

ASSESSMENT 1 ENVIRONMENTAL ANALYSIS OF GENERAL MOTORS
WITHIN THE AUTOMOBILE INDUSTRY

Course Title: The Global Business Environment
Course Code: LCCB4005
Date: 29th of December 2021
Word count: 2060

Table of Contents

Introduction	3
Overview of the General Motors Company	3
SWOT assessment incorporated Value Chain analysis	4
<i>Challenges in GM'S Strengths</i>	4
<i>Challenges in General Motor's Opportunities</i>	5
<i>Challenges resulting from the company's weaknesses</i>	5
<i>Challenges resulting from Threats to GM</i>	6
PESTEL Assessment Incorporating Porter's Five Forces	7
<i>Political and Legal Challenges Affecting GM's Performance</i>	7
<i>Economic Environmental Challenges</i>	8
<i>Social and Cultural Challenges causing factors</i>	8
<i>Challenges concerning Sustainability Value Practices</i>	9
Conclusion	10
Reference List	11

Introduction

The automobile industry is an everchanging and ever-growing competitive global entity. Internal and external market forces influence a company's performance operating in the automotive industry. Understanding the internal and external influencing forces is crucial to a business' effective functioning and operation. The following evaluation identifies and analyses General Motors' global process regarding its internal and external business environment. The assessment will determine the global challenges facing the automotive industry by conducting a SWOT and PESTEL analysis on the company's global performance and operations. The evaluation processes will also utilise pertinent conceptual frameworks such as value chain, Porter's five forces and the company's competitive advantages influenced by the company's sustainability-related core values to conduct the analysis mentioned above. Indeed, General Motors' operations are affected by numerous internal and external environmental forces that have an incredible effect on the company's financial performance.

Overview of the General Motors Company

General Motors is one of the largest corporations in the United States in terms of total financial revenue. It was initially created to manufacture a single motor vehicle brand, Buick Automobiles. However, in 1910 the founder initiated a merger that resulted in the inclusion of numerous brands under the General Motors (GM) company (Odom, 2017). The merger included some of the most prominent GM vehicle brands known today, including Cadillac and Pontiac and Oldsmobile, which was shut down in 2004 because of lack of profitability. The company conducts manufacturing operations in numerous foreign countries. GM began international operations in 1925 by acquiring Britain's Vauxhall Motors and Germany's Adam Opel. According to Jacob Anbinder (2018), GM's success in overseas markets in the 1920s

and 30s is attributable to both innovative managerial tactics and unique marketing and public relations activities. Anbinder's analysis establishes the history of the company's operational structure, providing great insight into establishing its global presence. Hui Cui and the other authors (2018) identify and explain GM's strategies to effectively penetrate the growing Chinese automotive industry market and their implications on its future within the company. The author's analysis partially identifies and illustrates GM's strategic decision making that facilitates its global operations.

SWOT assessment incorporated Value Chain analysis

Challenges in GM'S Strengths

General Motors' diversified brand portfolio is a costly strength that is challenging to establish, manage and maintain. GM has multiple car models that cater to different international market bases and customer preferences, offering a wide range of options from Chevrolet, Cadillac and Pontiac. The multifaceted brand structure is an excellent strength to the company's performance but is a significant challenge in terms of management. The company has to structure and specify its marketing strategies to fit individual brands, which can be costly in terms of time and finances. Roger More (2009) mentions that the many brands and their multiple variations affiliated to GM create a problematic situation for the company that minimises its cash flow. The diversified corporate and brand portfolio has resulted in a reduction of its market focus. Market focus can be instrumental to a company's performance. Vendrell-Herrero, Gomes, Mellahi and Child (2017) identify that an adequate market focus strategy can enhance a company's international productivity and competitive presence. GM's reduced market focus is detrimental to its financial performance by minimising its competitive advantage.

Challenges in General Motor's Opportunities

The global increase in the demand for vehicles is an excellent opportunity for the company with environmental challenges related to its manufacturing activities. Shivdas (2021) mentions a significant increase in demand that resulted in a 4.8% increase in sales for GM in 2020's fourth quarter. However, the increased demand also contributes to the rise in environmental pollution that adversely affects the company's renewable energy and sustainability efforts. An increase in the demand for vehicles is directly attributable to increased ecological degradation (Appannagari, 2017). Manufacturing that is necessary to match the increasing global demand increases the amount of waste output from GM's manufacturing facilities, contributing to an increase in the world's pollution. GM is, therefore, in a constant battle to balance satisfaction of the growing demand while at the same time maintaining an acceptable level of environmental conservation efforts that can be a costly challenge. The company's core values on sustainability are affected by this catch 22 scenario.

Challenges resulting from the company's weaknesses

GM's bureaucratic operational and organisational culture is an incredible challenge to the company's international operations. Justin Young (2017) mentions that the bureaucracy is responsible for limitations to GM's flexibility witnessed and experienced in the company's international operations. Flexibility is essential to a company's functioning within a dynamic environment such as the global automotive industry. It allows a company to effectively make necessary operational changes to conform to changing market values and operations.

Therefore, GM's operational inflexibility instigated by a top-centred management system is a challenge to its international operations. Moreover, the value of flexibility is challenged by certain scholars even as the company works toward alleviating its bureaucratic culture. Adler, Goldoftas and Levine (2007) postulate that bureaucracy is linked to efficiency. The authors represent a school of thought that challenges GM's proposed changes to its operations and

organisational culture to minimise bureaucracy. The varied school of thought creates a challenge for the company's top management.

Challenges resulting from Threats to GM

The disruptive potential of sustainability-based development of automotive technology is a significant threat and an incredible challenge to GM. The disruptive technology's change drivers and contributing factors are technology savvy customers from emerging markets that demand innovative technology incorporated and initiated automobiles. Disruptive technology refers to innovative changes that change or influence certain entities' evolution, such as engine components in the automotive industry (Hannani, 2020). An example of disruptive technology is the introduction of electrically powered vehicles by Tesla. Electric cars are fast becoming viable, preferred and consequentially highly competitive (Gao, Kaas, Mohr and Wee, 2016). For GM, these emerging markets and technological developments are a challenge and a threat to their bottom line. Firstly, it is financially costly for the company to invest in these technological changes. The research and development stages alone could be costly and time-consuming. Secondly, the company stands the chance of losing its customers, especially green-oriented customers, to these growing changes and trends. This particular challenge is disruptive to GM's operations and performance because it is gradually growing and dynamic. To avoid the shift and costly investment would jeopardise GM's future. Therefore, the company is forced to invest heavily in technology-driven value chain processes, including development and manufacturing, to incorporate the changes. The investments cut into the company's profit and bottom line.

Steep competition from other automotive companies within the industry, such as Toyota, is another incredibly threatening challenge. It is a challenge to the automotive company's international operations and financial performance because it directly affects its sales and market share. Attias and Mira-Bonnardel (2016) identify that the automotive industry

operates in a highly competitive global market that requires a careful and unique operational strategy to survive. The authors' statement speaks to the challenge GM faces from other companies such as Toyota. As a result of the steep competition, the company is forced to adjust its pricing levels accordingly to remain competitive. The competitive price adjustments adversely affect GM's profit margins as it has to lower prices to match industry levels and standards. GMs have to cut on particular expenses such as labour costs, raw materials, and warehousing costs by manufacturing in other countries to maximise profits. These initiatives geared toward offsetting the adverse effects of steep competition can be complex and challenging to manage.

PESTEL Assessment Incorporating Porter's Five Forces

Political and Legal Challenges Affecting GM's Performance

Unfavourable political policies and legislative trends constitute a significant challenge to GM's performance. These challenges include heavy taxes imposed on fossil fuel-powered vehicles and government-initiated campaigns advocating for public transport and similar alternatives in countries where GM operates. Lazarus and Van Asselt (2018) identify the inclusion of carbon tax on fossil fuel-related operations as a significant example of the legislative policies that influence international trade functions. The heavy taxes and campaigns against combustion engine powered automobiles are initiatives of the countries' governments that form the GM global market. They are geared toward minimising the adverse environmental effects of the manufacture and use of fossil fuel-powered automobiles. These policies and legislative trends create a challenging international environment for GM to operate. Firstly, the related challenges result in reduced revenues instigated by increased expenditure. As a result, GM profits decrease as operating costs increase. Secondly, the government-initiated campaigns against carbon-emitting vehicles have a lasting and influential effect on GM's customers. These customers have significant bargaining power

over the sustainability-related operations of the automotive industry (Susilo, 2019). They end up demanding changes in their operational and manufacturing structures to minimise emissions. These changes are challenging and costly to implement. Therefore, the moderate consumer bargaining power becomes a challenge to GM performance-related operations.

Economic Environmental Challenges

The dynamic nature of economic environments can be an incredible challenge to multinational corporations. GM is not an exception. Changing and varying international economic backgrounds can be detrimental to GM's performance. Economic factors such as changing market prices, international labour costs, fluctuating inflation rates and the resulting changing market prices are a few economic attributes and factors to global operations that affect General Motors operations. Interest rates, disposable income levels, and unemployment rates also affect GMs sales. Although GM suppliers' bargaining power is low, a drastic change in global prices of steel and other manufacturing materials can be detrimental to the company's performance. Kant (2021) identifies that a recent steady rise in the prices of automotive industry raw materials such as steel and other metals is set to reduce the company's profit margins by increasing production costs. Therefore, the changing global economic environment is a tremendous challenge to General Motor's international operations. It is challenging because of the expenses involved in offsetting the adverse effects of changes in the economic environment.

Social and Cultural Challenges causing factors

Social and cultural norms and trends influence consumer behaviour and employees' contribution to the automotive industry. A report by PricewaterhouseCoopers (2021) mentions, "The foreseeable trends of social personas suggest that autonomous and shared mobility will increase greatly by 2030." The statement indicates a verifiable and observable sociocultural change in the automotive industry. Th dynamic social trends are challenges to

GM operations because they manipulate and shift market segments changing consumer tastes and preferences, which the company has to conform to remain competitive. GMs initiatives geared toward conformation are challenging to accomplish. Moreover, the everchanging Sociocultural trends contribute to the automotive industry's moderate threat to new entrants. The new entrants apply to other automotive companies and GMs new vehicle models and brands. The changes, therefore, also create a challenging environment in terms of the introduction of new car models and variants to international markets. It costs more to research and structure the conceptual car models to conform to the changing social and cultural environment.

Challenges concerning Sustainability Value Practices

Incorporating sustainability practices in today's economic and social environment is paramount. The General Motors 2020 Sustainability Report (2020) indicates that the company's sustainability initiatives have resulted in a 35% reduction in absolute emission. The report suggests GMs active sustainability programs. Although GMs has incorporated sustainability structures in its operations, it still faces challenges instigated by the increasing and changing sustainability standards. Since sustainability is a moving target, it involves proactive processes such as extensive market research and forecasting that could be very costly and complicated. However, these procedures are necessary because sustainability has become a great selling point and a tremendous competitive advantage to General Motors. Yang and the other authors (2019) mention that the new sustainability-driven renewable energy vehicles are increasingly becoming viable substitutions to traditional combustion engine vehicles. The statement is indicative of the development of sustainability. It also alludes to the moderate but increasing threat of substitution facing GM.

Conclusion

The automotive industry is an ever-growing social-economic element. It is made up of numerous operating companies and businesses that compete for a share of the global market and its consumers. It is an industry that involves manufacturing and selling motor vehicles and related components. The functional entities that operate within the sector are subject to numerous impacting and influencing internal and market-related forces. General Motors has been in production and active operation since 1908 when William Durant founded it. The SWOT and PESTEL analysis identify the company's crucial challenges in its day-to-day international operations.

Reference List

Adler, P., Goldoftas, B. and Levine, D., 2007. Flexibility Versus Efficiency? A Case Study of Model Changeovers in the Toyota Production System. *Organization Science*, [online] 10(1).

Available at:

<https://www.researchgate.net/publication/228216798_Flexibility_Versus_Efficiency_A_Case_Study_of_Model_Changeovers_in_the_Toyota_Production_System> [Accessed 11

December 2021].

Anbinder, J., 2018. Selling the World: Public Relations and the Global Expansion of General Motors, 1922–1940. *Business History Review*, 92(3), pp.483-507.

Appannagari, R., 2017. Environmental Pollution Causes And Consequences: A Study. *North Asian International Research Journal of Social Science & Humanities*, [online] 3(8).

Available at: <[https://www.researchgate.net/profile/Ramamohana-Reddy-](https://www.researchgate.net/profile/Ramamohana-Reddy-Appannagari/publication/323944189_Environmental_Pollution_Causes_and_Consequences_A_Study/links/5ab3dfeea6fdcc1bc0c3f043/Environmental-Pollution-Causes-and-Consequences-A-Study.pdf)

[Appannagari/publication/323944189_Environmental_Pollution_Causes_and_Consequences_A_Study/links/5ab3dfeea6fdcc1bc0c3f043/Environmental-Pollution-Causes-and-](https://www.researchgate.net/profile/Ramamohana-Reddy-Appannagari/publication/323944189_Environmental_Pollution_Causes_and_Consequences_A_Study/links/5ab3dfeea6fdcc1bc0c3f043/Environmental-Pollution-Causes-and-Consequences-A-Study.pdf)

[Consequences-A-Study.pdf](https://www.researchgate.net/profile/Ramamohana-Reddy-Appannagari/publication/323944189_Environmental_Pollution_Causes_and_Consequences_A_Study/links/5ab3dfeea6fdcc1bc0c3f043/Environmental-Pollution-Causes-and-Consequences-A-Study.pdf)> [Accessed 11 December 2021].

Attias, D. and Mira-Bonnardel, S., 2016. Extending the Scope of Partnerships in the Automotive Industry Between Competition and Cooperation. *The Automobile Revolution*,

[online] Available at: <https://link.springer.com/chapter/10.1007/978-3-319-45838-0_5>

[Accessed 11 December 2021].

Cui, H., Poudel, D., Mouritzen, P., Aarsoe, J. and Di Girolamo, P., 2018. Entry Strategies to the Chinese Automotive Industry: A General Motors case study. [online] [Rucforsk.ruc.dk](https://rucforsk.ruc.dk).

Available at:

<https://rucforsk.ruc.dk/ws/portalfiles/portal/62533398/General_Motors_Project.pdf>

[Accessed 10 December 2021].

Gao, P., Kaas, H., Mohr, D. and Wee, D., 2016. Disruptive trends that will transform the auto industry. McKinsey and company, [online] Available at:

<<https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/disruptive-trends-that-will-transform-the-auto-industry>> [Accessed 11 December 2021].

Gmsustainability.com. 2020. General Motors 2020 Sustainability Report. [online] Available at: <<https://www.gmsustainability.com/>> [Accessed 11 December 2021].

Hannani, S., 2020. Research disruptive technology in the automotive industry. [online] Available at:

<https://www.researchgate.net/publication/352410322_Research_disruptive_technology_in_the_automotive_industry> [Accessed 11 December 2021].

Kant, K., 2021. Steady rise in metal prices is a big risk for the automotive industry. [online] Business-standard.com. Available at: <https://www.business-standard.com/article/companies/steady-rise-in-metal-prices-is-a-big-risk-for-the-automotive-industry-121040800107_1.html> [Accessed 11 December 2021].

Lazarus, M. and van Asselt, H., 2018. Fossil fuel supply and climate policy: exploring the road less taken. Climatic change, 150(1-2), pp.1-13.

More, R., 2009. How General Motors Lost Its Focus – And Its Way. [online] Ivey Business Journal. Available at: <<https://iveybusinessjournal.com/publication/how-general-motors-lost-its-focus-and-its-way/>> [Accessed 11 December 2021].

Odom, K., 2017. General Motors Strategic Audit. [online] Digitalmarketing.temple.edu. Available at: <<https://digitalmarketing.temple.edu/kodom/wp-content/uploads/sites/305/2019/08/General-Motors-Strategic-Audit.pdf>> [Accessed 10 December 2021].

PricewaterhouseCoopers, 2021. Five trends transforming the Automotive Industry. easy. [online] Available at: <<https://www.pwc.com/gx/en/industries/automotive/assets/pwc-five-trends-transforming-the-automotive-industry.pdf>> [Accessed 11 December 2021].

Shivdas, S., 2021. Increased new-car demand during pandemic has U.S. industry optimistic about 2021. [online] Reuters. Available at: <<https://www.reuters.com/business/autos-transportation/increased-new-car-demand-during-pandemic-has-us-industry-optimistic-about-2021-2021-01-05/>> [Accessed 11 December 2021].

Susilo, D., 2019. Macro environment analysis of automotive industry in Indonesia. [online] Available at: <https://www.researchgate.net/publication/330262220_Macro_environment_analysis_of_automotive_industry_in_Indonesia> [Accessed 11 December 2021].

Vendrell-Herrero, F., Gomes, E., Mellahi, K. and Child, J., 2017. Building international business bridges in geographically isolated areas: The role of foreign market focus and outward looking competences in Latin American SMEs. *Journal of World Business*, 52(4), pp.489-502.

Yang, D., Qiu, L., Yan, J., Chen, Z. and Jiang, M., 2019. The government regulation and market behavior of the new energy automotive industry. *Journal of Cleaner Production*, [online] 210, pp.1281-1288. Available at: <<https://www.sciencedirect.com/science/article/abs/pii/S0959652618335273>>.

Young, J., 2017. General Motors Company SWOT Analysis & Recommendations - Panmore Institute. [online] Panmore Institute. Available at: <<http://panmore.com/general-motors-company-swot-analysis-recommendations>> [Accessed 11 December 2021].

