Table of Contents

Introduction to the Organization................................................................. 3

Identification of the Industry and the Competitors ...................................... 8

Analysis of the Industry .................................................................................. 10

Analysis of the Macro-Environment............................................................... 13

What is the organization’s measurement and control system? ....................... 15

Analysis of the Organization (Mission, Vision, Core Values, Operating Guidelines, Core Competencies, Goals) .......................................................... 19

Analysis of the Organization – Organization-Level and Business Unit Strategies .......... 22

Analysis of the Organization – Functional Strategies ...................................... 25

Analyze organization’s improvement/change initiatives ................................ 26

Conclusion and Future of Organization ........................................................ 27

References ........................................................................................................ 29
Introduction to the Organization

General Motors (GM) was founded by William C. Durant in 1908 to manufacture Buick automobiles (Flesher, 2016). The company sold over twenty-five thousand vehicles in the first year of its operation. In 1910, Durant merged several other companies into GM, including Oldsmobile, Pontiac, Cadillac, and AC Spark Plugs. Sales increased by 60 percent in 1910, but Durant was ousted by bankers because of the company’s heavy debt load (Flesher, 2016). On November 3, 1911, Durant started the General Motor Car Company as a means to acquire a controlling stake in General Motors with a reverse merger (GM Heritage Center, 1996). In May, 1918, this reverse merger propelled Durant back to the GM presidency. By 1921, GM accounted for 12 percent of the US automotive market, thanks in part to a product scheme that aimed five main car lines at five different groups of buyers (Flesher, 2016). In 1925, the company went international when it acquired Vauxhall Motors of Great Britain; additionally, Adam Opel of Germany was purchased in order to better GM’s international exposure (Flesher, 2016). Production facilities were operational in China and India before 1930. Concurrently with the international expansion, the DuPont company began purchasing a share of the GM, a private company, in 1914. By 1920, DuPont owned one-third of GM’s stock (Flesher, 2016). The Federal Trade Commission sued DuPont in 1949 and forced an end to the affiliation.

In 1923, Alfred P. Sloan succeeded Durant as GM’s president and chief executive officer. Sloan would hold this position in the company until 1956. The growth during his tenure was aptly named the “Sloan era” (Flesher, 2016). Sloan hired Donaldson Brown as the company’s chief financial officer. Brown instituted his return-on-investment formula to every department within GM; the result was a system that significantly decreased the cost of managing complex firms (Flesher, 2016). Additionally, Brown developed the concept of flexible
budgeting, an unknown financial concept prior to the 1920s, which yielded positive returns even during the Great Depression of the 1930s (Flesher, 2016). In 1924, Brown required that dealers report inventories every ten days—a standard within that even holds today (Flesher, 2016). This reporting structure was paramount in allowing a centralized budgeting system to govern decentralized operations. Prior to World War II, GM had 41 percent of the US automotive market (Flesher, 2016). Following the war, GM’s market share quickly grew to 54 percent by 1954.

During the Post-Sloan Era, the time when Sloan was no longer GM’s president, GM introduced its first small car, the Chevrolet Corvair, in response to similar offerings from European manufacturers (Flesher, 2016). The Corvair later became known as a safety concern and was criticized publicly. During the 1970s and 1980s, GM was challenged by an Arab oil embargo, competitive Japanese automakers, and an U.S. economic recession (Flesher, 2016). GM made acquisitions such as Electronic Data Systems (EDS), Hughes Aircraft, and South Korea’s Daewoo Motors to attempt to spark profits. To no avail, GM suffered a $38.7 billion loss in 2007 and joined Chrysler and Ford in appeal to the U.S. government for financial aid as bankruptcy was on the horizon (Flesher, 2016). President George W. Bush authorized $13.4 billion in emergency loans in 2008 to be available to keep the automakers from filing bankruptcy (Flesher, 2016). Ultimately, after an appeal for additional funding, the company was forced to file bankruptcy in June of 2009. The government bailed out the company and afterwards GM bounced back and has witnessed an era of prosperity. To help the company repay its debt to the government, further fund its turnaround, and lessen governmental control, GM filed for an initial public offering and began selling shares on the New York Stock Exchange in November 2010 (Flesher, 2016). In the years following the initial public offering, GM recorded record profits,
but these profits came at a price. GM has recalled more than forty million vehicles worldwide for various issues ranging from faulty ignition switches to leaky fuel lines, that led to several deaths (Flesher, 2016).

**Chief Executive Officer Timeline:**

1908, 1910-1920: William C. Durant

1923-1937: Alfred P. Sloan, 1937-56 (chairman of the board of directors)

1946-1953: Charles E. Wilson

1953-1958: Harlow H. Curtice

1958-1967: Frederic G. Donner

1967-1971: James M. Roche

1972-1974: Richard C. Gerstenberg

1974-1980: Thomas A. Murphy

1981-1990: Roger B. Smith


2014-Present: Mary Barra

In the current business’ organization, there are 18 senior corporate officers and 11 persons on the board of directors. Mary Barra is the chairman and chief executive officer. Dan Ammann is the president. Alan Batey is the executive vice president and president, North America. Daniel E. Berce is the senior vice president and president and chief executive officer, GM Financial. Alicia Boler Davis is an executive vice president, global manufacturing. The board of directors consists of eleven members with tremendous amounts of knowledge and
experience. These persons range from previous Lockheed Martin presidents to retired Joint Chiefs of Staff.

**Mary Barra:** Barra began with GM in 1980 as a General Motors Institute (Kettering University) co-op student at the Pontiac Motor Division (Leadership, 2017). She graduated with a Bachelor of Science degree in electrical engineering in 1985, followed by a Master’s in Business Administration from the Stanford Graduate School of Business (GSB) in 1990 (Leadership, 2017). Barra worked her way up the company. She held numerous executive engineering and staff positions prior to becoming the chief executive officer. Her vision to have GM focus on strengthening its core business of great cars, trucks, and crossovers led her to being elected as the chairman of the GM board of directors on January 4, 2016.

**Dan Ammann:** Born in New Zealand, Ammann holds a bachelor of management studies (First Class Honours) from the University of Waikato in New Zealand (Leadership, 2017). Before joining GM, Ammann was a managing director for Morgan Stanley. Additionally, he was instrumental in many high-profile assignments including advising GM during its 2009 restructuring (Leadership, 2017). He is currently a member of the board of directors of Hewlett Packard Enterprise and Lyft, Inc. In 2010, as vice president of finance and treasurer, he was assigned to manage GM’s initial public offering.

**Alan Batey:** He joined GM in 1979 as a mechanical engineering apprentice for the company’s Vauxhall operation in the United Kingdom (Leadership, 2017). He completed the General Motor’s Senior Executive Program at Harvard University and holds a City and Guilds Parts 1, 2, & 3 degrees in Mechanical Engineering (Leadership, 2017). Throughout his career he has held several senior management positions of increasing responsibility for GM in the
United Kingdom, Switzerland, United Arab Emirates, The Netherlands, Germany, Korea and Australia (Leadership, 2017).

**Daniel E. Berce:** He is a Certified Public Accountant and is a graduate of Geis University in Denver. Prior to joining AmeriCredit, Berce was an auditor with Coopers & Lybrand for 14 years and was a partner with the firm (Leadership, 2017). His financial experience gained him the position of chief executive officer, GM Financial. He has held this position since 2010.

**Alicia Boler Davis:** She possess a bachelor’s degree in chemical engineering from Northwestern University, a master’s degree in engineering science from Rensselaer Polytechnic Institute and an MBA from Indiana University (Leadership, 2017). She serves on the board of directors at General Mills, is a member of the Northwestern University McCormick Advisory Council and a board trustee of the Care House of Oakland County (Leadership, 2017). Alicia Boler Davis was named executive vice president, General Motors Global Manufacturing in June, 2016. Her responsibilities include manufacturing engineering and labor relations. She is a member of the GM Senior Leadership Team and the GM Korea Board of Directors. She reports to GM CEO and Chairman Mary Barra (Leadership, 2017).

GM is one of the leading companies in the global automotive industry (GM SWOT, 2017). GM seeks to gain international market share via technological advances and electrification; moreover, it has a history of acquiring pre-existing brands to gain international market share vice pushing current models. Divestitures or discontinuations of brands are not always strategic, but rather a product of it being non-profitable. Unlike Ford, GM has not made a concerted effort to minimize its product offerings. Additionally, GM owns a lending arm, GM Financial, and seeks to fund customer’s vehicle purchases through this mechanism. GM Motors
Financial Company generated pretax profits for GM of $0.8 billion (Strider, 2015). Under Barra’s leadership, GM is focused on strengthening its core business of great cars, trucks and crossovers, while also working to lead the transformation of personal mobility through advanced technologies like connectivity, electrification, autonomous driving and car sharing (Leadership, 2017). Barra has also established a strategic direction based on putting the customer at the center of everything the company does (Leadership, 2017).

GM seeks to further consolidate its global market leadership by increasing its presence in the two largest international auto markets, North America and China (GM SWOT, 2017). In the emerging and growing Chinese market, GM is the largest foreign auto maker by sales (GM SWOT, 2017). The global automotive manufacturing industry is expected to continue to follow a positive growth pattern through the end of 2019. This steady growth opportunity will increase profits and global production volumes for GM. Globalization has had a positive effect on the organization since it provides an avenue for steady growth and opportunity. On the other hand, this growth opportunity is available to other international vehicle manufacturers. The fierce global competition threatens GM’s vehicle pricing and market share. Manufacturers in lower cost countries such as China and India have emerged as competitors in key emerging markets and announced their intention of exporting their products to established markets as a bargain alternative to entry-level automobiles (GM SWOT, 2017). Despite this risk, globalization has had a net positive effect on the company.

Identification of the Industry and the Competitors

General Motors operates in the automotive industry both domestically and internationally. Lewis (2016) states, “American manufactures—particularly GM, the Ford Motor Company, and Chrysler Motors—maintained global dominance from the early twentieth century until the last two

By the 1960s, a growing consumer movement was calling for governmental controls to force manufacturers to produce automobiles that were safer, consumed less energy, and emitted less pollution (Lewis, 2016). In 1965, Congress first mandated emissions standards in the Vehicle Air Pollution and Control Act, which would be modified frequently in subsequent years (Lewis, 2016). Furthermore, Lewis claims:


American manufacturers were blindsided by these macro-economic events. The outcome was financial losses and a decline in the number of the US autoworkers. The increase in automation and foreign involvement in the automobile industry has resulted in a decrease of US auto industry employees. In 1978, 2.4 million Americans were employed in the industry, but by 2007 the number decreased to 860,000 (Lewis, 2016). In order to offset wage costs
and to reduce fixed overhead costs, US automakers shifted production to the southern US. Due to the increased concern over oil dependency and environmental impacts, automotive companies all over the world will continue experimenting in electrification, hybrid cars, and alternative-fuel vehicles (Lewis, 2016).

GM has gained additional market share due to its strong position in the North American and Chinese auto markets. The current share of the market is a strength for GM. Hefty research and development (R&D) activities costing upwards of $8.1 billion continue to help GM distinguish itself amongst competitors (Lewis, 2016). Product improvements and the implementation of technology to all aspects of their vehicles is another strength GM possesses.

Plagued by more than 4 million recalls, GM’s most prominent weakness is its brand image (Lewis, 2016). With the perception that customer safety was of no concern, GM has launched a re-branding campaign in the last few years in an attempt to quell quality concerns. Additionally, GM possesses significant pension obligations. These obligations can negatively affect the company’s balance sheet and should be seen as weakness.

**Analysis of the Industry**

A strategic group is a set of firms emphasizing similar strategic dimensions and using a similar strategy (Hitt, Ireland, & Hoskisson, 2017). Additionally, Hitt, Ireland, and Hoskisson (2017) state that the competition between firms within a strategic group is greater than the competition between a member of a strategic group and companies outside that strategic group. Therefore, intra-strategic group competition is more intense than is inter-strategic group competition (Hitt, Ireland, & Hoskisson, 2017). Some companies within the same strategic group, to include international competition, are Volvo, Daimler, Fiat Chrysler, Ford Motor, Honda Motor, Hyundai Motor, Mazda Motor, Nissan Motor, Renault, Toyota Motor, and
Volkswagen (GM SWOT, 2017). Within the market place, General Motors is located within the automotive industry strategic group.

In the automotive industry, an analysis of how profitable General Motors can be will be conducted using the five forces competition model first established by Michael Porter in 1979. Porter claims that five forces affect the ability of all firms to operate profitably within a given industry. The five forces are: rivalry among competing firms, threat of new competitors entering the industry, threat of substitute products or services, bargaining power of buyers, and bargaining power of suppliers (Porter, 1979). The level of competition within the automotive industry is extensive and fierce. New entrants are challenging the preexisting marketplace and offering, in some class categories, superior substitutes. Rivalry within the industry is increasing due to the flat growth and established mature market. Most manufacturers like General Motors have spent considerable amounts of capital on infrastructure (i.e. – machinery, facilities, etc.) and have to make good on their investments. As such, automotive companies will remain in the industry and continue to compete against one another.

Globally, General Motors suffers from competition with local companies. For example, in China local manufacturers like BYD auto are gaining market share from General Motors by undercutting prices and offering a substitute vehicle and a lower price. Domestically, General Motors is seeing new entrants such as Tesla and Google moving into the marketplace. Tesla is competing directly with the Chevrolet Volt, a General Motors vehicle. Google is seeking to create self-driving cars and revolutionize the automotive industry in a way that Uber has altered the hired-car services industry. Currently, global capacity exceeds demand. In 2015, there was an estimated global excess production capacity of 31 million units (Jurevicius, 2016). Generally, the industry has a low threat of new entrants due to the high barriers to entry.
The direct substitute to personally operated vehicles is public transportation. As fuel prices increase, the desire to save money lingers with the consumer. However, most automotive industry customers associate the convenience of personal transportation to outweigh the costs of the increasing fuel prices. Automotive companies have been placing an increased emphasis on fuel efficient, economical vehicles. Placing an emphasis on the increased miles per gallon should help navigate customers away from public transportation. Public transportation as a substitute exists and should not be dismissed since fuel prices have historically increased.

Buyers typically want to buy a product at the lowest possible price—the point at which the industry earns the lowest acceptable rate of return on its invested capital (Hitt, Ireland, & Hoskisson, 2017). In order for buyers to reduce their costs, they bargain for higher quality, greater levels of service, and lower prices (Bhattacharyya & Nain, 2011). Hitt, Ireland, and Hoskisson (2017) divulge that consumers armed with greater amounts of information about the manufacturer’s costs and the power of the Internet as a shopping and distribution alternative have increased the bargaining power in many industries. This can be seen in the automotive industry with the entrance of companies like TrueCar. As a result, the buying power of a customer in the automotive industry is high.

The bargaining power of suppliers is moderate since the number of suppliers within the automotive industry is large. The increase from low to moderate comes from the fact that the suppliers have a slight power in that the effectiveness of suppliers’ products has created high switching costs for industry firms (Hitt, Ireland, & Hoskisson, 2017). Each vehicle line made by a manufacturer like General Motors requires a specific part from a supplier. Simply switching a supplier will result in schematics miscalculations and errors in the assembly line of those vehicles affected. Due to the excess capacity exhibited within the industry, the automotive
market is poised to slow down. Pugliano (2016) claims that new vehicle sales will slow down or even decline over the next few years due to the oversaturated market. Some notable failures within the U.S. automotive industry are Pontiac, Stutz, Studebaker, and Oldsmobile. Both Pontiac and Oldsmobile were both jettisons from General Motors. Failure to generate profitability and a 2008 restructuring after filing for bankruptcy, led to the demise of these two organizations. Companies such as Ford, General Motors, and Toyota have survived. Toyota is unique when compared to the U.S. based companies in that it possesses a cost leadership advantage. General Motors only survived because the U.S. government bailed them out in 2008-2009. Some critical success factors for the automotive industry include, a positive image to reaffirm safety, a healthy cash flow to weather ebbs and flows, proper government compliance, and the ability to quickly change in response to buyers’ preferences.

**Analysis of the Macro-Environment**

General Motors is affected by numerous forces on a macroeconomic environment. Analyzing the political/legal, economic, social, and technological forces that affect the industry will help one better determine General Motors’ true position within the industry. Currently, government regulation focuses on increasing fuel efficiency for consumers and forcing automobile manufacturers to produce safer automobiles. When gas prices peaked in 2008 at around USD $4 per gallon, consumers placed a strong emphasis on fuel-efficient cars. Car companies were charged to begin manufacturing more economical cars. As the price of gasoline drops, so too does the demand for fuel-efficient cars. The Energy Independent and Security Act was instated to place new requirements on the industry requiring a 40 percent increase in fuel efficiency from the previous fuel economy standards (Foster & Klier, 2009). In 2012, the Corporate Average Fuel Economy (CAFE), a set of nationalized standards for automotive fuel
efficiency, raised its standards to a fuel efficiency goal of 54.5 miles per gallon by 2025. The National Highway Traffic Safety Administration (NHTSA) issues Federal Motor Vehicle Safety Standards (FMVSS) and regulations to which manufacturers of motor vehicles must conform and certify compliance. The political pressures to create fuel efficient cars and the legal pressures to comply with safety concerns affect the industry. It will alter bottom lines and force the industry to move in a particular direction. The auto industry is subject to the economy in which it is operating. Globally speaking, the world economy affects the auto industry as well.

Domestically, the auto industry is a major user of various products such as: computer chips, aluminum, textiles, copper, steel, iron, lead, plastics, vinyl, and rubber. If the auto industry is booming, it is safe to assume that these other industries containing these aforementioned commodities will be too. Two main economic forces affect the industry: taxation and interest rates. Taxation can be taken on in many forms from increased parking fees in a city, or a gasoline tax to prompt fuel-efficiency. The main goal of taxation is to push the consumer to use public transportation. If the government achieves this goal, then the auto industry would be negatively affected as the use of private vehicles would decline. As interest rates increase, the value of money can decrease as well as the consumer’s purchasing power. If the consumer is paying less money for the same vehicle, auto industry income will be negatively affected.

Ultimately, if interest rates rise high enough, then the supply of vehicles will need to be reduced.

Social standing is still associated with the type of vehicle one drives. This tenet holds true worldwide. Woo Jung Kim (2007) states that consumers just feel better when they are driving a nice or new car. As long as this is the case, the auto industry will continue to market and produce vehicles to appeal to social status. Additional social forces that can affect the
industry are population growth rate, age distribution, career attitudes, and emphasis on safety (Essays, 2013).

Two major technological forces that have affected the auto industry are automation and the Internet. Companies such as Google are attempting to create driverless cars. It is thought that majority of automobile accidents are the result of human error. As such, companies are striving to remove that component in order to increase safety. Currently, the cost of a driverless car is not commercially viable, but seeks to be in the near future. Only four states allow driverless cars, so this can be seen as a huge hurdle to overcome as these companies attempt to prove this vehicle concept works. The Internet has revolutionized the purchasing power of the consumer. The consumer now has more knowledge and information to make a more informed decision when purchasing an automobile. As a result, tighter margins have formed for the automobile manufacturers. Companies like TrueCar seek to close the gap between price gouging and fair market value.

One opportunity facing General Motors is the growing demand for hybrid electric and alternative fuel vehicles. Another opportunity is the growing US market for medium-duty work trucks. The reemergence of this market class will help give General Motors the opportunity to regain US market share. Currently, foreign competitors have moved facilities to the US in order to steal market share from US based companies like General Motors. Some threats that General Motors continues to face are the government laws and regulations, fluctuations in foreign currency exchange rates, and intense global competition.

**What is the organization’s measurement and control system?**

As of 2016, General Motors generates a global revenue of USD Mil $166,380. With a
gross margin of 12.8%, operating income of USD Mil $9,545, and net income of USD Mil $9,427, General Motors indicates positive performance with a sound future ahead. With 5.7% in 2016 compared to its -14.3% operating margin in 2008, solvency does not appear to be a concern for this newly revamped organization. With total cash sitting at USD Mil $24,801, General Motors is taking a conservative approach to its working capital. Holding approximately $20-25 USD Billion on hand will ensure investment grade ratings and allow for investments in future technologies. With the global markets appearing to have a greater supply than demand, this indicates a wise, financially sound decision on General Motors behalf. A stock repurchase program can be instated in order to reward shareholders, but being aggressive with too much cash can lead right back to the 2009 crisis. The company received a $49.5 USD Billion bailout in 2009 and has made great strides in paying off its debt. The company aims to release up to 20 electric or hydrogen fuel cell vehicles by 2023. Additionally, they are working on rebranding the company to strengthen retail sales. By 2030, half of its global sales growth will be from emerging markets. General Motors still faces challenges from frequent vehicle recalls, high inventory of passenger cars, and currency fluctuations.

General Motors seeks to return value to its shareholders. In 2017, the company is said to return up to $7 USD Billion to shareholders in the form of dividend and share buyback. General Motors continues to utilize a strategic plan to help it earn its desired margin of 9-10% adjusted earnings before interest and tax (EBIT). In order to achieve this, it will be beef up the GM Financial segment, expand Chevrolet and Cadillac brands globally. By growing its presence in China, it will bolster sales. General Motors is under pressure due to lower U.S. vehicles sales in 2016, weak used car pricing, a challenging pricing environment in the United States and
China, pressure on commodity costs and a high inventory level of passenger cars (Zacks, 2017). From a valuation standpoint, General Motors is on par with the industry.

Some Key Performance Indicators (KPI) are Net Margin, Price to Sales Ratio, dividend yield, and Return on Invested Capital (ROIC). The industry involves 15 firms with an average Net Margin of 6.35%. General Motors operates with a 5.67% Net Margin, slightly below the industry. Additionally, the company has a Price to Sales Ratio of 0.33—the industry operates on average at a 0.46 Price to Sales Ratio. As the competition increases in the auto industry, one can expect General Motors to continue to have a lower Price to Sales Ratio. This will allow it to remain competitive and hopefully hold its market share relative to the competition. General Motors continues to return value to its shareholders. It instated a dividend in 2014 of USD $1.20 (3.44%) and has increased it annually since then. Dividend increases signify financial security and growth for a company. Money given back to the shareholders reveals that the company doesn’t need the additional capital to grow, or pay off debt. An increasing dividend is a positive financial signal from General Motors. Another metric of prosperity is the ROIC. When the ROIC is positive, or higher than the cost of capital, the company can be seen as
returning value back to its shareholders. When it is negative, the opposite is true. Within the automotive industry, the manufacturers tend to have a lower ROIC than the top 100 suppliers.

*Many auto companies haven’t earned back their cost of capital*

![Graph showing ROIC for different categories over years](image)

(Source: Capital IQ; company reports)

(Strategyand.pwc.com, 2017)

In the last few years, General Motors’ ROIC peaked in 2015. Since then, it has reduced to 8.41%. The decline in ROIC may be a result of heavy Research and Development (R&D) costs to fulfill its desire to produce electric and alternative fuel vehicles.

The historical graphs below indicate a decline in performance from 2017 to 2018 (projected). This is a result of the global market saturation. The supply has outweighed the demand and in order to move products, the prices need to be lowered. As a result, overall earnings will decrease until supply matches demand.
Analysis of the Organization (Mission, Vision, Core Values, Operating Guidelines, Core Competencies, Goals)

General Motors’ corporate mission is “to earn customers for life by building brands that inspire passion and loyalty through not only breakthrough technologies but also by serving and improving the communities in which we live and work around the world.” Previously, GM’s mission statement was, "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.”

General Motors has shifted its mission from worrying about stockholder performance to worry about pleasing the customer. This approach will build value for investors through the rewarding, repeat business that results from cultivating a business that satisfies customer’s needs.

General Motors’ vision is to “become the world’s most valued automotive company.”

Previously, GM has had a vision statement along the lines of being the “world leader in transportation products and related services.” The general vision of the company has not changed. The overall view is to be a prominent automotive player in the global market.

The organization operates using a Code of Conduct, winning with integrity, and uses this to set forth a fundamental commitment to conducting business ethically and honestly. General Motors’ core values are customers, relationships, and excellence. Additionally, quality and safety—both customer and workplace—are foundational commitments, never comprised. Since 2003, the company has had an issue acknowledging known safety defects and lying to the consumer. An employee brought up concerns that vehicles needed to be recalled, but was shut down by management. This scandal has led to numerous deaths and placed a black mark on GM in the public’s eye. The organization’s current core values and guidelines are appropriate to help combat this known issue within GM. In order to regain trust, GM will have to operate accordingly. The company appears to be adhering to its current core values and guidelines, but the public should be apprehensive since General Motors has a history of ignoring its employee’s concerns.

General Motors exhibits two core competencies. The first is supply chain management.
The company manages a supply chain of over 18,000 suppliers around the world (General Motors, 2015). In order to create a core competency that would be difficult for its competitors to imitate, the organization instituted a program called Strategic Supplier Engagement (SSE). The program works by using transparency to hold its suppliers to a certain standard. Additionally, it pits each supplier against each other, this drives efficiency amongst the supply chain as each supplier vies for GM’s business. General Motors (2015) states that the transparency around the supplier expectations has not only improved communication, but set the bar higher for competing suppliers.

The second core competency is innovation. General Motors has always been at the forefront of automotive technology. For example, it introduced satellite technology into its vehicles in 1996 through the On-Star service. Currently, it is striving to become a major player in the hybrid vehicle market.

As of 2014, General Motors’ strategic plan outlines numerous goals: lead in product and technology, grow Cadillac, continue growing in China, continue growing GM Financial, and deliver core operating efficiencies. As of 2015, about 27 percent of GM’s global sales volume is expected to come from products new or refreshed within 18 months (GM Outlines Strategic Plan, 2014). In order to forward the technology piece, it intends to execute the world’s largest automotive deployment of 4G LTE high-speed mobile broadband, introduce vehicle-to-vehicle connectivity in the 2017 Cadillac CTS and launch a highly automated driving technology currently called Super Cruise, which allows for extended periods of hands-free driving on highways (GM Outlines Strategic Plan, 2014).

Growing Cadillac is essential as Cadillac is the flagship brand. It is a separate business unit headquartered in New York City and seeks to obtain customers in the luxury market.
Cadillac expect to introduce four new vehicles in North America by 2015 (GM Outlines Strategic Plan, 2014).

Growth in China comes with a $14 billion-dollar price tag. This growth focus will be from 2014 through 2018 to help open five new vehicle-manufacturing plants and support sales of just under 5 million annually (GM Outlines Strategic Plan, 2014).

Additionally, GM seeks to grow its financial lending arm and generate revenue from customers financing through them. Continually improving relationships with its suppliers will help deliver core operating efficiencies.

**Analysis of the Organization – Organization-Level and Business Unit Strategies**

Current strategies reveal that a strong management team needs to drive transformation and growth. Being a technological leader is paramount, so GM will invest in technology to secure a leadership position. The organization has instituted a $5.5 billion-dollar target in cost efficiencies by 2018 (4-year plan_ to fuel sustainable growth. Through disciplined reinvestment, strong investment-grade balance sheet and commitment to returning all excess free cash flow to shareholders, the company will establish a viable capital allocation framework. Finally, a robust downside protection provides support for cyclical business.

The organizational structure is compatible with the organization’s strategies. The company’s mission focuses on integrity and safety. In order to earn customers for life, GM seeks to lead the industry in quality and safety. Additionally, it is striving to improve the customer ownership experience. The lead in technology and innovation, the company is instituting the OnStar 4G LTE and connected car, alternative propulsion, urban mobility (ride and car sharing), active safety features, and autonomous vehicles. Branching Cadillac off as its own company is in line with its overall strategy to grow the flagship brand. Growing Cadillac in the U.S. and
China, Opel and Vauxhall in Europe, and Chevrolet globally will be future goals for GM. The company continues to strive for the target of $5.5 billion-dollars of operation and functional cost efficiencies by 2018.

These strategies are directly in-line with the company’s goals. Connectivity within vehicles enables a customer’s mobility and translates into technologies that people love. General Motors places a strong emphasis on the J.D. Power awards in order to reinforce to customers that it has safety and quality as a primary goal. The company is currently executing a brand reinvention for Cadillac to help target customers with a mindset driven by individualism, risk-taking, and irrepressible drive. This is directly in chorus with the goal to grow Cadillac.

Currently, competitors are attempting to reduce costs across their respective supply chains. The intent is to offer better products at lower prices. U.S. based manufacturers like GM and Ford are at a disadvantage since Toyota, Honda, and Nissan can offer customers products at a cheaper price. Emphasis on high safety ratings is a tenet all global players live by. Establishment as a leader in hybrid technology seems to be a common theme amongst GM and its competitors.

SWOT Analysis reveals:

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Robust Technological Capabilities</td>
<td>• Frequent Product Recalls Distress Brand Image</td>
</tr>
<tr>
<td>Enhances New Product Development</td>
<td>• Underfunded Pension Obligations</td>
</tr>
<tr>
<td>• Strong Positions in North America and China Provides Sustainable Business Growth</td>
<td>• Negatively Impacts Financial Position</td>
</tr>
<tr>
<td>Opportunity</td>
<td>Threat</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------</td>
</tr>
<tr>
<td>• Positive Outlook of Global Automotive Manufacturing</td>
<td>• Stringent Government Laws and Regulations Could Adversely Affect</td>
</tr>
<tr>
<td>• Industry Could Boost Up Revenues and Market Share</td>
<td>Operations, Sales and Revenues</td>
</tr>
<tr>
<td>• Poised to Benefit from the Growing Demand for Hybrid Electric and</td>
<td>• Fluctuations of Foreign Currency</td>
</tr>
<tr>
<td>Alternative Fuel Vehicles</td>
<td>Exchange Rate Could Have a Material Adverse Impact on Operations and</td>
</tr>
<tr>
<td>• Re-Entry in the Growing US Market for Medium-Duty Work Trucks</td>
<td>Financial Condition</td>
</tr>
<tr>
<td>• Intense Competition Could Adversely Impact the Market Share, Sales Volume</td>
<td>• GAP analysis of this second point reveals that the best use of the</td>
</tr>
<tr>
<td>and Margins</td>
<td>organization’s current resources</td>
</tr>
</tbody>
</table>

Utilizing the SWOT information above, one can determine that GM’s strategy should consist of two key points. The first is investing in technology to secure a leadership position. The establishment of a leadership position in connectivity will give it a stronger position within its already dominant markets. Additionally, focused investments made in autonomous, alternative propulsion, and car-sharing will maximize the market opportunity for this auto manufacturer. The second point to GM’s strategy needs to be focus growth efforts in China. The Chinese market is expected to grow at an average of 3-5% over the near-term with industry volume expected to grow from 25.1M in 2015 to 30M+ by 2020 (General Motors, 2016).
would be to focus efforts in the Chinese markets. Additionally, future revenue growth can be seen by capitalizing on the alternative fuels market.

The investment in technology to secure a leadership position strategy has advantages and disadvantages. The advantage for going this direct are that the company furthers their stronghold on the U.S. marketplace. GM is currently the industry leader in 4G LTE connectivity—sold 7x more 4G-equipped vehicles than the rest of the industry combined in 2015. The disadvantage would be the investment in alternative fuel vehicles without a set infrastructure in place. By mainstreaming fuel-efficient vehicles, or electrical vehicles, the oil and gas industry players will begin to push back as their profits dwindle. Currently, an electrical recharging infrastructure does not exist to overtake gas-driven vehicles. Heavily investing in this technology could prove disastrous unless other industries get on board.

With every global investment, a company is subject to currency exchange rates. This additional risk could threaten GM regardless the performance of China and emerging markets abroad. This can be seen as a disadvantage.

Key performance indicators moving forward for General Motors should be to sustain 10% margins in North America, breakeven in Europe, and striving for 9-10% shareholder value return within the next decade (General Motors, 2016). A free cash flow target of $20 Billion will allow money to be returned to the shareholders without impacting future operations. Any investments within the company need to yield a 20+% ROIC (General Motors, 2016).


In order to achieve its goals, General Motors must utilize means both financially and through
human resources to meet organizational goals and objectives. As stated above, using strong margins coupled with high a ROIC on investments, the company can get closer to achieving its financial goals. Allocating capital to healthy and growing segments and markets will help optimize profitability. Removing operations in Europe via exiting Chevrolet Europe will be beneficial as well. A restructuring in Thailand plus discontinued manufacturing in Indonesia, Russia, and Australia will allow GM to cut dying segments and focus more on its money makers. Having approximately $20 Billion in cash with a $14.5 Billion “revolver” to cover any unforeseen events/recessions will allow the company to remain fruitful (General Motors, 2016). The company still has a substantial amount of pension debt on the books. It will need to continue to pay that off in order to become more financially stable.

GM is striving to create customers for life. Not only does the company want to sell automobiles, but it wants to better the communities in which it sells. Through the GM Foundation, the company has been helping communities across the U.S. since 1976. Helping the company’s image is its use of awards such as the ones granted by J.D. Power. This re-branding is in attempts to nullify the poor image given by the company’s numerous recalls and deaths due to negligence. In what the company calls Phase III of Captive Expansion, customer relationship management (CRM) efforts and activities will be enhances to drive the customer experience and loyalty (General Motors, 2016). The company’s functional strategies are well aligned and through well-defined financial objectives, new marketing efforts to rebrand, and a heavy focus on CRM, the company will achieve its goals and objectives.

**Analyze organization’s improvement/change initiatives**

In response to the Valukas Report which brought safety concerns and General Motors’ malpractices to light, CEO, Mary Barra, has decided that Six Sigma needs to be applied to all
aspects of GM—not just engineering operations. The plan moving forward is to implement Six Sigma across the entire organization, infiltrating areas of supply chain management, product development, and of course, recall procedures (Writer, 2017).

General Motors has charged itself with one mission: to design, build and sell the world’s best vehicles (Operational Excellence, 2017). General Motors calls Operational Excellence (OpEx) a cultural shift within GM that empowers and inspires employees to take action and embrace the mindset that, “Everything can be made better” (Operational Excellence, 2017). OpEx utilizes a proven, collaborative, and data-driven approach that confronts employee suggested business issues and implements solutions.

Within the organization, a Corporate Social Responsibility (CSR) strategy has been instated. The CSR strategy aligns stakeholders’ interests in the manufacture, sale and use of GM automobiles. For example, the company must satisfy communities’ interests in the sustainability and minimization of the environmental impact of the business (Ditlev-Simonsen & Wenstop, 2013).

Conclusion and Future of Organization

General Motors has revamped and restructured its organization into a viable long-term growth oriented powerhouse. What was once a dying automobile manufacturer has become a company sitting with more than $20 Billion USD in the bank. The company is paying attention to reduce costs and improve efficiencies to drive future growth. The target of $6.5 Billion USD in cost efficiencies by 2018 should help propel the company in the near term. The research and development of alternative fuel vehicles will assist GM in its future stability. The Chevrolet Bolt EV will help GM maintain a foothold in the electric vehicle market. Focusing on growth in China coupled with bolstering its luxury brand, Cadillac, should provide General Motors with a
lucrative outlook in the long-term. General Motors will survive future recessions based off its lessons learned and new approach to business operations.
References


Jurevicius, O. (2016). Ford SWOT analysis 2016. Available at:

Lewis, Thomas Tandy, Salem Press Encyclopedia, January, 2016


PWC. Retrieved October 10, 2017, from https://www.strategyand.pwc.com/trend/2017-automotive-industry-trends

