

The senior
management of
general motors
corporation
management essay



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1 Introduction

This report has been prepared at the request of the senior management of General Motors Corporation. General Motors Corporation is the second largest auto manufacturer globally, manufacturing cars and trucks in 34 countries. The company is also engaged in financial and insurance operations. GM is headquartered in Detroit, Michigan. In 2008, 8.35 million GM cars and trucks were produced, reaching 140 countries. GM controls eight brands as well as strategic joint ventures with other automotive brands worldwide. This report presents an analysis of the Environmental Scan and the resource competencies enjoyed by General Motors to achieve its Vision, Mission and Strategic Objectives. It also discusses the key strategic issues faced by the management at General Motors in achieving its business strategies. The report begins by presenting the Vision, Mission and Objectives of the organization followed by an Environmental Scan based on PESTEL framework. The subsequent sub-section discusses the resource analysis and the core competencies enjoyed by GM based on the PROFIT and VRIO chart. Finally, it concludes by summarizing the key strategic issues faced by the organization and recommendations to confront its position as a global leader in automobile industry.

2 Future Vision

It has become inevitable for organisations to align and integrate its jobholders to the centre of focus or the frame of reference, which is the vision, values and strategies of the organization for business strategies to be successful (Khadem, 2008).

2. 1 Vision Statement

The GM vision is as follows: “ Our vision is to be the world leader in transportation products and related services. We will earn our customers’ enthusiasm through continuous improvement driven by the integrity, teamwork, and innovation of GM people. In order to achieve this vision, we recognize that many issues must be addressed and many goals attained. It is imperative that economic, environmental and social objectives be integrated into our daily business objectives and future planning activities so that we can become a more sustainable company.” (www. gm. com)

2. 2 Mission Statement

The GM mission statement is as follows: “ G. M. is a multinational corporation engaged in socially responsible operations, worldwide. It is dedicated to provide products and services of such quality that our customers will receive superior value while our employees and business partners will share in our success and our stock-holders will receive a sustained superior return on their investment. GM will become an industry leader, not a follower. To regain lost market share that was lost to foreign competition, and once again be the auto industry leader in sales and market share in today’s global market.” (www. gm. com)

2. 3 Objectives

GM has three business objectives (www. gm. com):

- Become Profitable
- Satisfy Customers with Better Products
- Grow THE BUSINESS in future years.

Scholars had regarded strategic alignment as an on-going process and not as a short-term program with a beginning and an ending date (Henderson & Venkatraman, 1993; Sabherwal et al., 2001). Others agree that strategic planning for IT requires evolutionary approaches tailored to organizational needs at different stages of business growth or life cycles. The goal of the strategic alignment process, however, remains and is to evaluate or reconfigure organizational assets, resources, and competencies to aligning IT strategy with business strategy. The strategy formation and implementation is a gradual process requiring different competencies over time (Montealegre, 2002).

3 Environmental Analysis

3.1 PESTEL Analysis

The PESTEL model identifies the key drivers in the macro-environment that potentially influences General Motors (Johnson, Scholes and Whittington, 2008, 55).

PESTEL Analysis

Area	Influence
Political	
Government Bailout plan	+
Government regulation laws (emission control, safety, fuel economy) which may probably increase the price of a car	-
Taxation policies (export / import related and taxes on consumers for	-

purchasing / maintaining automobile)

Governments supporting their domestic Auto Industry and manufacturers +

Economic

Rising oil costs -

Global Financial Crisis effects consumer's spending power and the dealerships of the manufacturer -

Business Cycles - Smaller companies die or get gobbled up by stronger competitors -

U. S. is pockmarked with the boarded-up storefronts of liquidated companies -

Socio-cultural

Consumer demands have changed. Throughout world there is an unprecedented contraction in auto sales affecting Japan, Europe, Latin America and the previously fast-growing Chinese and Indian markets -

Change in Consumer Lifestyle attitude. Market is perceived as segmented. People in different age-groups weigh the important influential factors such as style, design, cost, comfort, efficiency differently. Each consumer has a different need and they look for the car that suits their need -

Technological

· Introduction and growing need for Hybrid cars / Fuel Cells and Low Carbon emission engine -

Environmental

Environmental protection law against Carbon emissions -

Introduction of eco-friendly and fuel efficient cars, hybrid cars -

Legal

Union and labour laws for the welfare of the employee which includes compensation and benefits -

Laws relating to the health and safety of employees -

Cancellation of health benefits is against the GM policy of offering pension funds and health care to its employees (retired) -

Laws on Selling subsidiaries -

Out of the many external factors that impacted on GM and its business operation, the 3 most crucial are:

- Rising Oil prices in 70's. GM always believed that consumers want bigger and powerful cars and kept manufacturing the same. In the mid 70's when the world was hit by the rise in oil price, GM failed to do a scenario analysis and planning and never bothered to produce fuel efficient cars. Consumers wanted cars that were fuel efficient and affordable. This opportunity gap was filled by competitors like Toyota who eventually started penetrating the market.
- Shift in consumer attitudes and change in demands. Due to the rise in fuel price, consumers started looking for affordable fuel efficient cars. GM cared less to understand the needs of the consumers and kept

producing its big cars. Competitors like Toyota capitalised on this opportunity and started investing in R & D to manufacture vehicles that fulfilled these consumer needs. Eventually competitors started eating up the market share and grew popularity among the consumer market.

- **Contracts with Unions.** GM at one point offered the most lavish and competitive health benefits and pension plans to its employees. It even came into a contract with its Union whereby it would continue to pay its employees who sat idle owing to the shutdown of its plants or operations. Although a highly strategic move from the management perspective to attract and motivate employees, the same strategy started proving fatal when GM's market share started falling and its profits started lowering. Eventually GM had to shut down plants but still continue to pay wages to its idle workers.

While critics like Burt et al. (2006, 56) argue that PESTEL does not provide an understanding of how the variables interact, Johnson et al. (2008, 55) suggest to use it effectively strategists need to go beyond lists and assess how the factors are changing, as the above analysis has done.

3. 2 Resource Analysis

The analysis of the external environment's threats and opportunities and General Motor's internal resources and capabilities are linked by the question of value. Strategic capability evolves from the resources available to an organisation and the capacity of the organisation to exploit those resources (Evans, 2002, p. 24). For analysing the strategic capability of General Motors, PROFIT and VRIO models have been used where PROFIT

analysis is used to analyse the internal resources of the organisation and VRIO model determines the potential capacity of the resource for achieving competitive advantage in the market (Evans, 2002, p. 26). In order to enjoy sustainable competitive advantage, General Motors would require resources and capabilities that are valuable to customers, rare and expensive to imitate, and finally they must be organised to exploit these resources (Barney, 1996, 60).

Resource/ capability	Valuable	Rare	Costly to Imitate	Exploited by Organization	Multiple markets	Core Competence	Economic Performance	Strategic Weakness
Physical								
Marketing / Advertising	Yes	No	No	Yes	Yes	No	Higher Costs	Strategic Weakness
Product R & D	Yes	No	Yes	Yes	Yes	Yes	Higher Price	Strategic Weakness
Engineering	Yes	No	Yes	Yes	Yes	Yes	Higher Price	Strategic Weakness
Manufacturing Plants	Yes	No	No	No	Yes	No	Higher Costs	Weakness
Product Reliability	Yes	No	No	No	Yes	No	Higher Costs	Weakness
Brand Portfolio	Yes	Yes	Yes	No	Yes	No	Higher Costs	Weakness
Domestic	Yes	No	Yes	No	No	No	Higher Costs	Strategic Weakness

market share

International

Yes No No Yes Yes No Neutral St

Market Share

Large Scale

Yes Yes Yes Yes Yes Yes Lower Costs St

operations

Strategic

Yes No Yes No Yes No Higher Costs St

Alliances

Customer

Yes No No Yes Yes No Higher Costs St

Service

Product Resale

Yes No Yes No Yes No Lower Price W

value

Reputational

Leadership Yes Yes Yes Yes Yes Yes Higher Costs St

Organizational

Supplier

Yes No No Yes Yes No Lower Costs W

relations

Dealer

Yes No No Yes Yes No Higher Price W

relations

Union

Yes No Yes No Yes No Higher Costs W

workforce

Employee benefits	Yes	No	Yes	No	No	No	Higher Costs	W	
Environmental strategy	Yes	No	No	Yes	Yes	No	Neutral	St	
Financial									
Cash	Yes	No	No	No	Yes	No	Neutral	Ne	
Equity Holders	Yes	No	No	No	No	No	Lower Costs	St	
Bond Holders	Yes	No	No	No	No	No	Higher Costs	W	
Financing (GMAC)	Yes	Yes	Yes	No	Yes	No	Higher Price	St	
Intellectual									
Brand Name	Yes	Yes	Yes	No	Yes	No	Neutral	W	
Corporate values	Yes	No	No	Yes	Yes	No	Neutral	St	
Patents	Yes	No	Yes	No	No	No	Higher Price	St	
Technological									
Information Technology	Yes	No	No	Yes	Yes	No	Lower Costs	St	
Logistics	Yes	No	No	Yes	Yes	No	Lower Costs	St	

In a nutshell, GM operates under the core competencies of technology, leadership, large scale operations, and product/research development and hence its business strategies must be aligned to match its resources and capabilities.

3.3 Organizational Structure

GM follows a formal hierarchical structure at workplace. Team members at different locations often interact less, and operate in silos. This prevents employees to share their thoughts and ideas. Moreover a hierarchical structure imposed restrictions to an extent in open communication and idea sharing among the employees. GM has decentralized self managed teams and offers compensation contingent on performance. There is selective hiring and reduction of status difference. In the past, GM followed a Multi - Divisional structure. They lacked appropriate Mission and Vision that could motivate new talent to join the organization. It lacked good relationships between its administration and the blue-collar workers that led to a decreased motivation among its employees (www. gm. com).

3.4 SWOT Analysis

Strategic capability is defined as the adequacy and suitability of the resources and competences of an organisation for it to survive and prosper (Johnson, Scholes, & Whittington, 2008, p. 117). Analysis of General Motors using PROFIT and VRIO frameworks shows that the company have such strategic capabilities which can provide a competitive advantage over its competitors. A SWOT analysis has been done to summarises the key issues from the business environment and the strategic capability of an

organisation that are most likely to impact on strategy development (Johnson, Scholes, & Whittington, 2008, p. 102).

Strengths	Importance	Weaknesses	Im
Large Scale operations, including over 21000 dealerships worldwide	High	Negative publication and press	Hig
Expanding Business, specifically in Asia Pacific & Latin American regions	High	Decreasing market share, sales down more than 23% since 2007	Hig
Quality/Cost improvement through outsourcing	High	Pension Debt	Hig
Value pricing policy eliminating frequent incentive program	High	Increasing health care costs	Hig
Radical product development organization	High	Poor relationship with UAW	Hig
Highest annual productivity improvement among all automakers from 1999 - 2004	High	Ageing workforce	Hig
OnStar Communications	Medium	Saturn strategy failure, losing as much as \$15B	Me
New Leadership	Medium	Parts of supply chain bankruptcy dueMe	

to price concessions

Raise in GMAC credit rating

Medium

Pricing Strategy

Me

China partnerships and joint ventures

Medium

Drastic Downsizing

Me

Highest market share in volume terms for US market

Low

Bureaucratic culture

Me

Opportunities

Importance Threats

Im

Increasing demand for electric / hybrid / hydrogen celled vehicles

High

Rising Raw material and transportation costs

Hig

Increasing technological gain over competition

High

Growing pension debt and decreasing support from the UAW

Hig

Utilization of global design and engineering talents to shorten lifecycles, lower costs and higher quality

High

Growth in currency valuation vs. US dollar relating to high export costs

Hig

Individual brand positioning to distinguish eight unique brands

High

Declining infrastructure of USA economy

Hig

Building consumer confidence and brand reputation

High

Competitors (primarily Toyota & Honda) have a higher level of perceived value with a solid

Hig

			reputation for better product quality	
New model types and styles	Medium		Toyota closing the gap in GM' s market share in BRIC countries	Hig
Knowledge gained from Saturn	Medium		Chinese lack of intellectual property rights from government and competitors	Me
Continual manufacturing in lower health care and pension countries	Medium		Elimination of fleets due to raised environmental requirements	Me
Government bailout plans	Low		Federal legislation and regulations, including the stringent emission standards, like the California Zero Emission Vehicle Regulation	Me
Toyota joint venture	Low		Risk of domestic partner creating alternative production facilities competing against joint venture	Low

4 Key Strategic Issues

4.1 PORTER's Framework

Analysing the broad macro-environment contributes to an understanding of the external influences on Cooroy. However, it is also essential to understand the competitive forces and resulting attractiveness of an industry (Porter, 2008, 80).

Porter's model has been criticised for not taking into account firm-specific factors that are responsible for performance between firms in the same industry (Cool and Schendel, 1988, 17). However, as McKiernan (2006, 9) argues, strategic managers should never rely on one model.

4.2 Strategic Issues and Recommendations

Product reliability is one of GM's primary pitfalls, both in production facilities and with consumer perception. Product recalls throughout GM indicate a serious quality assurance problem and a lack of quality control systems (DataMonitor, 2009). About half of GM's models are below average in reliability (Consumer Reports, 2009). GM has a history of cars leaving their plants with unaddressed problems in order to artificially decrease the number of reported defects. This includes faulty brakes, inadequate seatbelts and missing bolts. In a recent lawsuit, management routinely deleted or downgraded reports on vehicles since 2005 (MSNBC, 2009). Setting up more quality check points in the production line along with an open platform for employees to express concerns will ensure that each vehicle produced is flawless.

Another key strategic issue evident from the discussions in prior sections relate to the technological advancements in Automobile Industry. According to Consumer Report tests, "fuel-efficient vehicles are a very reliable segment of the automotive market overall" (Consumer Reports, 2008). GM should aim to develop more fuel-efficient vehicles, which will increase consumer perception of its product reliability.

GM has a distributed brand portfolio across various market and population segments which also is a key issue. It should now consider consolidating its brand portfolio. Its Saab and Buick brands have generated the lowest revenues and would be fairly easy and strategically healthy to extinguish (Moore, 2009). While executing damage control on the Pontiac brand, GM still conducts its business but struggles to maintain its consumer base. By cutting these brands, GM would not only raise the finances required for its operations but also funnel the budget into making existing brands stronger than pouring money into failing models (Welch, 2009).

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