

Investigating general motors chevy volt project



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What does the Chevy Volt case tell you about the nature of strategic decision making at a large complex organization like GM? In a complex organization such as GM, it appears that decisions concerning Chevy Volt project were reached without giving thorough plan outlay to the planning groups in the company. There was a lot of thing that put the company at stakes from the wrong strategic decision undertaken. All aspects of the project were done at the individual and subjective level. Take for example the proposal presented by Larry Burns and Bob Lutz concerning Chevy Volt to the top management presents a missing link of strategic leadership that should have been a transformational force. Yet the sad state of affairs is that strategic formulation and its implementation also were all compromised upon, which happened when the Chevy Volt concept car was launched.

This shows that managerial level function, their involvement and leadership were not collaborative in a sense as far as implementation processes goes. Together with it, shareholder values and business plan also were not emphasized upon when decisions were made, which appears that the responsibility attached with managerial role and their expertise were all taken for granted that put the company in the threshold of a gamble and a joke.

Explain briefly the changes in the external environment that made it favorable to undertake the Chevy Volt Project?

As we relate to the given case, rising fuel prices, new environmental regulations, new entrant for green concepts cars and stiff competitors give abundant evidence to the changes in the external environment. There is some relevancy that microenvironments also were emphasized upon in

context of Porter five forces model and SWOT analysis. Thus, the Chevy Volt project can significantly foster the CSR of GM, which is favorable.

As a green concept car, the Chevy Volt scores a point as far as cost saving for users goes in context of rising oil prices then. However, what is crucial also can be exemplified in context of sustainable development process that the Chevy Volt can impact, let say limiting carbon gas emission in the backdrop of global warming and greenhouse effect and most importantly presents a wider socio-economic relevancy and impact.

What internal obstacles do you think existed within GM that were unfavorable to the pursuit of the Chevy Volt project?

Cost factor also is one unfavorable point that existed, given that GM have already invested billion of dollars for the development of Lithium-Ion batteries, which did not registers with the top management. The relevant cause for that also can be emphasized in context of the internal obstacles at GM as can be observed in respect of top management who were skeptical of Chevy Volt project, especially when the ' EV1' Hybrid model, a green concept electric car that run on conventional fuel cell introduced by the company way back in the 90's did not succeed and was a sheer loss in term of resource and brand image.

Besides leadership in the company also have it flaws, and were not wholly involved. That is to say, strategy planning, its formulation and lifecycles that guaranteed the outcome of project was a missing links, which are the internal obstacles that are unfavorable for the pursuit of Chevy Volt project.

The plan for the Chevy Volt seems to be based partly on the assumption that oil prices would remain high, and yet in late 2008, oil prices collapsed in the wake of a sharp global economic slowdown:

What does this tell you about the nature of strategic plans?

Chevy Volt project which is partly based on the assumption of fuels prices is rather skeptical. Plan outlay in context of rising oil prices, and environment sustainability only does not in a sense constitute total business plan layout. External environment analysis such as the macro and micro-economic factors also should have been focused, so that an alternative plan layout to develop new innovation for its benchmark cars model that run on fuel and that which should meet the tighter regulation in the future. Yet that was not the case, which we feel posit the flaws in the nature of strategic plan concerning Chevy Volt, and presents the 'uncertainty' of such development course, which in the other case economic factor should have been given more emphasis for strategy, wherein economic theory of demand and supply also should have been brought in contention in regard of decision and strategy.

How do falling oil prices affect the Chevy Volt project?

The Chevy Volt project strategic plan was based on factor that kept rising oil prices in contention to market its electric car model for profitability. That is true to some extent. Yet, buying a car is long-term investment for buyers. That factor also should have been given due importance. Besides, investment made by GM in the Chevy Volt project also posed huge cost factor. In business context, Chevy Volt is less competitive and cost already incurred for the project means that the company has to compromise with its

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benchmark to foster a profitable outcome from situation of spiraling oil prices.

Thus, falling oil prices can affect Chevy Volt project in terms of profitability directly from the sale of electric cars. However, such marketing concepts pose many risks and uncertainty, which in simple economic sense can be justified in context of supply and demand rule applicable to economics, be it for oil prices or the Chevy Volt car models and its demands in situations when oil prices would remain high.

Do you think oil prices will remain low?

There is no reason to think that oil prices will remain low, because it happened in a situation when demand for the product was low in the market. Rising oil prices defines the simple economic basis of the law of demand, which depends on market equilibrium for a product in influencing the inflation and deflation of particular product.

Thus, it is very likely and in simple economic sense that once the demand for oil increases, prices also is also likely to surge accordingly. Besides there are no substitute product as far as fuel goes and in the case of Chevy Volt cars the case is otherwise, wherein substitute product can be emphasis in context of internal combustion engine cars which pouts competitors in a favorable situation as far as car model goes.

a) What are the external conditions that need to be present for the Chevy Volt to be a successful car?

For the success of the Chevy Volt Project effective marketing strategy has to be formulated. Marketing aspects also should capitalize on the internal and

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external forces that influence the products within the industry and against its rival for the competitive factor. From our understanding, the Chevy Volt is a high-tech car. Hence, external analysis from operational and business perspective should focus on the competitive structure of the industry and factors such as; innovations, socio-economic, and environmental impact that defines value added product, and the opportunistic cost that comes with it.

Thus, a lot of innovation in the development process of the car should be fostered as one factor to benchmark against rivals and competitors in the industry, which is critical for success for a profitable outcome and goals achievements. Part of it also should focus on the strategic marketing aspects that give the car and its salient feature to reach the people through advertisement and awareness created in that regard are interrelated and need to be present for the Chevy Volt to be a successful car.

Given its long presence in the market GM may not lack competency and skills, however, its strategic planning and decision making is stifled by strong resistance from its managers. This may be due to the complexity of the organization and resulting problems associated with strategic decision making.

What would you suggest for GM to make its strategic planning and decision making effective and relevant?

To facilitate effective strategic, it is advised that GM managers should take into account the following:-

Response to the competition that the market posed and demands.

Management Responsibility in decision undertaken.

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Knowledge sharing as a basis for project formulation and effectiveness.

Cost factor analysis.

Collaborative leadership as a means to negotiate against redundant formulation process.

Do away with subjective and unreasonable reasoning and decisions.

Transformational change has to be initiated.

Management and supervisors involvements in any given projects.

Business plan and layout should be effectively defined for any major outcome and long-term effects.

Apart from these point and list of suggestion, we feel that strategic group in the company should be given ample hand to empanel for strategic plan layout, given that there are huge stakes for any given undertaking. After all, strategic group are expert panel. Yet, decision being reached is more or less subjective. Hence, a collaborative approach to management thinking, leadership and strategy formulation should be the core cultural basis in the company, which can effectively and relevantly drive the strategic planning and decision making in the course of goals achievements.

In light of your analysis, what are the costs of failure in this project for GM?

The cost of failure as far as Chevy Volt car concerns is huge and tremendous, as far as operation and economic consequences goes. Less involvement from the managers also brought to fore the cost and its effect to directly hit the

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company that brought it to the stage of total shutdown of its operations. Since the company is already in the threshold of bankruptcy, the Chevy Volt project that failed to impact the company strategic goals and its achievements posed the total effect of bankruptcy of GM and huge economic consequences as an aftermath, because the company is already on the process of huge public debt facilitated by the government to save itself from bankruptcy.

Thus, it is suggested that either the plan have to be charted out to bring into effect the following:-

Capitalize on the capability and expertise the company posits.

Effective strategic management of operational process and procedures.

Top Management involvement.

Responsibility.

Collaborative approaches to leadership.

Cultural and structural upgrade of the corporate echelon and strategic management panel and groups.

Standardization of managerial role, decisions and business plan layout.

Capitalizing on the opportunities and threat.

Facilitate a dynamic leadership culture.

What are the costs for GM of not pursuing the project?

There are tremendous and direct effects as far as Chevy Volt project concerns, since it is not pursued at all. Take for example the following cost factors:-

The huge opportunistic cost lost in between.

Operational and business capability that went for a toss.

Marketing research that has not been capitalized effectively and efficiently for result outcome.

Change factor and organizational learning.

Cost factor in term of direct financial investments to investors, and stakeholders.

Resource accumulation.

Brand image and identity.

Corporation competencies that have not been capitalized

Sustainable development plans

Corporate Social Responsibility

Economic consequences.

Bankruptcy.

Business process and procedures.