



General Motors Corporation

Case One – Internal Analysis

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February 3rd, 2009

BA 497.04

MEMORANDUM

TO: Richard Wagoner, Chief Executive Officer of General Motors Inc.
FROM: Keith Bergh, Justin Lefkovitch, Stephen Scotti & Blair Warner, Consultants
DATE: February 3, 2009
RE: Internal Analysis and Recommendations

BACKGROUND:

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 and employs 266,000 people as of December 2007. In 2008, 8.35 million GM cars and trucks were produced, reaching 140 countries. GM currently controls eight brands as well as strategic joint ventures with other automotive brands worldwide. GM operates under the core competencies of technology, leadership, large scale operations, and product/research development.

CRITICAL ISSUES:

Despite the large scale operations of the company, GM has multiple areas of concern that need to be addressed in order to sustain long term value for both stakeholders and shareholders. GM suffered a net loss of \$38.7 million in FY 2007, in comparison with a net loss of \$2 million in 2005.¹ This loss is the result of poor product quality, lack of consumer appeal, lag in alternative fuel technologies, inefficient plant production, and a saturation of similar car models amongst their brands. Due to these factors, consumer perception has plagued the company's sales, resulting in a steady decrease in market share across all platforms.

RECOMMENDATIONS:

In order to overcome poor quality perception and realities GM must continue to improve upon product reliability and plant oversights. Due to the consistent underperformance of certain brands, there is a need for consolidation and divesture in GM's portfolio. This will allow GM to funnel budget into making existing brands stronger. Furthermore, a strategic joint venture with Apple Inc. would enhance GM's leading telematics system by blending computer and wireless technologies and appealing to a growing market segment. Finally, GM must optimize production by closing inefficient plants and increasing the remaining plants to maximum capacity with the inclusion of LEED environmental processes.

CLOSING:

These recommendations are based on the attached comprehensive analysis of General Motors. Combining the company's core competencies with our internal analysis and strategic recommendations, GM has the opportunity to sustain long-term organic growth.

Attachment

¹ "General Motors Corporation: Company Profile." [DataMonitor](#)



This analysis presents a comprehensive look at General Motors Corporation internal core competencies. Divided into five sections, this internal analysis details GM's current situation and how to position itself for the future. A VRIO chart, core competence chart, core competence strategy, value chain analysis and SWOT analysis combine to create an essential set of strategic recommendations as GM looks toward a competitive horizon.

An adept understanding of the core strengths present in the General Motors was begun with a VRIO framework. Analyzing GM's core resources and capabilities revealed the competencies that fuse the entire organization into a cohesive whole. At the heart of GM is product development and engineering, technology, large scale operations and leadership which are discussed in detail in the core competence map and strategy portions of the analysis. However, these abilities are being endangered by threats and crippling internal weaknesses such as competitive automotive markets and escalating costs that must be competently managed.

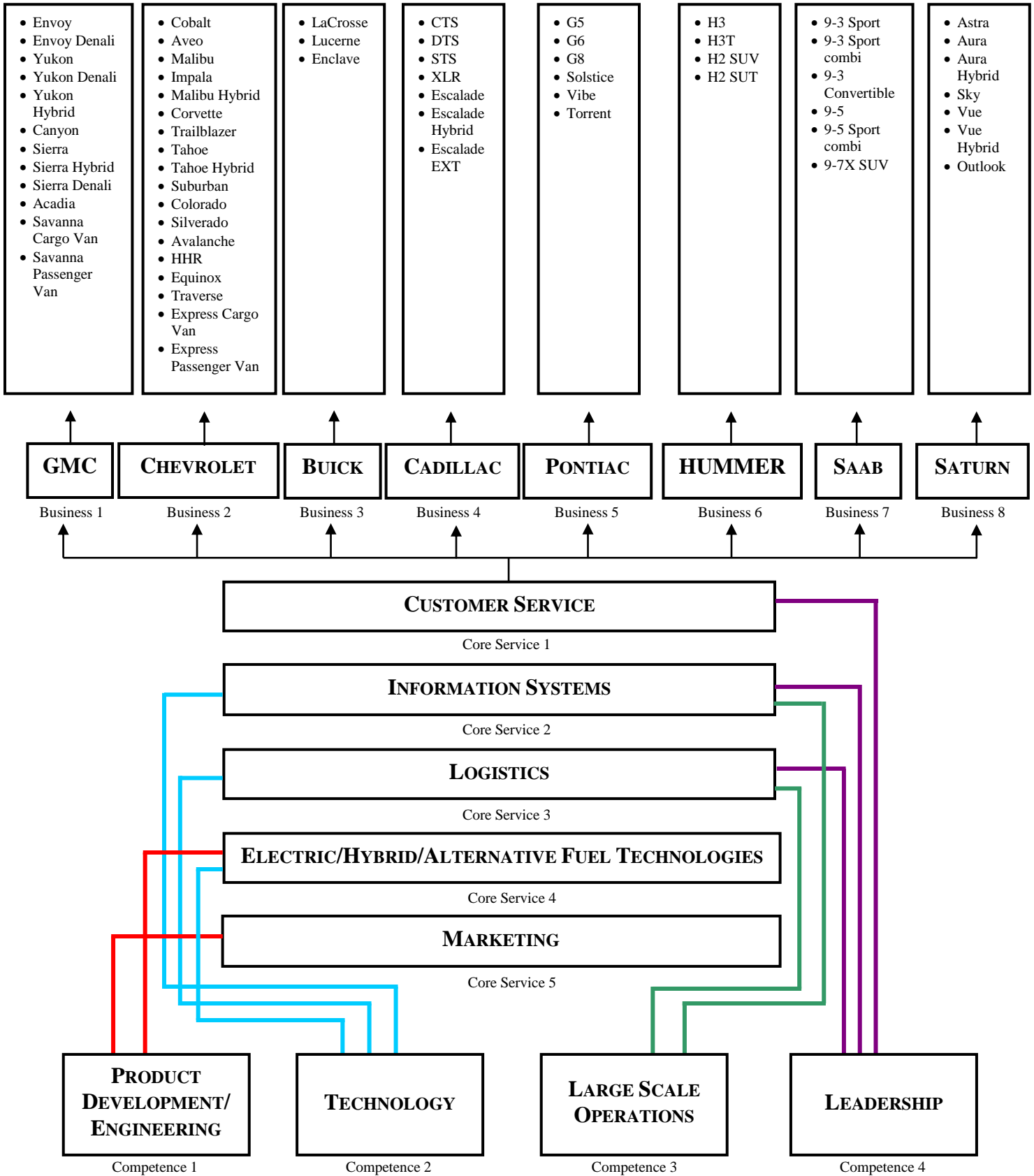
GM must reposition itself as an innovative global competitor in order to survive. The company has been continually plagued with a host of issues including lacking internal cost control and perpetually shortsighted strategies. The company must first and foremost close the gap between the perception of its product reliability and the actual quality and innovation of its vehicles. This involves a sharp, dedicated focus on product excellence throughout the entire organization rather than slow, bureaucratic decision-making. Second, GM must consolidate its brands to strengthen its brand portfolio. It is imperative that the company also initiate competitive joint ventures, particularly with other innovators such as Apple Inc. Finally, GM must maximize its plant capacity, reining in its internal costs and realigning its production and actual demand. Defined concentration on the core competencies that embody the General Motors Corporation while repositioning its strategies will ensure that GM remains a viable contender in the ever-changing auto industry.

VRIO FRAMEWORK



Resource/Capability	Valuable	Rare	Costly to Imitate	Exploited by Organization	Multiple Markets	Core Competence	Economic Performance	Strength/Weakness
<i>Financial</i>								
1 Cash	Y	N	N	N	Y	N	Neutral	Neutral
2 Equity holders	Y	N	N	N	N	N	Lower Costs	Strength
3 Bond holders	Y	N	N	N	N	N	Higher Costs	Weakness
4 Financing (GMAC)	Y	Y	Y	N	Y	N	Higher Prices	Strength
<i>Physical</i>								
1 Marketing/Advertising	Y	N	N	Y	Y	N	Higher Costs	Strength
2 Product R&D	Y	N	Y	Y	Y	Y	Higher Prices	Strength
3 Engineering	Y	N	Y	Y	Y	Y	Higher Prices	Strength
4 Manufacturing Plants	Y	N	N	N	Y	N	Higher Costs	Weakness
5 Product Reliability	Y	N	N	N	Y	N	Higher Costs	Weakness
6 Brand Portfolio	Y	Y	Y	N	Y	N	Higher Costs	Weakness
7 Domestic Market Share	Y	N	Y	N	N	N	Higher Costs	Strength
8 International Market Share	Y	N	N	Y	Y	N	Neutral	Strength
9 Large Scale Operations	Y	Y	Y	Y	Y	Y	Lower Costs	Strength
10 Strategic Alliances	Y	N	Y	N	Y	N	Higher Costs	Strength
11 Customer Service	Y	N	N	Y	Y	N	Higher Costs	Strength
12 Product Resale Value	Y	N	Y	N	Y	N	Lower Price	Weakness
<i>Human</i>								
1 Leadership	Y	Y	Y	Y	Y	Y	Higher Costs	Strength
<i>Organizational</i>								
1 Supplier Relations	Y	N	N	Y	Y	N	Lower Costs	Weakness
2 Dealer Relations	Y	N	N	Y	Y	N	Higher Prices	Weakness
3 Union Workforce	Y	N	Y	N	Y	N	Higher Cost	Weakness
4 Employee Benefits	Y	N	Y	N	N	N	Higher Cost	Weakness
5 Environmental Strategy	Y	N	N	Y	Y	N	Neutral	Strength
<i>Technological</i>								
1 Information Technology	Y	N	N	Y	Y	N	Lower Cost	Strength
2 Logistics	Y	N	N	Y	Y	N	Lower Cost	Strength
<i>Intangible</i>								
1 Brand Name	Y	Y	Y	N	Y	N	Neutral	Weakness
2 Corporate Values	Y	N	N	Y	Y	N	Neutral	Strength
3 Patents	Y	N	Y	N	N	N	Higher Prices	Strength

CORE COMPETENCE MAP





LEADERSHIP

- [+] CEO Rick Wagoner continues to oversee a massive restructuring of GM to a centralized structure and is striving to lead toward fully implementing the four-step strategy introduced in 2005. (*GM Case p.14*)
[-] Wagoner is coming under fire from Congress as pressure for new leadership of GM grows amid the bailout, but Wagoner remains highly supported by suppliers, dealers and GM employees.
- [+] GM Vice Chairman Bob Lutz is employing visionary design and technology leadership in making GM beat out its competitors to be the first come out with a fully electric vehicle, the Chevy Volt, by 2010. (*"The Man Who Revived the Electric Car."*)

TECHNOLOGY

- [+] Pioneering advances in telematics systems—as of 2008 OnStar was a standard feature in every GM vehicle, making it the only car company to offer this technology across all brands and models. (*"Demand innovation: GM's OnStar case."*)
- [N/+] Advanced propulsion technology that GM pioneers is helping GM offer 17 vehicles with 30 MPG or better, more vehicles than competitors. (*Datamonitor Report: General Motors Corporation p.42*)
- [+] Leading competition in new lithium ion battery technology for new electric vehicle.
- [+] Continued development of own electronic controls and software, including own powertrain controller technology and body control that beats out most competitors. (*"Electronic Controls and Software Core Competence at GM."*)

HUMAN RESOURCE DEVELOPMENT

- [-] Average cost of healthcare per vehicle exceeding \$1,500 in U.S.—three times the level of Japanese companies. (*General Motors Case p.12*)
- [+] "GoFast" GM Human Resources campaign seeing success in cutting bureaucracy/problem-solving on the spot—after implementing 7,000 GoFast workshops, savings of \$500+ million. (*"GM Goes Fast."*)
- [+] GM wins Workforce Management Optimus Award for general excellence in 2004 through campaign to turn managers into strategic partners. (*"GM Goes Fast."*)
- [+] Centralization across GM allowing talent in organization to rise to the top—180% increase in the number of women in the top 450 positions. (*"GM Goes Fast."*)
- [+] Centralization toward globally standard training programs.

INFORMATION SYSTEMS

- [+] Creation of complementary web-based channel called GM BuyPower allowing customers to search for vehicles and simultaneously provide GM/dealers with vital customer information. (*"GM: Building a Digital Loyalty Network" p.9-10*)
- [+] "Big Three" launch of Covisint in '00 creates world's largest Internet-based virtual marketplace; B2B exchange connecting GM with thousands of suppliers. (*"GM: Building a Digital Loyalty Network" p.12-3*)
- [+] Complete revamp of its global manufacturing information technology infrastructure finished in 2008.

LOGISTICS

- [+] Have integrated into one globally based sourcing process from 27 different purchasing organizations in 1992. (*GM Case p.5*)
- [+] Highest industry-wide annual productivity improvement over past six years. (*GM Case p.6*)
- [+] Alliance formed with logistics company in 2000 to create Vector SCM, centralized company to manage entire GM logistics network and is optimizing the supply chain. (*"GM: Building a Digital Loyalty Network" p.14-15*)
- [+] BTO/BTS model successful in increasing distribution channel efficiency—successful BTO reduces \$3,600 of supply chain cost per vehicle. (*"GM: Building a Digital Loyalty Network" p.11*)
- [+] Centralization of US distribution of Buick, Pontiac and GMC into one channel allows for brand optimization and less overlap.
- [+] 2005 launch of Retail Inventory Management (RIM) system to dealers is web-based and connects centralized inventory management system with customer service. (*"Inventory Management Evolves at Dealerships"*)

PRODUCT DEVELOPMENT

- [+] Successful engineering overhaul from decentralized structure with 11 different engineering centers in US alone to one globally integrated product development organization. (*GM Case p.5*)
- [+] Continued development of OnStar—pioneering two new technologies in 2009 including a pilot program with Mapquest and the OnStar Stolen Vehicle Slowdown Service, while GM develops/adapts OnStar to be launched in China in 2009. (*"Challenges travel with OnStar to China"*)
- [+] Beginning of 2002, creation of one standardized computer-aided design system vs. more than 20. (*"GM: Building a Digital Loyalty Network" p.15*)
- [+] Creation of new engineering organization for development of electric vehicle, battery, and hybrid technologies. (2007 10-K Report, p.13)

MARKETING/BRAND PORTFOLIO

- [+] GM is repositioning some of its key brands, including dropping the base 2006 Chevy Malibu price to \$2,600 below the 2005 Toyota Camry. (*GM Case p.15*)
- [+] Prices of 30 of GM's 76 models are being repositioned (*GM Case p.15*)
- [+] 2009 marketing strategy focus is on the four core brands that represent 83% of GM sales—Chevrolet, Cadillac, Buick, GMC. (*"GM Plays Brand Favorites"*)
- [+] In first 9 months of 2008, spent \$484 million on namesake brand to Toyota's \$386 million—spent \$170 million on Chevrolet alone, and sales jumped 50%. (*"GM Plays Brand Favorites"*)
- [-] GM's weaker brands getting less attention/cash than competitors', with Pontiac Vibe receiving \$7 million for marketing in 2008—this is one-tenth of what is spent on the comparable Toyota Matrix. (*"GM Plays Brand Favorites"*)

DEALER SUPPORT AND CUSTOMER SERVICE

- [+] 2006 campaign to increase dealer customer service satisfaction.
- [+] GM receives 2 of top 3 spots in J.D. Power survey about customer satisfaction in relation to dealership work in 2008, with all 8 brands above industry average. (*"Customers Are Happier with Dealerships' Service Work"*)



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CORE
COMPETENCE

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EXTENSION	RECOMBINATION
<ol style="list-style-type: none"> Product Reliability: From minimizing recalls and reliability issues, more quality check points in the production line, and expansion of the “Go Fast” internal campaign, demonstrate these attributes in marketing campaign to increase consumer perception Resale Value Perception: Create certified pre-owned vehicle inspection process to increase resale value and perception Consolidation of Brands: Sell off weaker brands, which will provide capital to improve the R&D and marketing of their profitable brands Core Values: Establish internal corporate competency PR campaign to convey corporate values, resulting in a more personable community and better employee awareness, similar to the efforts of Southwest Airlines 	<ol style="list-style-type: none"> Strategic Alliances: Develop relationship with Apple Inc. to enhance current telematics, which would provide additional services to customers; for example, a partnership with Apple would benefit navigation with Google maps and On-Star system with Safari search engine capabilities Cost Efficiency: Consolidate novelty accessories for a low-cost vehicle focusing on efficiency and targeted towards an emerging middle-class Asian market Market Research: Larger emphasis on understanding consumer trends and preferences, leading to the modeling of appealing concept vehicles (so that no future Pontiac Azteks result); will be followed by additional large-scale consumer feedback and input resulting in profitable new models
EFFICIENCY	MARKET DEVELOPMENT
<ol style="list-style-type: none"> Product & Research Development: Continual improvement for vehicles containing hybrid, alternative fuel cell and battery technology, as well as maintain focus on gas efficiency; expand on competitive advantage with telematics Technology: Improvement of the existing digital loyalty network in order to reduce logistics costs and increase supply and demand chain efficiency; reduce manufacturing plants in order to operate closer to plant capacity Leadership: Utilizing Bob Lutz’s skills to pioneer new desirable vehicles; Richard Wagoner working for a dollar and taking over for GMNA to improve product quality; need for better strategic decisions from existing leadership and board of directors Large Scale Operations: Leverage GM operations to maintain growing presence in emerging markets and strengthen worldwide market position 	<ol style="list-style-type: none"> Electronic Controls & Software: Expand On-Star system into China and other emerging markets; maximize control software and other comprehensive vehicle services to consumers Product R&D and Engineering: Increase the quantity of low cost, fuel efficient vehicles in order to appeal to domestic and overseas emerging markets Information Systems: Increase global market share through worldwide product manufacturing and centralized logistics Brand Status: Improving international brand status and positioning through effective international marketing campaigns, similar to Buick in Asia Pacific

EXISTING

NEW

MARKET



STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Large scale company operations, including over 21,000 GM dealerships worldwide [H]² • Growing business, specifically in Asia Pacific & Latin America regions [H] • Quality/cost improvement through outsourcing – in 2006, about 25% of parts used in vehicles assembled in US came from overseas [H]³ • Association with Cerberus [H]⁴ • Value pricing policy eliminating frequent incentive program [H] • Radical product development organization - \$8.1B spent in 2007 for research, manufacturing engineering, product engineering, design and development activities [H]⁵ • Highest annual productivity improvement among all automakers from 1999-2004 [H] • OnStar communications (automotive industry’s leading telematics provider) and electronic stability control [M]⁶ • New leadership [M] • New strategy culture [M] • New finance opportunities [M] • Raise in GMAC credit rating [M] • China partnerships and joint ventures [M] • One globally based sourcing process – operating under one budget and one decision-making group [M]⁷ • Single U.S. engineering organization [M] • Strategic alliance which have included Fiat, Daewoo, SAIC, Suzuki, Isuzu, Saab, and AvtoVaz, leading to educated global entrances and reach [M] • Voluntary environmental policy [L] • Highest market share in volume terms for US market [L] 	<ul style="list-style-type: none"> • Negative publication and press [H] • Decreasing market share, with sales down more than 23% from 2007 [H]⁸ • Pension debt (shortfall of \$19B in 2005) [H] • Resale value due to fleets, rental companies and government or corporation usage [H] • Incentive program depressed perceived value [H] • Increasing health care cost that reached 5.6B in 2005; Over \$77B in unfunded obligations for healthcare benefits for retirees [H]⁹ • Poor relationship with UAW [H] • Ageing workforce [H] • Declining financial performance [H] • Numerous product recalls – 275,936 vehicles recalled for fluid leakage in March 2007 [H]¹⁰ • Excess quantity of GM dealerships, resulting in at least 1,700, or a fourth, of dealers by 2012 [M]¹¹ • Saturn strategy failure which lost as much as \$15B [M] • Quality problems with foreign production [M] • Parts of supply chain bankruptcy due to price concessions [M] • Poor MPG rating and emissions leading to costly difficulty in meeting CAFÉ standards [M] • Pricing strategy [M] • Drastic downsizing [M] • Vertical integration [M] • Bureaucratic culture [M] • Resent financial operating loss [M] • Abuse of government help [L]

[H] = High Importance [M] = Medium Importance [L] = Low Importance

² General Motors 10-K (4)

³ White, Joseph B. "Eyes on the Road: What Really Makes an American Car?"

⁴ Stowell, David P. "CASE - GM and Cerberus: Unusual Partners."

⁵ General Motors 10-K (5)

⁶ General Motors 10-K (6)

⁷ General Motors 10-K (7)

⁸ Langlois, Shawn. "Automakers end year with big sales drops in December."

⁹ "CASE - General Motors: Acting Strategically?" (2)

¹⁰ "General Motors Corporation: Company Profile." [DataMonitor](#) (34)

¹¹ Gibson, Richard. "Auto Dealerships Prepare for a Major Shakeout."



OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Increasing demand for electric/hybrid/hydrogen celled vehicles – estimated reach of 4.5M units in 2013[H]¹² • Increasing technological gain over competition [H] • Efficiency on GMNA chains [H] • Utilization of global design and engineering talents will result in shorter lifecycles, lower costs, and higher quality [H] • Individual brand positioning to distinguish eight unique brands [H] • Opportunities in emerging markets/global expansion [H] • Strategic alliances to integrate additional technology with On-Star system, such as Apple or Google [H] • Building consumer confidence and brand reputation [H] • Favorable \$2.9B in foreign currency translation [M]¹³ • New model types and styles – incurring a capital expenditure of \$7.5B in 2007 [M]¹⁴ • Knowledge gained from Saturn [M]¹⁵ • GMNA market increase - 63.7% of GM total revenue [M]¹⁶ • Continual manufacturing in lower health care and pensioned-countries [M] • Target first time buyers with a high quality certified pre-owned GM to leave positive brand perception [M] • Continual saturation in Thailand and India which have shown improved earnings – Forecasted to increase from 1.3M units to 2.5M units in India [L]¹⁷ • Government bailout plans [L] • Toyota joint venture [L] 	<ul style="list-style-type: none"> • Rising raw material (increase of 1.8% over 2007) and transportation costs [H]¹⁸ • Declining demand for light vehicles [H] • Growing pension debt and decreasing support from the UAW [H] • Declining infrastructure of USA economy [H] • Growth in currency valuation vs. US dollar relating to high export costs [H] • Foreign firms manufacturing in US and Canada [H]¹⁹ • Younger employee base of foreign manufacturers creating lower pension and health care costs [H] • Competitors (primarily Toyota & Honda) have a higher level of perceived value with a solid reputation for better product quality [H]²⁰ • Increased domestic and foreign competition, such as Tesla, Aptera and Aixam [H] • Toyota closing the gap in GM’s market share in BRIC countries [H]²¹ • Consumer lawsuits [M] • (Japan) ELV directive which makes manufacturers responsible for end of life vehicles, adversely affecting margins [M]²² • Chinese lack of intellectual property rights from government and competitors [M] • Declining value of foreign currencies currently (such as the Japanese yen) [M] • Possible GMAC and Cerberus misunderstandings [M] • Elimination of fleets due to raised environmental requirements [M] • Federal legislation and regulations, including the stringent emission standards, like the California Zero Emission Vehicle Regulation [M] • Chinese regulations [L] • Risk of domestic partner creating alternative production facilities competing against joint venture [L]

[H] = High Importance [M] = Medium Importance [L] = Low Importance

¹² General Motors Corporation: Company Profile." [DataMonitor](#) (35)

¹³ "General Motors Corporation: Company Profile." [DataMonitor](#) (30)

¹⁴ "General Motors Corporation: Company Profile." [DataMonitor](#) (36)

¹⁵ "CASE - General Motors: Acting Strategically?" (8)

¹⁶ "General Motors Corporation: Company Profile." [DataMonitor](#) (30)

¹⁷ "General Motors Corporation: Company Profile." [DataMonitor](#) (35)

¹⁸ "General Motors Corporation: Company Profile." [DataMonitor](#) (37)

¹⁹ "CASE - General Motors: Acting Strategically?" (2)

²⁰ "CASE - General Motors: Acting Strategically?" (4)

²¹ Greimel, Hans. "GM vs. Toyota: Who will rule the next century?" (1)

²² "General Motors Corporation: Company Profile." [DataMonitor](#) (37)



From analyzing the internal structure of General Motors through case studies, notable journal articles and company data, there are several points of interest that must be addressed for long-term stability and growth.

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.²³ About half of GM's models are below average in reliability.²⁴ We recommend that GM continues to expand on its successful "Go Fast" internal campaign, which has eliminated the slow, bureaucratic processes which were uncovered as a fundamental weakness in our SWOT analysis. The GoFast program is a single meeting designed to fix a problem on the spot in order to eliminate future meetings addressing the same issue. As of March 2004, savings of over \$500 million have resulted from the implementation of GoFast.²⁵ 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 2005.²⁶ 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.

Residual value is a primary factor consumers consider when buying or leasing a car, and American cars have not been ranked in the top ten for Kelly Blue Book resale value in many years.²⁷ GM has posted lower resale values over the years because it tends to overbuild vehicles to gain market share. In doing this, it pays less attention to building high quality small vehicles,

²³ General Motors Corporation: Company Profile." DataMonitor (34)

²⁴ "Report Card for Detroit." Consumer Reports (14)

²⁵ Shuit, Douglas P. "GM Goes Fast." (1)

²⁶ "Whistleblower: Toyota-GM Plant Hid Defects." MSNBC (1)

²⁷ Langlois, Shawn. "Automakers end year with big sales drops in December." (1)



as opposed to inefficient SUVs. Additionally, in the 2007 Consumer Reports publication only one GM vehicle received a “most reliable” rating out of 39 of the company’s cars. Furthermore, the two lowest rated reliable cars were GM vehicles.²⁸ As demands for the cars decreased, GM sold many of its lines to rental fleets, which further undermined the vehicles’ resale value. GM has continued to release high discounts, which further tarnished customer perception and damaged resale value.²⁹ With Japanese automakers the leaders in reliability ratings, GM should imitate the strengths of these Japanese companies to create competitive parity and an eventual competitive advantage. According to Consumer Report tests, “fuel-efficient vehicles are a very reliable segment of the automotive market overall”.³⁰ Hybrid and high MPG models including the Honda Fit, Scion xD, Smart ForTwo and Toyota Yaris earned above average predicted reliability ratings.³¹ GM should aim to develop more fuel-efficient vehicles, which will increase consumer perception of its product reliability. We recommend that GM combat weak consumer perception through implementation of a public relations and advertising campaign—the company must demonstrate that the problems of the past have been fixed and that GM has improved in reliability within consumer reports.³²

General Motors should also consider consolidating its brand portfolio. Looking strictly at the numbers, Saab and Buick have the lowest revenues and would be the easiest to extinguish. According to 2008 sales, Buick dropped in market share between 2000 and 2008 from 2.3% to 1.0%, while Saab has stayed at a constant 0.2% market share.³³ Additionally, GM has been executing damage control on the Pontiac brand while it still conducts business but struggles to maintain its customers. While we do agree with GM’s decision to promptly sell the HUMMER

²⁸ Valdes-Dapena, Peter. "Toyota Skids in Reliability Rankings." CNN Money (2)

²⁹ Spector, Mike. "U.S. Car Makers Fails to Improve Resale Values." (1)

³⁰ "Gas-Saving Models Lead in Reliability." Consumer Reports (2)

³¹ "Gas-Saving Models Lead in Reliability." Consumer Reports (2)

³² "Gas-Saving Models Lead in Reliability." Consumer Reports (2)

³³ Moore, Heidi N. "General Motors: Which Brands Should it Sell?" (1)



brand, these other brands also need to be dropped. By cutting three or four brands, GM would not only raise desperately needed money but also funnel budget into making existing brands stronger rather than pouring money into failing models.³⁴

In looking to gain market share and build a stronger brand image, a competitive joint venture with industry leader Apple Inc. would be a successful tactic for the company. With a leading telematics system already in place, a strategic alliance with Apple would jointly increase both telematics innovation and consumer perception of GM products. GM could model its Apple joint venture along the same line as Ford's partnership with Microsoft, which resulted in the creation of Sync. Similarly, Toyota has announced that it will be offering an "in-car information and entertainment system" in its Lexus and Toyota brands in August 2009.³⁵ Partnering with Apple would result in pioneering technologies such as interactive applications that can be customized by vehicle owners, real-time weather, traffic and sports reports, and updates that can be instantaneously downloaded through the system. Additionally, a partnership with Apple would enhance the OnStar system with Safari search engine capabilities. GM's partnership with Apple would appeal to a younger, more technologically advanced demographic. Blending computer and wireless communication technologies has become a strategy for automakers attempting to appeal to younger car buyers.³⁶ Apple is ranked the highest in customer loyalty and branding by two recent independent surveys,³⁷ which would spark the interest of dedicated Apple users. With Apple's innovative skills at their fingertips, GM has the capacity to remain at the forefront of the telematics field while revitalizing its declining North American market share.

³⁴ Welch, David. "GM Plays Brand Favorites."

³⁵ Bennett, Jeff. "Home & Family: Ford's Sync Adds Interactive Features."

³⁶ Bennett, Jeff. "Home & Family: Ford's Sync Adds Interactive Features."

³⁷ Klowlowden, Tanya. "Apple Shines at Customer Loyalty and Branding."



One of GM's crippling weaknesses is its plant inefficiency. As of 2005, GM plants have been running at 85% of capacity³⁸ and the company plans to further cut production in Q1 2009 by 250,000 units, or 30% of total capacity.³⁹ Based on these statistics, it is apparent that GM is operating with too many plants that are not reaching their manufacturing potential. Therefore, we recommend permanently closing some of its plants and transferring the workforce to the remaining open plants to optimize production capabilities. GM should sell or lease the closed plants to offset related fixed costs of the closures. We additionally recommend that GM convert as many plants as possible to "green" manufacturing plants that meet the LEED qualifications of environmentally friendly buildings, following the lead of its own manufacturing plant in Lansing, Michigan. According to an article from Automotive News, this plant is "the world's only auto plant to get Gold certification from the U.S. Green Building Council's LEED system."⁴⁰ This facility allows for optimal production efficiency at reduced costs, related to lower emissions and energy conservation techniques. While the costs associated with converting these plants will be relatively high at first, GM will achieve cost savings in the long run by only having lights where there are workers present, turning off lights during breaks and robot-operated stations, collecting rainwater for use in restrooms, and utilizing recycled and refurbished furniture.⁴¹

It is critical that GM successfully implements the above recommendations in order to improve its current industry position. By focusing on improving product reliability as well as vehicle resale value, consolidating its brand portfolio, forming a strategic partnership with Apple Inc, and increasing efficiency of its manufacturing plants, GM can align itself for global sustainable growth.

³⁸ "GM Slashing 30,000 jobs, closing plants." [MSNBC](#) (1)

³⁹ Hardigree, Matt. "GM Cutting Q1 production by 250,000 Units, 30% of capacity."

⁴⁰ Grossman, Andrew. "GM Factory a Model of Sustainable Manufacturing."

⁴¹ Grossman, Andrew. "GM Factory a Model of Sustainable Manufacturing."



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Exhibit



Name: G. Richard Wagoner, Jr.

Title: Chairman & Chief Executive Officer

Rick Wagoner was elected GM chairman and chief executive officer on May 1, 2003. He had been president and chief executive officer since June 2000. Wagoner was elected president and chief operating officer in 1998 and had been executive vice president of GM and president of North American Operations since 1994. He served as executive vice president and chief financial officer from 1992 to 1994 and had responsibility for worldwide purchasing from 1993 to 1994. Wagoner began his GM career as an analyst in the Treasurer's Office in New York in 1977.

Name: Frederick (Fritz) A. Henderson

Title: GM President & Chief Operating Officer

Henderson became GM president and chief operating officer on March 3, 2008. He had been vice chairman and chief financial officer since January 1, 2006. Reporting to Henderson in his current position are GM's four regional presidents, as well as the global leaders for powertrain, quality, manufacturing and labor relations, and purchasing and supply chain. Henderson is a member of GM's Automotive Strategy Board and Automotive Product Board.

Name: Robert A. Lutz

Title: GM Vice Chairman, Global Product Development

Lutz was named General Motors vice chairman of product development on September 1, 2001. On November 13, 2001, he was named chairman of GM North America and served in that capacity until April 4, 2005, when he assumed responsibility for Global Product Development. He also served as president of GM Europe on an interim basis from March to June 2004.



Name: Ray G. Young

Title: Executive Vice President, Chief Financial Officer

Young became GM executive vice president and chief financial officer on March 3, 2008. He reports to GM Chairman and Chief Executive Officer Rick Wagoner and is a member of the Automotive Strategy Board. Young was previously GM vice president, finance, since 2007.

Young has spent time advising and mentoring the GM Chinese Affinity Group.

Name: Thomas G. Stephens

Title: Executive Vice President, Global Powertrain & Global Quality

Stephens became GM executive vice president, March 3, 2008. He is responsible for GM Global Powertrain, an organization with 48,700 employees working at more than 80 manufacturing plants and engineering centers in 17 countries and producing about 37,000 engines and 33,000 transmissions daily. He is also responsible for GM Global Quality. Stephens chairs GM's Energy and Environmental Strategy Board and serves on GM's Automotive Strategy Board, Automotive Product Board, and Global Product Development Council.

Name: Bo I. Andersson

Title: Group Vice President, Global Purchasing & Supply Chain

Andersson was promoted to GM group vice president of global purchasing and supply chain on April 1, 2007. Prior to this assignment, Andersson was vice president of global purchasing and supply chain from 2001-2007. He oversees GM's global purchasing, supplier quality, logistics, order fulfillment, and supply operations. Bo is a member of GM's Automotive Strategy Board, Automotive Product Board, and North America Strategy Board.



Name: Troy A. Clarke

Title: Group Vice President & President, GM North America

Troy A. Clarke has been president of GM North America and GM group vice president since July 1, 2006. Previously, he served as President of GM Asia Pacific and GM group Vice President from 2004.

Name: Gary L. Cowger

Title: Group Vice President, Global Manufacturing & Labor Relations

Gary Cowger is responsible for directing all of GM's manufacturing and labor relations activities worldwide. Prior to his current position, Cowger served as president of General Motors North America. Cowger is a board member of Saturn Corporation and OnStar.

Name: Carl-Peter Forster

Title: Group Vice President & President, GM Europe

Forster has been GM vice president and president of GM Europe, based in Zurich, Switzerland, since June 2004. Effective January 1, 2006, he was appointed GM group vice president and a member of the GM Automotive Strategy Board and took over the role as the senior-ranking executive for GM's activities in Europe.

Name: Maureen Kempston Darkes

Title: Group Vice President & President, GM Latin America, Africa and Middle East

Maureen Kempston Darkes was appointed GM group vice president and president, GM Latin America, Africa and Middle East (LAAM) and a member of the General Motors Automotive Strategy Board, effective January 1, 2002.



Name: David N. Reilly

Title: Group Vice President & President, GM Asia Pacific

Nick Reilly has served as president of GM Asia Pacific and GM group vice president since July 1, 2006. Based in Shanghai, China, he is also chairman of both the GM Daewoo Auto and Technology Company (GMDAT) and Shanghai GM (SGM).

Name: Robert S. Osborne

Title: Group Vice President & General Counsel

Osborne has been group vice president and general counsel of General Motors since September, 2006, with primary responsibility for GM's Legal Staff, the Office of Export Compliance, and the Office of the Secretary. He is a member of GM's Automotive Strategy Board.

Name: James E. Queen

Title: Group Vice President, Global Engineering

Queen was named GM group vice president of global engineering on April 1, 2007. Queen continues to lead GM's vehicle engineering operations worldwide.

Name: Ralph J. Szygenda

Title: Group Vice President & Chief Information Officer

Szygenda was named GM group vice president and chief information officer effective January 7, 2000. He is a member of the GM's Automotive Strategy Board, and is responsible for the Information Systems & Services organization. Accountable for the management of all information technology efforts within General Motors, he is directly responsible for developing and implementing GM's global digital business strategy.

All of the Senior Leadership details were taken directly from GM's Corporate Governance Page: http://www.gm.com/corporate/investor_information/corp_gov/officers.jsp#



APPENDIX

3rd Party Source Documents