GENERAL MANAGEMENT

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Short Description

GENERAL MANAGEMENT case study

Description
Case: 2

On June 1,2009, the once-powerful General Motors (GM) with a distinguished history, applied for protection from its creditors by declaring bankruptcy. Up to 2008, GM was the largest car company in the world.

Under the leadership of Alfred Sloan, the long-time president (1923) and chairman (1937), General Motors established the concept of the modern organization with brand names such as Chevrolet, Pontiac, Oldsmobile, Buick, and Cadillac with a price structure ranging from the lowest to the highest. While Ford Motor Company focused on low-priced, mass- produced cars (Model T), GM produced cars for ‘’every purse and purpose’’ according to the needs of its diverse customers.

Problems began during the oil crisis in the early 1970s GM did not respond well to the customers’ demand for fuel-efficient cars which Japanese and German car makers offered. Rather than responding to the environmental changes, GM focused on producing profitable pickups and fuel-inefficient SUVs.

GM, called by some as ‘’Generous Motors’’ agreed to generously pay the benefit packages demanded by the United Auto Workers (UAW), a powerful union. The high health and pension costs eventually added about $1,400 to the cost of their cars. In contrast, Japanese car makers in America were not burdened by similar costs which, in turn, allowed them to price their cars competitively. In addition, foreign auto firms had a reputation for producing reliable cars. Young people were especially attracted by the car offerings of Toyota, Honda, Mercedes, and BMW cars. Many of those cars were produced outside the Detroit car capital at lower costs.

This downward slide resulted in the 2009 bankruptcy with the U.S. government owning 60.8% in stock of the company, the Canadian government receiving 11.7%, the UAW trust 17.5% and bondholders 10%. With the high percentage of government ownership, some now call GM ‘’Government Motors.’’ After the government bailout of dollars, the influence of the government has been clearly felt with the former CEO, Rick Wagoner, being ousted and being replaced by Fritz Henderson.

With the GM fall, will it mean the demise of GM and the car industry, in general? Certainly most car companies suffered greatly in 2009. GM may have to close some 14 factories and 2,400 dealers. This may also mean a loss of 29,000 hourly and white-collar jobs, but with the world, wide recession receding, the demand for cars, especially in emerging countries, will increase. GM does quite well in China and in Brazil. It is expected that the GM market share will stabilize and the US government pressure will push the company to produce more fuel-efficient cars.

Questions:

1: What should GM do after the bankruptcy?

2: What are the governmental demands by the 0bama administration?

3: If GM can produce a competitively priced car (less in price than comparable

cars), would you buy one? Why or why not?

Details
1. Case study solved answers

2. pdf/word

3. Fully Solved with answers