

# [Introduction an international organization that dwells in the](https://assignbuster.com/introduction-an-international-organization-that-dwells-in-the/)

## Introduction

Based in Detroit, General Motors is an international organization that dwells in the production of automobile commodities. GM operates in the automobile industry thus produces several automotive products and services such as vehicle repair and vehicle servicing. GM is also known as the topmost producer of automobiles, with incredible brands such as GMC, Cadillac, Chevrolet, and Buick (General Motors Company, 2010).

## Current position of GMC

In 2009, the company experienced extremely serious financial problem following the financial crunch that hit the US and the world in general. As a result, the company engaged in massive borrowing of funds, which ultimately left it in a liquidated state. Currently, the company is fighting to overturn its unfavorable financial state, to a more stabilized one.

For instance, the multinational company sold quite a number of its financial assets as part of the efforts to stabilize its current situation. Moreover, its liquidated state led to closure of certain branches such as Pontiac, which were extremely significant to the company. Due to this reason, the company, currently, lacks adequate assets for production thus reduced productivity, growth and expansion.

The effects of the crisis also affected the company’s sales and profitability level. In fact, until now the company has not regained its previous profitability and sales level; instead, it is still struggling to control its incredible sales reduction. This was noted in the last two consecutive years, whereby the company registered tremendous sales reduction i. e. up to 30%.

Despite the unpleasant experience, GM has employed several strategies to intervene their current situation. The company plans to acquire several assets, which will in turn increase its production capacity. GM is also spending quite a fortune in repaying the massive loans that the company previously borrowed. For instance, in the mid month of this year, GM repaid the government an incredible amount of cash as part of its efforts to reduce the company’s liquidity level. It is noted that their efforts are paying off; the company recently registered considerable profits i. e.

865 million within the first quarter of this year (Business Day, 2010). GM also faces stiff competition from other automobile companies such as ford motors. The competitors are taking advantage and capitalizing on GM’s unfavorable financial condition thus posing extraordinary pressure on company.

## Strategy for GM

GM faces profound challenges with regard to their finances, production, sales, and competition; therefore, my strategy will be based on strengthening the company within those specific aspects.

My strategy will be to minimize production cost, increase acquisition, and raise funds with the aim of improving and advancing the current state of GM. My strategy can, extensively, be explained using various models designed by business scholars such as Michael porter.

## Porters Generic Strategies

Porter developed three fundamental approaches that significantly contributed to the advancement of strategic management.

After designing his strategy, he proceeded to name them as differentiation, cost leadership, and focus (Porter, 1998, p. 35). He also proceeded to give a profound explanation of his concept and further elaborated on their applications.

His superb ideologies on cost leadership can, extensively, be used to back up my approach on reviving General Motors. He explicated cost leadership basing his arguments and ideologies on competitive advantage (Faulkner, 2002, 314). Porter explained that, a company gains competitive advantage, if it minimizes its production costs. He further explicated that, minimization of cost increases the margin between revenues and production costs, which translates to profit increase. I could employ this incredible model to uplift the current position of General motors, in different capacities. Porter’s strategy of cost leadership primarily adopts the idea of minimizing production costs; therefore, I would employ several approaches to achieve this policy (Klug, 2006, 11). In point of fact, to achieve a minimized production cost, there must be a profound reduction in the cost of production resources such labor and raw materials. Following this argument, I would consider obtaining raw materials from other cheap sources, but still ensure that excellent quality is maintained.

For instance, I may consider obtaining raw materials by collecting scrap materials, and then recycling them for production use. However, I would still ensure that the idea of topmost quality continue to linger in my mind, so as to achieve fabulous and competitive products. Additionally, I may consider seeking and looking for several raw material suppliers in the market, who sell their product at cheaper prices. Ultimately, carrying out researches on the best policies to adopt can also be beneficial to the company. This is because; effective, viable and tested strategies will be developed and adopted by the company, which translates to effective performances. As noted in porter’s competitive advantage policy, the feasibility of these policies can create a remarkable gap between production cost and product price. As a result, the company will earn relatively high profits thus improving its competitiveness in the market.

Moreover, the extra profit gained can be ploughed back, to improve certain crucial aspects of the company. For instance, the extra profit can be invested in expanding the company’s production capacity i. e.

by making several acquisitions. Apart from improving the financial strength of GM, the extra profits can also be used to repay the remaining financial obligations of the company. Investments can also be done on marketing the company’s products and services thus improving the company’s sales and the overall profits. In addition to cost leadership strategy, porter also developed and explained “ focus” in his model. He explained focus as the strategy of investing more on less competitive markets (Porter, 2008, p. 54). This approach can be applied in various capacities incase one intends to improve the current state of GM.

For instance, the company can focus more on services rendering rather than concentrating on automobile product production. This is because; the company faces less competition on services as compared to products i. e.

with respect to its counterparts. Moreover, the market of servicing vehicles is extensive and less competitive, since most of its competitors dwell in vehicle production. In employing this strategy, GM will experience a tremendous increase in sales and profits, due to limited market competition. Consequently, the company will attain a stabilized financial position, which eventually boosts its capacity to expand and also repay its financial obligations.

## Ansoff’s Matrix

Ansoff’s Matrix is an extremely significant model for advancing the growth of a product and service. The model contains several strategies that can be used to advance the market of GM, especially at this moment when they are facing a tremendous decrease in production and sales. The four strategies can be summarized as follows: diversification, market penetration, market development, and product development (Graham & Allan, 2008, p.

100). Market penetration from Ansoff’s model can, extensively, be adopted to lure customers, to purchase GM products. This strategy can be applied in various capacities incase one intends to advance and diversify the market of GM. Market Strategies such as international media adverts, sales promotion, personal selling and also favorable pricing; can be employed to boost the GM’s current market condition. In fact, this can be a brilliant step, especially at this time when customers have lost faith in GM Company; they fear purchasing products from a liquidating company. Market development strategy in Ansoff’s model can also be adopted, to improve current market of GM (McDonald, Ward, & Smith 2007, p.

174). This approach is extremely significant due to its extensive effects i. e. it not only awake dormant customers, but also assists in attracting new customers. Developing new markets, especially in countries where only few competitors have ventured, can significantly increase the GM’s market.

In fact, this is what suits GM best, since new market provide an alternative market; instead of only struggling in a competitive market. Moreover, new market also provides the company with new customers; instead, spending more resource in wooing the ones who have lost faith on GM. In addition to increased marketing of GM’s product and services, market penetrations can also boost the company’s competitiveness in the market (Bowie, & Buttle, 2004, p.

329). GM can introduce new supply channels to serve the newly identified markets. Increased distribution channels increases the accessibility of GM’s product thus attracting new customers.

Incredible and eye-catching packaging can also be a magnificent strategy to attract new customers, within the newly developed markets. Such strategies attract new customers thus increasing the company’s sales, which translates to increased profitability levels. More profits empower GM economically thus enabling them to perform several development tasks. For instance, GM will now have the financial muscle to expand its production operating capacity i. e.

by making several acquisitions. Moreover, the profits can also be used to reduce the liquidity level of GM i. e. by refunding their lenders.

## Performance monitoring

All these selected strategies can prove infeasible, incase performance monitoring is left out. Performance monitoring analyses numerous aspects of a company such as productivity of strategies, thus one can gauge how strategies are progressing (Stimson, Stough, & Roberts, 2006, p. 73).

Therefore, all these strategies employed in GM should be monitored from their adoption up to the end of their application. This vastly assists in ensuring strategies meet the set goals and standards. Some of these employed strategies such as cost minimization and market expansion may sometimes fail to proceed and hang within the reviving process.

Therefore, it is extraordinarily necessary to adopt a team that may be responsible for ensuring that the strategies meet the set goals. Moreover, strategies that shift from the plan easily and swiftly noticed. Consequently, a rescue or mitigating plan can be employed before the situation worsens. Moreover, employing all these strategies is extraordinarily expensive and interrelated; therefore, if any one of them goes astray, the company may suffer immense consequences i. e.

massive losses.

## Conclusion

GM is one of the high-flying automobile companies with numerous superb brands of vehicles and tracks. However, in the recent past, the company has experienced unfavorable trading environment following the financial crunch that hit US and the whole world in general. The challenges are crucial to the extent of affecting the company’s productivity, sales and also profits. This situation can be overturned, if GM adopts certain vital strategies such as porter generic strategies, Ansoff’s strategies and finally performance monitoring.

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