globalization as the worldwide and global exchange of goods and ideas between the human race and its populations that has existed for almost 2, 5million years ago but has intensified over the last 500years as a result of the influence of western and European expansions. The effect and process of globalization varies from one country to another which is influenced and reflected on the conditions of the economics, politics, and culture, nevertheless, in general there is a pattern of the trends or impact of globalization. Thus, Globalization creates

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changes in the macro extent of the environment of the society such as economic, political, and social and culture, and technology. (Adiwijaya and Djati, n. d.)

Economic Conditions: The world economy has changed enormously and one of the most fundamental changes is the emergence of global markets, global competitor, and the integration of the economic. The increasing of the volume of the capital movements is becoming more popular since the emerging of the integration of the economic such as Europe Union and Free Trade Area Organization worldwide. The effect of that condition is that many multinational and international companies expanded their business outside their origin country. (Adiwijaya and Djati, n. d) Hence, these changes have encouraged the emergence of the world economy as the dominant economic unit (Keegan, 2002, p. 8) according to (Adiwijaya and Djati, n. d)

Political Conditions: Globalization has changed the political and legal aspect of a society. It has influenced countries and governments to reduce its controls over businesses and its economics. The integration of economic and the Free Trade Organization are the main reasons behind the situation. (Penar, 1999).

Social and Cultural condition: It was argued by Adiwijaya and Djati (Hofstede and bond 1988, p. 8) that ' culture is the collective programming of the mind that distinguishes the members of one category of people from those of another'. Globalization has transformed the culture and social life of different societies into the ' cultural universals(Murdock , 1945)-A term which is used to refer the similarities of behaviours of people of different cultures which is

influenced by athletic sports, body adornment, cooking, courtship, dancing, decorative art, education, ethics, etiquette, family feasting, food taboos, language, marriage, mealtime, medicine, mourning, music, property rights, religious rituals, residence rules, status differentiation, and trade. (Keegan, 2002).

Technological Conditions: Information and communication technology has played a tremendous role in the process of globalization. Societies are using the internet to compare goods and services, sharing information about competitors and accessing organisations product offering. This awareness platform has made the taste and product preference of consumers very difficult for companies to satisfy and meeting up to their taste preference, quality and standard is an issue a company must know how to solve if they wish to remain in business.

The Impact of Globalization

Adiwijaya and Djati (Kotler and Amstrong, 2004) states that ‘ the first impact of globalization is the emergence of connecting technologies like the computer, information, communication and transportation around the world computer, according to Adiwijaya and Djati (n. d) makes life easier in both individual and personal activities. People cannot stay without using the computer nowadays and one way or the other they use computer technology in their daily life, the Automated Teller machines (ATM) and online banking system has changed the consumer purchasing process, the Computer and the Internet technology for example has become an inseparable unit that complements each other. In today’s world, Computer is a media in

communicating, sourcing, and exchanging information across the deterrent
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of time and space straight through the internet and through the World Wide Web (www) system. The computer, information and communication technology leads the world into a new era called the ' Digital World'.

Adiwijaya and Djati study (Cited in Charles, 2003) indicates that in 2005 alone, worldwide internet users reached a total of 1. 12 billion which is around 18% from the total human population in the world. While Technology in transportation created mostly the development of Containerizations. This has helped organisations and individuals transport goods effectively and efficiently and this technology has brought the world more than US\$ 1. 2 billion in foreign exchange transaction every day. (Adiwijaya and Djati, n. d)

The second impact of globalization according Adiwijaya and Djati (Cited in Charles, 2003) is the declining trade and investments barriers worldwide. This can be divided into globalization of markets and the globalization of production. The globalization of Markets has necessitated the falling barriers to cross border trade and made it easier to sell internationally. Charles (2003) in reporting Adiwijaya and Djati study stressed that taste and preferences of consumers in different nations are beginning to converge on some global norm by offering standardized global product worldwide that help create global market. Thus helping to merge separate and different markets into one global market place. While the globalization of production refers to the sourcing of goods and service from locations and proximities around the globe to seize advantage of national differences in quality and cost of factors of production (capital, labor and energy). (Adiwijaya and Djati, NA)

The impact of the Emergence of connecting technologies on General Motors (First Impact of Globalization)

Varley and Rafiq (2004) argued that, the rapid propensity for organisations to compete globally has resulted in the globalization of the world economy. Meaning that globalization of retailing activities is a major management issue for most big and large retailers today and it is going to intensify in coming years. The emergence of on-line retailing (e-commerce) and the internationalization of retail operations (Adiwijaya and Djati, NA) have been a phenomenon issue which have created impact in the Automobile industry, and General Motors have had their own share of this issue to deal with. Davis and Ward (2002) supported this fact when they stated that on-line retailing is truly a big phenomenon in the retail industry worldwide because it has changed the way people engages in transactions and it created the concept of non store retailing format. Nowadays, the on-line retailing is a serious competitor to the fixed store retailing. Therefore many traditional retailers have tried to develop their own presence on the internet (Davies and Ward, 2002).

General Motor Competitors are benefiting enormously from using the internet to reach their customers. The Swedish automaker Volvo has made the most innovative use of the Web. Toyota; the foreign car manufacturers began to introduce multi-lingual online sites in late 1995. Chrysler is another company on the web

Thus, General Motors knowing the danger of allowing its competitors to capture all the internet consumer of Auto-mobiles decided to follow suite in

the technology trend by going online with GMBuyPower. com which is currently active throughout US. The website provides consumers with:

Comprehensive vehicle information

Third-party competition comparison

Access to dealer inventory

A personal message centre to communicate with dealers.

A “ no-haggle” online list price good for 24 hours.

GMAC financing options.

(Source: [http://www. gm. com/generalAbout. com](http://www.gm.com/generalAbout.com))

Consumers who visit the GMBuyPower. com site can browse through descriptions and specifications covering over 200 car models. Online retailing has helped GM generate additional sums of new customers and revenues.

Also, Competitive pressures caused by globalization have forced General Motors to focus on innovation. This pressure to innovate has necessitated the need for talented engineers and scientists. “ The automobile industry, for example, has significantly expanded the electronics and computer content on the vehicle, with applications today ranging from powertrain controls for improved fuel economy and reduced emissions, to enhanced safety systems and chassis controls, to on-board communications systems like OnStar.” .

(Jamie, 2002). That is why to meet the ever-growing need for advanced

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technology in vehicle manufacturing General Motors have employed and recruited talented international individuals, scientists, engineers from Europe, South America, China, Indian etc during this last decade this has helped General Motors to create and develop various products , technology and business innovation. Today their most advanced programs such as the Fuel cell technology development is conducted across the globe.(Jamie, 2002)

The impact of declining trade and Investments barriers on General Motors (Second Impact of Globalization)

The impact of the declining trade and investments barriers on in the Automobile Industry (globalization of Markets and globalization of production) has increased the opportunities for Organisations in the Auto industry to internationalize and reproduce its costs through production in other countries. The growth forecast for US and UK market is low compared to the growth potential of emerging markets. It is important to note that Emerging markets overseas are mostly dominated by smaller vehicles unlike the US where customers purchase large and luxury car, sport utility vehicles and trucks. Because the per-capital incomes of these emerging markets are low the inexpensive and small vehicles are the products of choice. The critical issue that faced General Motors was how to move into newly emerging markets to become profitable as quickly as possible in spite of the fact that “basic” cars and trucks offer little room for profit margin. (Jamie, 2002) The quest to develop the right vehicles for these targeted emerging markets necessitated for the formation of partnerships which will afford them the opportunity to pool resources in terms of components, architectures and

leveraging. One important way it has done so is through the formation of 'Global Automotive Alliances'. The GM alliance network includes General Motors, Opel/Vauxhall/ Holden, Saab, Fiat Auto, Isuzu, Fuji Heavy Industries (Subaru), and Suzuki. Taken together, these companies currently sell more than 13 million vehicles on an annual basis". (Jamie, 2002) . GM has a major joint venture in China and Russia where key inputs are cheap.

An important Incentive for GM forming an alliance with Suzuki is to help GM quickly build a presence in the Asian Markets and to have access to Suzuki small car platforms and its low-cost manufacturing expertise and for Suzuki to have access to GM advanced technologies, particularly alternative propulsion and hybrid systems, entry to the growing Latin American market, and worldwide component sourcing. (Jamie, 2002)

Another incentive is to afford GM an opportunity for component and architecture sharing. For example its alliance with FIAT helps it develop engines for both companies via their successful platform synergies. Making it possible for them to develop several models of chassis from a given platform and a key advantage of platform sharing is that a common body manufacturing system can be used to produce all their car models. (Jamie, 2002)

Lastly, another important incentive driving automotive alliances is the need for the auto companies to reduce their research and development costs. (Howell, 2000) GM is working with its alliance partners on more than 50 joint technology development projects and they have formed research partnerships with other manufacturers, suppliers, universities, and

governmental agencies. This is very important because they are under tremendous pressures to provide more innovative products because customers continue to raise their taste and expectation with respect to quality, reliability, safety etc. (Jamie, 2002)

Demerits of Globalization and Strategies to solve them

Despite the enormous benefit of globalization there is no doubt that it has its disadvantages as well. Moreover, the various demerits accruable to globalization cannot be solved by General Motors alone. Those it can influence are the Micro impact globalization creates in their organisation but the external elements are better solved cooperatively by political organisations, NGO, policy makers, Trade bodies etc.

The demerits of globalization can stem from the following:

The risk involves in the economics of globalization-Investing and funding product introductions in new markets are expensive and capital outlay investment in most cases comes from existing operations. This may be fair enough to do when economic situation in company's home country is very good but with the current financial and economic slowdown in the world and especially for USA there is enormous amount of pressure on companies trying to internationalize abroad. In the auto industry for example it will even be more difficult for GM to survive in new countries where customers are interested primarily in basic transportation-products that provide thin profit margins, which further complicates the return on investment in the short to medium term. (Jamie, 2002)Moreover, due to the competition that may result between local and national brands, companies may attempt to gain a

competitive ground by engaging in attractive promotional programs thus leading the society into a consumer society, thereby increasing the level of manufacturing products, increasing the level of unemployment, then necessitating western and foreign companies to move productions abroad where there is higher productivity and lower costs and many of the experts from high developing nations moves to these countries to fill the good job position in the companies and the people in the society who aren't qualified and competent enough will lose their job.(Adiwijaya and Djati, NA)

However, the rapid flow of capital can help GM combat this problem.

According Friedman (1999) A “ positive business case for a new market investment can evaporate just as a new manufacturing facility has been built.” Also, while they try to compete they should do so ethically and try to create jobs instead of reducing them.

Internet Fraud: Online retailing via the internet has resulted in a new wave of cyber-crime called the Internet Fraud. Internet Fraud has grown to \$6 billion annually and is expected to reach \$1 trillion in a few years in the US alone. (Jamie, 2002) This crime can be perpetuated from anywhere and the best way to solve this is a collaboration between major corporations whether affected or not and the government. GM should ensure that their cyber walls are secure. Moreover, to deal with this worldwide cyber dilemma, the FBI now has offices in 44 countries around the world. (Jamie, 2002)

Local economic uncertainties in new markets are another problem. For example, changing inflation rates, unstable currencies are serious problems faced by companies internationalizing or investing because these problems

are difficult to predict and companies may have little or no experience in spotting and combating them. (Jamie, 2002). General Motors can avert this problem by ensuring that they conduct marketing research before entering a very unpredictable market which have economic instabilities.

Political forces can add to the risks especially economically. Two clear -cut examples are China and Russia, countries in which the relationships between the U. S. and the national government can have a major impact on GM businesses operating in those countries. (Jamie, 2002). Also, Another problem which may result in the internationalization of a company like GM could boycott or demonstrations of the local people in the society which may have the perception that GM global brand causes the destruction of their local brands. NGO's are becoming very powerful and are influencing people are government.

General Motors must pay close attention to the powerful effect of NGO's and as business permit support the courses of these NGO's to help build its publicity Also, in entering countries like China and India the best mode of partnership should be a joint venture with a strong local organisation in both countries and if positively engage in partnerships in the area of research and charitable investments.

Different nations take differing approaches to energy conservation and environmental issues; life for the automobile manufacturer becomes more complicated and costly. If for example auto companies and their partners form an alliance to benefit by sharing engines and architectures and incidentally, fuel costs and quality and environmental regulations differ

greatly from country to country, such synergies become difficult and more costly to achieve. (Jamie, 2002) However, International harmonization of vehicle regulations with respect to energy, the environment and safety would benefit the manufacturer and ultimately the customer and reduce the adverse effect of globalization issue on energy conservation and the environment.

The differing social and cultural norms among nations are another setback of globalization. This setback can be strategically reduced by General Motors ensuring that they need to be 'good citizens' by firstly understanding that a truly global company must surely have an internationally diverse management teams. Simply, transferring an American born executives from their US office to hold executives position in the host country cannot help the organisation in the long term. Thus, the best way to help accelerate the globalization process is to recruit and empower an international executive team within the host country which who speak the language fluently, understand the local culture, and help the corporation accommodate regional needs.(Jamie, 2002)

Conclusion

Globalization is a perpetual process whose impact has created a new way of competing and doing business. The emerging of connecting technologies and the declining trade and investment barriers worldwide are the main impact of globalization and GM did not escape from this trend as well. These impacts have changed the Macro dimension of the society to which GM will sell to or do business in. The social cultural, economic, political and technological conditions has been shaped by the influence of globalization
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and this has necessitated the need for GM to innovate, Integrate, internationalize and look for ways to stay as the largest Auto-mobile manufacturers in the world.