

Final analysis paper on general motors

Business



OUTSOURCE INSOURCE FINAL BUSINESS ANALYSIS PAPER ON GENERAL
MOTORS (GM) 1 Outsource Insource Final Paper Patricia J Helligar Capella
University ISTM 5010 Dr Mike 03/15/2013 OUTSOURCE INSOURCE FINAL
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GENERAL MOTORS (GM) 3 Part 1 – General Motors – The firm I will analyze

for my final project and the major topic that will be addressed

Abstract Saving money and maximizing the moment is so important to CEOs as well as CIOs of all companies. The question is to have enough resources in house to handle the demand of our product. In making these types of decisions, most companies often don't take the risk to do it in house but outsource their work. The decisions among the stakeholders in the company

attribute their outsourcing to lack of manpower, level of demand of their product and not enough finances to pay a full-time staff.

In this project topic that I have selected which is General Motors (GM), I will analyze why 90% of their IT department (data centers, writing applications) that was outsourced is now being insourced again. Introduction General Motors did outsource its IT service for a period of time and recently have in source again. This is what it is all about correct? Evaluating, transforming and implementing new ways of doing things to benefit your customers and of course to be a success in business. In this paper we will identify the business topic of choice for my class project and outline the business and major topic to be addressed in the final project. With my final project topic selection, I will be discussing General Motors transition from outsourcing its IT component “ The Data Center” to now a recent decision to insource their data center. General Motors today only do 10% of its company’s IT work. It relied all this time on contractors to conduct its IT business; however, there has been a gradual shift from outsourcing most of its information technology services to conducting the work itself.

This shifting to insourcing the work back is about the thousands of new GM jobs throughout the world that will be ready for the job market. GM has done the necessary evaluations and realizes that these contractors have no idea of the car industry business and no experience on how cars are designed, made and then sold. Therefore, the data centers will be handled by GM employees around the USA and the world. Now the data center is in house now or

OUTSOURCE INSOURCE FINAL BUSINESS ANALYSIS PAPER ON GENERAL MOTORS (GM) insourced, this will greatly improve GM’s ability to design the

kind of software and data systems it needs to make popular vehicles. General Motors (GM) outsourced 90% of their IT department but recently made changes to insourced their IT department to GM employees. This move was not about saving money at all but the increase in jobs for potential new and existing employees at GM. References Schepp, David, (2013). GM vows to insource most of its IT Jobs. Document retrieved from <http://www.minyanville.com/sectors/technology/articles/outsourcing-in-the-us-GMgeneral/7/10/2012/id/42298> Part 2 – Identify the specific business unit and service component in final project analysis The business unit and service component that will be used in final project analysis is GM's IT department business unit and the redesigned of the service component of the data center/writing applications being insourced to GM again. The strategic rationale for outsourcing originally by GM is the volume of work to be done and the lack of expertise at the company at that time dealing with IT.

In this final project analysis, I will be discussing IT leader role in service component outsourcing and subsequent insourcing, analyze the ways in which IT leaders can increase communication effectiveness between senior executives and evaluate change management response of business and technology leaders within the organization. According to the CIO of GM, “The rationale behind bringing 90% of IT work back in house (insourced) is to get the resources, tools and flexibility we need to provide better services and products to our global GM customers” (Flinders, 2012).

OUTSOURCE INSOURCE FINAL BUSINESS ANALYSIS PAPER ON GENERAL MOTORS (GM) 5 Create a timeline that documents General Motors (GM) outsource and insource cycle Task GM Research and Planning before

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Outsourcing GM Documentation on outsourcing 90% of the IT Data Center Dept GM Decision to Insource their IT/Data Center Dept GM Documentation of Insourcing their IT/Data Center Dept GM IT/Data Center Dept finally insourced its IT Dept/Data Center Beginning Date 01/1976 Ending Date 01/1980 02/1980 05/2008 03/2008 12/2008 05/2008 01/2009 01/2009 12/2009

Conclusion General Motors has gone through some major changes in its history as one of the top car making companies. From being number one to hitting rock button, to needing federal aid to stay afloat, to declaring bankruptcy and the replacing of the CEO of GM, GM has made its greatest rebound since its collapse in 2008. One of the major changes due to this new CEO, was to bring 90% of its IT industry (applications, data centers) back to GM or insource the work now. Who will know the car industry better and what to do but our staff says the CIO of GM.

OUTSOURCE INSOURCE FINAL BUSINESS ANALYSIS PAPER ON GENERAL MOTORS (GM) 6 References The New York Times. (2013). General Motors. Document retrieved from http://topics.nytimes.com/top/news/business/companies/general_motors_corporation/index.html Flinders, Karl. (2012). General Motors recruits 3, 00 HP IT workers. Document retrieved from <http://www.computerweekly.com/news/2240167895/General-Motors-recruits-3000-HP-IT-workers> Dev, Sherin. Top characteristics of commodity type businesses - The Killer Sharks. Document retrieved from <http://www.nvestinternals.com/2011/03/commodity-type-business.html> Business Analysis Section of General Motors Abstract General Motors for the most of the 20th century was <https://assignbuster.com/final-analysis-paper-on-general-motors/>

the biggest car industry company in the world. It was the largest car maker from 1931 to 2008 when Toyota defeated General Motors (GM) and became the largest car maker. The sad news is in the Fall of 2008, GM had two serious cutbacks that allowed them to go to Federal government for the aid but in March of 2009 President Obama ordered the CEO Rick Wagoner to release GM so in July 2009.

GM was sold and its good assets to a new government-owned company. Brands such as Chevrolet, Cadillac and GMC were folded into the new company called General Motors Company (GMC). Introduction General Motors did outsource its IT service for a period of time and recently have in source again. Insourcing work for a lot of companies is a wave that is growing in popularity day by day. The pattern of insourcing is on the rise due to less taxation, savings on materials/resources used, transportation cost decreased and much much more. Insourcing is quite an expensive venture when compare to outsourcing.

Insourcing requires a company to use its resources to train others on its system, products/services and the process flow of the company. But a company can save in other ways because OUTSOURCE INSOURCE FINAL BUSINESS ANALYSIS PAPER ON GENERAL MOTORS (GM) of insourcing such as decrease in transportation, labor costs and materials while the opposite is true for outsourcing (Lotich). In this paper, we will explain strategic rationale for outsourcing, evaluate IT leader role in service component outsourcing and subsequent insourcing, analyze the ways in which IT leaders can increase communication effectiveness between senior executives and evaluate change management response of business and technology leaders

within organization. Explain strategic rationale for outsourcing Outsourcing for all companies always is the last resort for real. The reason behind it is one is taking confidential and innovative information setup by this company and trusting someone from the outside to run an area of the business. It truly takes a team of people to decide based on a number of factors to outsource certain departments.

Outsourcing is basically releasing a job and the resources needed to an outside firm or vendor to complete a task or tasks with an expected end needed by that department. Companies that use outsourcing do not use their own resources for manufacturing products or providing services. There is a myth concerning outsourcing that small companies with limited budgets often outsource jobs and there is some truth to that. But also, large companies who might have experienced loss or close to bankruptcy might make the decision to outsource most of its work to vendors and companies overseas.

It is true that small businesses have limited resources but larger companies can have limited resources as well due to profit loss or projects that failed over a period of time. Therefore, companies in these cases will consider a strategic outsourcing effort which may involve contracting with a provider to manage an IT department or the call center that handle the calls of their customers who want to purchase their products or services. Larger businesses can also make use of strategic outsourcing as a means of utilizing their resources to better advantage such as General Motors (GM).

For example, a business may choose not to maintain an in-house sales force, but contract out the sales effort to others who generate sales on behalf of

the company. With this model, the business does not have to be concerned with the expense of salaries and benefit packages for salespeople. Instead, the OUTSOURCE INSOURCE FINAL BUSINESS ANALYSIS PAPER ON GENERAL MOTORS (GM) business only has to provide the agreed-upon commissions for sales generated by the business partner, and any monthly fee charged as part of the contractual agreement between the two entities.

At General Motors they outsourced 90% of their IT department/data center due to lack of expertise and existing employees with skill sets dealing with IT. One of the reasons for General Motors to outsource its IT department/call center is to gain a competitive advantage globally and in the United States by lowering production costs and fixed costs. By outsourcing GM can restructure their costs. Also, when GM 8 outsource, now they can change some of their fixed costs to variable costs.

But most importantly, GM by outsourcing overseas will get a brand new start and a new perspective on life in the car business. The core idea behind strategic outsourcing is to benefit in some manner from allowing outside entities to take over the operation and management of a given function. At General Motors (GM), they have experienced success in outsourcing to Brazil, China and other international markets. United States have been giving companies such as General Motors (GM) tax breaks for creating jobs in countries overseas (Kelly, Linehan, Hurley, et al, 2009).

Outsourcing benefits can take many different forms and the rationale behind outsourcing usually involves savings in fixed and variable costs such as salary and benefits to employees which drove companies such as General Motors (GM) who were experiencing difficulties in staying afloat. Often, the <https://assignbuster.com/final-analysis-paper-on-general-motors/>

idea behind outsourcing is to increase the bottom line of a company by reducing various operating expenses with companies such as General Motors (GM).

At other times, the benefit has to do with the timing of needing professionals who have expertise in areas that the company does not possess at all so outsourcing is necessary. The benefit of outsourcing may be a matter of convenience, allowing companies such as General Motors (GM) who outsourced their IT Department at a 90% from 1980 until 2009. Outsourcing allowed them not to have to worry about the call center/IT department but focus more on innovation in designing/building cars in which they were expert in.

Initially the benefits of outsourcing at General Motors (GM) allowed them to compete in today's market. General Motors knew that they are known in history for designing and building cars and for years they were leaders in the car industry. As technology changes and information was shared and stored in different ways, it became. They survived from 1980 until 2009 doing this so then their strategic rationale outsourcing was a success (Schepp, 2013).

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Evaluate IT leader role in service component outsourcing and subsequent insourcing IT leader role in service component outsourcing and subsequent insourcing is to make the best decision for the company as far as savings, increase in profit and long-term productivity for the company. Outsourcing and insourcing both have their advantages depending on the mission of the corporation and the expertise of that company when dealing with certain

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skill sets needed to run a successful company. At General Motors (GM) 90% of their IT department (data centers, writing applications) that was outsourced is now being insourced again.

General Motors from 1980 until 2009 only did 10% of its company's IT work. It relied all this time on contractors to conduct its IT business; however, there has been a gradual shift from outsourcing most of its information technology services to conducting the work itself. This shifting to insourcing the work back is about the thousands of new GM jobs throughout the world that will be ready for the job market. GM has done the necessary evaluations and realizes that these contracts have no idea of the car industry business and no experience on how cars are designed, made and then sold.

Therefore, the data centers will be handled by GM employees around the USA and the world. Now the data center is in house now or insourced, this will greatly improve GM's ability to design the kind of software and data systems it needs to make popular vehicles. Analyze the ways in which IT leaders can increase communication effectiveness between senior executives The ways in which IT leaders can increase communication effectiveness between senior executives are conducting daily staff meetings, conferences (video, telephone, and in-person), parties and other social events.

Changing the atmosphere for meetings and doing more interactive things where people can dialog or express how they feel on topics and value their opinion can increase communication between senior executives. Two key communication goals that should be focused on when dealing with senior executives are to prevent misunderstandings, which might impair

productivity or quality, and to OUTSOURCE INSOURCE FINAL BUSINESS ANALYSIS PAPER ON GENERAL MOTORS (GM) convey decisions and directives of top management. With communication effectiveness, the important element is of course feedback where IT leaders with senior executives can enhance problem solving and stimulate idea sharing. Innovation in how information is presented to senior executives will allow more commitment and interest with senior executives especially if the IT leaders allow them to be a part of the decision making process. Communication is vital for exchanging information in and among subsystems through multidirectional channels which are used in internal communications. Feedback processes help systems adjust, change and maintain control.

Collective decision-making processes and shared responsibilities for communication are more prevalent which will allow for more effectiveness in communication among senior executives. Getting employees involved in their work is a major concern facing organizations such as General Motors (GM). How do they get the full potential and energy from their employees? With so much information today and employees having to deal with the situation, it can become overwhelming, confusing and they will disconnect if some type of order among high-level management and senior executives are not established with IT leaders.

IT Leaders can help by aligning words with actions, building relationships and conversing with senior executives rather than communicating at them, and helping guide authentic executive actions which reflect organizational purpose. New technologies can help IT leaders to engage senior executives

by personalizing executive communications concerning getting feedback from them and reinforcing face-to-face initiatives where they can be team lead on. Another way IT leaders can increase communication effectiveness is by using social media in reaching and engaging senior executives.

Since a workplace is similar to a family environment at home, IT leaders can allow a very relaxing atmosphere to communication where there is no pressure by hosting company picnics, movie night and other social events to allow them to flow better and get the job done. The benefits of an engaged workforce are clear. It is proven that organizations with engaged and committed employees were 50 percent more productive than those where employees weren't engaged (Belcourt, 2009). Employee retention rates also were 44 percent higher. Also, a Watson Wyatt study **OUTSOURCE INSOURCE FINAL BUSINESS ANALYSIS PAPER ON GENERAL MOTORS (GM) 1** found that companies with more engaged employees increase profits for companies. Engaged employees contribute discretionary efforts. IT Leaders might agree that measurement of their work is crucial depending on how they are trained in understanding the communication component to their work with senior executives. So the question is how can effective communication be measured among IT leaders to senior executives? There must be some type of standard established that internal and external communication can be measured by to determine success or areas for the company to work on.

If this area is neglected, companies will over a long-term period of time begin to decrease profits slowly until it worsens to a company sometimes have to face bankruptcy or outsourcing certain departments not producing effectiveness with their employees. Working on communication effectiveness

among executives will increase ROI as different innovative ways are chosen to improve communication. Evaluate change management response of business and technology leaders within organization There must be some type of order with business and technology leaders within an organization when it comes to the change management process.

From the high-level documents to the low-level documents, there must be some type of Change Control Board (CCB). If not changes will occur anywhere at any time that can cause serious losses for any company. In responding to changes to a product or service among staff at General Motors (GM), there is a formal approach to Change Management among business and technology leaders and they are the following:

- Adding/deleting/changing features for the product such as GM requires following the normal Change Management process
- Within the Change Management process, business and technology leaders must diagnose problem areas and with the Change Control Board (CCB) have a meeting to go over any additions/changes/deletions needed and make sure all business and technology leaders are there
- Once the changes needed have been reviewed by the CCB, then it should be taken to the test department for testing on a test bed before actually being loaded to the live site

OUTSOURCE INSOURCE FINAL BUSINESS ANALYSIS PAPER ON GENERAL MOTORS (GM) When it comes to urgent changes outside the normal Change Management Process, the following must be done:

- Urgent changes, changes that must be deployed outside of the normal Change Management process cadence, follow an expedited path to load these changes as soon as possible especially if a patch is needed at a customer

site • The urgent Request for Change (RFC) is submitted, approved, built, tested (where possible), and implemented as above; however, all on an accelerated path.

The process allows for urgent changes since they are sometimes unavoidable, however, every attempt is made to minimize these types of changes due to their inherent risk to the production IT environment. Information technology has become a critical component of nearly every business and organization, often driving competitive advantage and the achievement of business objectives. Many organizations have begun to implement structured operational processes and governance models to help manage their IT environments.

The IT organization at General Motors (GM) developed an enterprise-wide Change Management (ChM) Program, deployed in early 2006. The objective was to ensure the use of standardized processes for prompt and efficient implementation of changes and to minimize the impact of change-related incidents on IT service levels. Change management metrics are so important for business and technology leaders in capturing this information in a database for different types of reporting to production,