

General motors core business



INTRODUCTION

GENERAL MOTORS

General Motors was known as one of the world's best automotive, started in 1908 with 76 years of management and leadership at its best. Its global headquarters located in Detroit, with employees of 204, 000 people all over the world and operates business in 140 countries. General Motors core business of producing cars and trucks operates in 34 countries and selling and servicing these vehicles through the following brands: GMC, GM Daewoo, Holden, Buick, Cadillac, Opel, Vauxhall and Wuling. It has the largest market in United States followed by China, Brazil, Germany, U. K, Canada and Italy. GM's main element, in which it is industry leader, is its vehicle safety, security and information services. As of 2008, General Motors is the ninth largest publicly traded company in the world. Recently the company has endured major financial confusion, including a 38 billion dollar loss in 2007. GM needs a sense of urgency regarding revising a strategic plan that incorporates the next generation of vehicles. In today's global economy and highly competitive auto industry GM has no time for delay.

Factors affecting General Motors and other car industry.

Industry involved in the design, development, manufacture, marketing and sale of motor vehicles are known as automotive industry. More than million of motor vehicles, including cars and commercial vehicles were produced worldwide in 2007. Figures show that in 2007, around 71. 9 million new automobiles were sold worldwide in which 22. 9 m sold in Europe, 21. 4 m in Asia-Pacific, 19. 4 m in USA and Canada, 4. 4 m in Latin America, 2. 4 m in the Middle East and 1. 4 m in Africa. Though the markets in North America

and Japan were inactive but in South America and Asia markets grew very strongly. Russia, Brazil and China were the one who showed rapid growth compare to others.

In 2008, automotive industry were experiencing a combination of pricing pressures from raw material cost and changes in consumer buying habits due to rapid rise in the price of oil. G. M and other automotive industries were also facing external competition from the public transport sector, as consumers re-evaluate their private vehicle usage. U. S is the world's largest consumer market for light vehicles, passenger cars and light trucks which are conquered by big three companies i. e. General Motors, Ford Motors and Daimler/Chrysler. But recently these three industries were started to lose their market share to other rivals within the industry. General Motors are facing huge competition by domestic company such as Ford Motors and Daimler/Chrysler and also by foreign companies such as Toyota Motors and Honda Motors who are able to produce car much cheaper cost than General Motors.

In 2006, General Motors has been bankrupted and has been avoiding a filing for years. For years it has been using cars as razors to sell consumers a monthly package of razor blades- in the form of highly profitable car loans. And the reasons for its bankruptcy are because they were focusing mostly on their finance division rather than it vehicle design operation. GM cars were poorly designed and build, took long time to manufacture as compare to its toughest competitor Toyota who has better designed and high quality and cheaper. In past GM controlled half of North America vehicle market but

presently it has only 19 percent control as GM has been ignoring competition due to which Toyota and other industry took over the market share.

Since General Motors were focusing on making profit from finance they did not care about building better vehicles. It was managing in bubble as GM rewarded those employees who followed the old way of doing things and those who praises CEO wisdom and carry out his orders.

PEST Analysis

Political:

Since 1960, there were more powerful and strict laws and Government intervention that has affected GM and other car industries. Mostly, all regulation was related to consumer increasing concern for environment and concern for the safer automobiles.

Economical:

Automobile Industries plays an important role on every countries economy. As Automotive industry are major user of computer chips, aluminium, textiles, copper, steel, iron, lead, plastics, vinyl and rubber. Research and study had shown that for every autoworker there are seven other jobs created in other industry which include aluminium to lead to vinyl.

Sociocultural:

Today's people are mostly concern about their status and society judges on the basis of what type of car one drives. Manufacture takes advantage of this thought and target the market. Every one want attractive and nice car which other people admires. Consumers feel better when they driving nice and new car.

Technology:

Internet had played a significant role in automotive industry. A study showed that about 60 % buyers referred to internet before making their purchase and out of that 60 percentage. 88 % buyer went to auto website before going and taking test drive.

Strength and Weakness of General Motors.**Strength:**

1. Huge Market Share:
2. Although General Motors market shares has dropped in United States but it still has very much competitive at 26 percent. On the other hand, it is increasing its share in Chinese market and world wide. They still believes that they have an opportunity to become automotive leader once again as it was before.
3. Global Experience:
4. Although General Motors share have decline recently but they have capability of becoming leader once again due to vast experience of almost 100 years. As GM current opportunity is to expand globally and it has got experience to do so.
5. Variety of Brand names
6. General Motors had been leaders in the past and reason for that is wide variety of quality brand names that differentiate it from other automotive manufacturer. Its current brands include GMC, GM Daewoo, Chevrolet, Pontiac, Saturn, Hummer, Saab, Holden, Buick, Cadillac, Opel, Vauxhall and Wuling.
7. GMAC Customer Finance Program

8. Since, General Motors Acceptance Corporation establishment in 1919, it has proven to be GM's most reliable source of revenue.
9. On Star Satellite technology
10. Star Satellite technology was developed in 1996 with a subscriber of more than 3 million and it is the standard of all GM vehicles. The benefit of this technology is that vehicle can be easily tracked at the time of emergency or theft. On the other hand, it allows the driver as well as passengers to communicate with On star personnel just in one click of button.

Weakness:

1. Behind on Alternative Energy Movement:
 2. This is one of the biggest weaknesses of General Motors. The alternative energy/hybrid technology has already taken place in the automotive industry and GM has been one step behind the competition in terms of alternative energy vehicles. As a result, GM faced lots of problem including loss of market shares and fall in company profit. Now days for any automotive company looking for success must be Hybrid friendly and fuel efficient.
3. Poor Organizational Structure:
 4. This is the second and significant weaknesses of GM. Its organizational structure seems to be too vertically integrated. As a result, there is lack of communication between top level management and bottom level management and may have played a part in GM falling behind on the alternative energy movement.
5. Stagnant Profitability:

6. General Motors profit has been certainly falling and they are struggling with respect to the size of their company. General Motors profit margin was about 1.5 % and the ROE has dramatically decreasing by dropping to 10 % in 2004. At this situation shareholders are not happy and they are becoming less interested.
7. Fully Based on US market:
8. For any one who is concentrating on one particular market can't be successful. This is what happened to GM's case, it fully dependent on the US market. It must take advantage of the opportunity to expand globally. Due to high competition, it is becoming too strong to focus on just one country.
9. Over Dependent on General Motors Acceptance Corporation (GMAC) Financing:
10. The other important weakness of General Motors is that it is too dependent on its financing program. Although, it is accepted that it is a great strength for GM, however it will be a problem if it solely rely on financing and can't turn profits, in order to compete with Honda and Toyota who are rapidly growing.
11. Poor Credit Status:
12. GM's credit status is steadily declining same as everything else. It is losing credit in market and amongst the customer. Its current ratio is merely above 1 and its acid test is even lower.
13. Poor strategies and lack of Foresight:
14. Due to increase in oil prices, consumers began to turn away from SUV's, but still General Motors predicted much of its operating success

on its ability to sell newly unpopular vehicles. While companies like Toyota, were concentrating on light vehicle and in improving efficiency where GM assumed sales would continue in future.

ALTERNATIVE FORMS OF ORGANISATION DEVELOPMENT

Organizational Development is a system which differs from other systems of organizational change by putting stress/focusing on process rather than problems. In fact, change system focuses on identifying problems in an organization and then trying to alter the behaviour that creates the problem. OD is a methodology intended for use in complex situations to provide intervention strategy for change management. OD finds the behavioural interactions and the pattern that creates or sustain problem. In fact, OD does not change the behaviours, but they focus on creating a behaviourally healthy organization that will automatically solve and prevents the problems. OD generally considered long term effort that is of at least one to three years in most cases. In addition, it mostly focuses on combined management where manager and workers of different level communicate and unite to solve the problem. OD understands the fact that all organization is different and same solution can't put in every company. The other feature of OD is that it gives importance to team work and small group.

The important features of OD programs is the change agent, that is group or individual which makes OD process much easier. Almost all change agent are consultant from outside who are experienced in managing OD programs but sometimes companies may utilize its inside managers. The benefits of consultant from outside are that they provide a different outlook and have a less biased view of the organizations problems and needs. The disadvantage

of outside change agents is that its lack an in depth of understanding of main issues mainly one specific organization.