



Business Adaptive Strategies in Crisis The case of General Motors

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Abstract

Title: Business Adaptive Strategies in Crisis – The case of General Motors

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The financial crisis of 2007 wreaked havoc in global economies and brought down many different businesses, raising some fundamental questions inside companies regarding its ability to react effectively during these times. General Motors, the largest auto manufacturer in the world at the time, succumbed and declared bankruptcy, prompting the US government, alongside some other entities, to move forward with financial aid and imposing a reform in the company.

The thesis at hand, presented in the form of a case study, follows the restructuring efforts of the firm and its strategic realignment in an ever-changing environment, which had greatly been transformed by changes in demand, consumer behavior and an increasingly intensive competition. It analyzes the automotive industry and addresses some factors that influenced the bankruptcy of the company.

This case study encompasses different topics inside the area of strategy, such as resources and capabilities, competitive advantage, and positioning, serving as an insight into the real General Motors scenario in the navigation of the company through these troubled times. Some theoretical concepts and frameworks are provided for analysis, with the teaching notes serving as an orientation guide.

Keywords: Resources and capabilities; Crisis; Competitive advantage; Positioning; Strategy; Automotive industry.

Resumo

Título: Estratégias Empresariais em tempos de crise – O caso da General Motors

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A crise financeira de 2007 provocou problemas em economias mundiais e causou o fecho de várias empresas, erguendo algumas questões fundamentais dentro de companhias relacionadas com a sua habilidade em reagir eficazmente nestas alturas. A General Motors, a maior auto fabricante do mundo na altura, cedeu e declarou falência, levando o governo dos Estados Unidos, juntamente com outras entidades, a avançar com suporte financeiro e impondo uma reforma na companhia.

A presente tese, desenvolvida sob formato de estudo de caso, segue a reestruturação da empresa e o realinhamento estratégico num meio envolvente em constante mudança, que sofre grandes transformações através de mudanças em demanda, comportamento de consumidor e competição cada vez mais intensa. Analisa a indústria automóvel e aborda alguns fatores que influenciaram a falência da empresa.

Este caso de estudo engloba diferentes tópicos dentro da área de estratégia, como recursos e capacidades, vantagem competitiva e posicionamento, servindo como uma examinação do cenário real da General Motors na navegação da empresa durante estas alturas problemáticas. Alguns conceitos teóricos e modelos são fornecidos para a análise do caso, com notas didáticas a servirem como uma orientação para a resolução do mesmo.

Palavras-chave: Recursos e capacidades; Crise; Vantagem competitiva; Posicionamento; Estratégia; Indústria automóvel.

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List of abbreviations

CA	Competitive Advantage
CEO	Chief Executive Officer
GM	General Motors
NUMMI	New United Motor Manufacturing, Inc.
R&D	Research and Development
SWOT	Strengths, Weaknesses, Opportunities and Threats
TPS	Toyota Production System
UAW	United Automobile Workers
US	United States of America
VEBA	Voluntary Employee Benefit Association
VRIO	Value, Rare, Inimitable and Organization

1 Case study

General Motors' story is one that puts a company in both extremes of the spectrum of performance: it was one the most successful of its time, with a dramatic initial growth, even becoming one the, if not the largest corporation in the world; on the other hand, it went under very hard, seemingly impossible to have its situation turned around.

This case study focuses on General Motors and how a series of problems, such as mismanagement led by an illusion of safety due historical success, inability to compete with foreign companies and bad deals in the company's earlier days, went on to bring down the largest auto manufacturer in the world. Not only this, but how the company managed to restructure itself after the financial crisis of 2007 and come back stronger, by laying the strategic foundations that would ensure its long-term success.

2 Company Overview

2.1 General Motor's History

Originally intended as a holding company for Buick car company, General Motors (GM) was founded in September 1908 by William C. Durant. With the profits generated by Buick, in under two years, Durant managed to bring some of the largest car manufacturers at the time, including Cadillac and Oakland Motor Car company (later renamed to Pontiac). Having lost control of the company due to high amounts of debt incurred amidst all these acquisitions, Durant left and founded the Chevrolet Motor Company. A few years later during a stock buyback campaign, he came back to lead GM and consolidated Chevrolet, and in the following decade the company continued to grow as it acquired more companies.

In 1920, Durant was once more forced out of the company, with Alfred Sloan taking charge. Under his leadership, GM was reorganized from a set of different business into a single enterprise, with a centralized business unit in charge of managing the different car companies. This structural change led to GM's sales increasing even more to the point of surpassing Ford in the late 1920s, which was, at the time, the largest car manufacturer in the world. The company kept growing exponentially, even becoming one of the largest industrial conglomerates in the world in the 1950s, and at one point it sold roughly 50% of all cars in the United States.

The decades that followed were of great prosperity for GM, as the American economy grew following the second world war, so did GM, maintaining the same market share until around 1975. Around this time, competitors from abroad started taking market share from US auto producers.

General Motors had always been regarded as an innovative, forward-thinking company, which was reflected in the many original products it developed along its long history of existence. It was the first firm to produce cars with automatic transmission system, in 1939, substituting the need to manually change gears, as well as the standard equipment turn signal, in the same year. They also manufactured the first hydrogen power cell car in the world, in 1966, with its GM Electrovan. These were just some of the many ground-breaking technologies it developed, which played an important part in the company sustaining the top position in the industry for such a large amount of time.

In 1995, GM was once more subjected to a restructuration. An important part of this process was focusing solely on automobile manufacture and selling all unrelated businesses¹. For some time, the company managed to increase its sales and regain back market share it had previously lost. But these profits were short lived. At some point, during the beginning of 2000s, and after being overtaken by Toyota as the largest automobile manufacturer in the world, sales started slowing down (Detroit Historical Society; Encyclopedia Britannica, 2022). And in 2005 the company's profit went into a halt, as it reported a \$10.5 billion loss (General Motor's annual report, 2005). GM's problem wasn't single faceted, but the most preponderant one laid on its inability to cut costs as sales decreased, since most of them were fixed. Through different attempts, it tried to stanch the financial bleeding that the company was suffering from but without success; This kept going on until the 1st of June 2009: the company went under as the largest industrial bankruptcy in history.

¹ Electronic Data Systems corporation (bought in 1984), a data science company, and Hughes Aircraft company (bought in 1986), which predominantly produced military and communication equipment. They were sold in 1996 and 1997, respectively.

2.2 Mission statement and values

The vision of GM is to become a world leader in the automotive industry, by developing quality, innovative and cost-efficient products. Aligned with these are the values of the company which serve as a foundation to obtain the desired end goal. These core business elements involve innovation, continuous improvement, customer enthusiasm, teamwork, individual respect and responsibility. The company recognizes the integration of different components into their business other than economics ones, such as environmental and social objectives. By leveraging its technological capabilities, it can accelerate the development of products which concerns relative to climate change, whose consciousness has been increasing in the population, as well as more fuel-efficient products.

2.3 Business Segments

The company has two different core businesses, one related to the automotive industry, as it had been for most of its history; And the other related to financing and insurance operations. The design, production, marketing, distribution and sales of cars is overseen by the different geographical segments of the company, which are divided as such:

- General Motors North America (GMNA), which includes the US, Canada and Mexico, is the largest business segment of the company, with sales accounting a little bit below half of the total global volume (42%, with the US alone accounting for 36%)². It sells its vehicles under eight different brands, Chevrolet, GMC, Pontiac, Saturn, Cadillac, Buick, HUMMER and Saab.
- General Motors Europe (GME), the second largest business segment with roughly a quarter of total sales, the company has maintained a steady share in this zone, hovering around the 10% value. There are not expected to be significant changes in this due the stagnation of the European automotive market; Its vehicles are sold under the brands Opel (Vauxhall in the UK), Chevrolet, Cadillac, HUMMER and Saab.
- General Motors Latin America, Africa and Middle East (GMLAAM), the smallest operating segment in terms of sales (15%). Despite this, these regions have been demonstrating the highest growth in the world, sitting at around 8,2% for the past three

² All sales values in this subchapter refer to the year before the bankruptcy, 2008, for a total of 8.35 million vehicles.

years. Brazil, for example, the leading country in terms of sales of GMLAAM (half a million in 2008), had an average increase of 17,1% since 2006, with the company having a fifth of the total market share. The vehicles it produces are sold under the brands Chevrolet, GMC, Opel, Cadillac, Hummer, Buick and Saab.

- General Motors Asia Pacific (GMAP), positioned in third place relative to global sales (18%). Alongside the regions comprised by GLAAM, they are the only ones which have registered growth, albeit not as high (4,5%) as the former. China is very important for this segment, as it accounts for roughly 75% of all sales; It sells its vehicles under numerous different brands, Wuling³ (only marketed in China), Chevrolet, Buick, Holden, Daewoo, Cadillac, Saab, Opel and HUMMER, among other smaller regional brands.

The image below gives us an idea of the sales of each brand, given as a percentage of the total global sales.

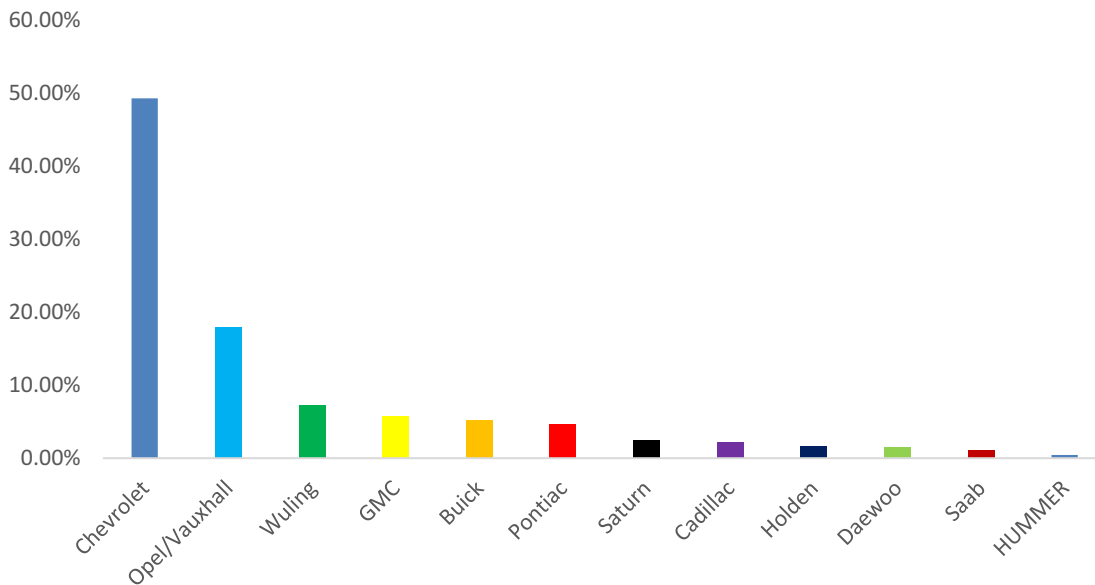


Figure 1 - Sales % of total volume sold, per brand, worldwide, 2008

³ Joint venture with SAIC, which GM owns 34% and as part of the agreement has contractual right to report the sales of the business as a part of its global market share.

Its other business⁴ is operated by the General Motors Acceptance Corporation (GMAC), created in 1919, which acted as the financial arm of the company. Initially, it mainly provided funding for auto dealers to buy inventory and credit to consumers to buy cars, eventually branching out to the mortgage and insurance business. Despite being one of the few business units that was still profitable at the time, had its majority stake (51%) sold in 2006. This arose from the huge losses that GM suffered the previous year, leading to a raise in capital to allow a much-needed restructuring in the company, as well as sheading the low credit rating the successful GMAC had.

Besides these two businesses, it also owned a subscription service related to driver assistance technology, OnStar. This product is a result of combined efforts between GM, and two companies which used to be a part of it, Electronic Data Systems and Hughes Electronics Corporation. It was introduced in 1996 and a pioneer in its area, as the first embedded telematics system⁵ in the world, in the automotive industry. It provides different services, such as automatic crash response, assistance for stolen vehicles, turn-by-turn navigation, among others.

⁴ Although at the time it didn't have a majority ownership of GMAC, it still considered it as part of its operations, registering its results under the equity method, rather than consolidating it.

⁵ Devices inside vehicles which uses cellular network to send information to services which are hosted by the device provider or a third-party cloud server.

3 Market Overview

For a good part of its history, the US automotive industry was a collusive oligopoly, dominated exclusively by American companies. In the early 1970s, the lack of motivation for producing better and more efficient products due to an absence of competition, allowed foreign companies, especially Japanese automakers, to infiltrate the market with innovative, cheaper vehicles. Since then, the market share of the Big Three⁶ has plummeted (**Figure 2**), with GM's share in the US market decreasing by over 50%. Sometime prior to the financial crisis, the automotive industry was largely dominated by five different companies (GM, Ford, Toyota, Honda and Chrysler) although the existing discrepancy between the different market shares had been greatly diminished.

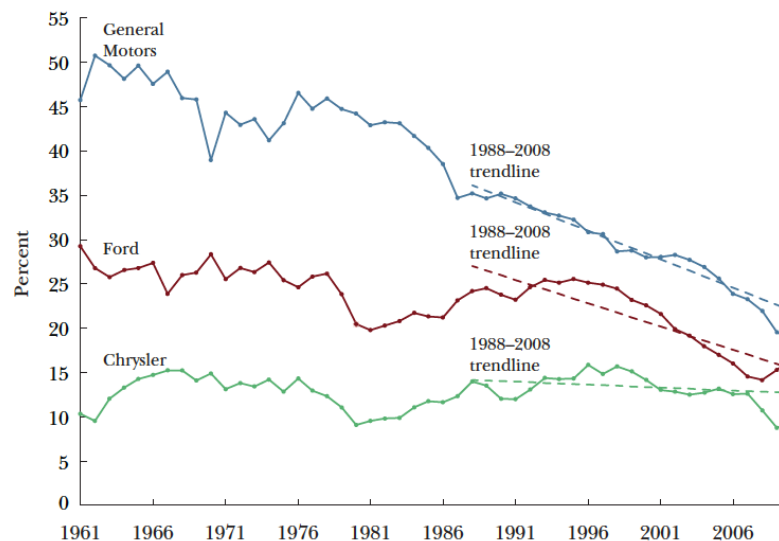


Figure 2 - Market share of Big Three, over the course of 47 years⁷

In terms of global volume sales, in 2008 the number recorded was 67.1 million, a 5.1% decrease in comparison with 2007 (70.5 million). This value is expected to decrease in further in 2009, to 57.7 million. But even before the financial crisis took place, vehicle sales across the world were already mirroring the effects that this event would unfold across global economies.

A great number of countries, most of them westernized (although not limited to), saw the number of yearly transactions either declining or hitting a stagnation period (**Exhibit 1**). The

⁶ In the automotive industry, the Big Three refer to three largest American automotive manufacturers in the US, composed by General Motors, Ford and Chrysler.

⁷ Helper, S., & Henderson, R. (2014).

combination of ownerships of cars per capita reaching saturating values and the increasingly cost of loans, which made it harder for customers to be financed in their vehicle purchases, explain this phenomenon. Among this group, the US saw the largest decrease in sold vehicles, from 16.1 million in 2007 to 13.2 million in 2008, equivalent to a 18% drop. In contrast, the Asian continent, one of the least impacted by the economic downturn (with some exceptions, for example Japan), has shown the highest growth of sales, in absolute values (percentage wise, Africa is leader in this metric, although the sales volume is relatively low, not even reaching 1 million in the entire continent). Opposite of the aforementioned zones, countries in this area were characterized by having a low ownership of cars per capita. As income rapidly increased, the expectation was that the number of vehicles purchased would rise accordingly, especially low consumption ones, which were already a strong trend in the region.

Estimations suggested that, following the economic downturn and returning to higher activity levels and improved financial conditions, the numbers of cars sold in matured markets (most western countries and Japan) would reach pre-financial crisis levels, and in some exceptional cases even surpassing them. Most growth in sales would be attributable to emerging markets, especially BRIC countries⁸. China, with an increase from 4 to 7 million (75%), between 2005 and 2008, would likely surpass the United States as the largest car market globally (OECD, 2009).

3.1 Positioning

General Motors, as a large corporation, has a very extensive and complexly interconnected portfolio, which lay its many different brands: Chevrolet, Cadillac, Buick, GMC, Saturn, Saab, HUMMER, Pontiac, Opel/Vauxhall and Holden. This is without considering other labels where it either is on a joint-venture or has a significant percentage ownership, which is the case of Daewoo or Wuling. In the United States alone, there were 48 different nameplates⁹, distributed among 8 brands. With its vast product line, the company was participating virtually in every single car segment. Using the most common car classification, specified by European commission, there are 9 different car segments (**Exhibit 2**). GM was targeting, for example, high end customers, with its Cadillac brand, customers in the low-priced market, with Saturn, and customers in the middle, with Chevrolet. This meant that, for each market sector, there were, on average, at least 5 different GM vehicles serving it. Thus, its international marketing

⁸ Brazil, Russia, India and China.

⁹ Car models.

strategy gave its customers the opportunity of choosing the desired product between a vast array of brands. Due to its global presence in virtually every continent, having a large portfolio allows it to cater to the different needs of each region it is employed. Its extensive operations allowed it to reach economies of scale and facilitate lower costs, which supported the differentiation strategy it had. The company also puts a lot of emphasis in R&D, whether it's for manufacturing improvement, product engineering, design, or any other activity which involves the development of new products or improving current ones. In 2008, it spent over \$8 billion in its activities. GM had also a department in charge for the development of alternative fuels for internal combustion, as well as for hybrid and fully electric vehicles. Despite building "greener" vehicles being aligned with its business plan, the company was behind some of its major competitors in this sector, with the Chevrolet Volt, the first hybrid vehicle GM sold, only being released in 2010, in comparison with Toyota's Prius released in 1997 or Honda's Insight, released in 1999.

3.2 Competition

The extension of GM positioning in an industry dominated by several large players result in fierce competition. In 2008, the largest companies globally in the automotive industry, in terms of market share, were comprised by: General Motors, Ford, Toyota, Honda and Volkswagen (**Exhibit 3**). For the sake of comparison, we will take two of the biggest companies; Ford, the second largest American auto producer, and Toyota, competing with GM for the top position of the automotive industry, both in the US and world.

Ford Motor Company, based in Detroit, was a pioneer in mass production of vehicles, and for most of its history had been competing with General Motors for market leader in the US. The company was amid a restructuring, which involved an increased customer centricity and higher focus in the markets it was competing. As global sales decreased, the cost-structure of the company was completely redesigned. The ability to generate profits at a lower volume was very important, as well as the product mix it developed and launched into the market. Part of the cost reduction was achieved by shedding some of its brands from its portfolio. Just like GM, it also had several different labels, which were managed by the subdivision Premier Automotive Group (PAG). It contained Lincoln, Volvo, Mercury, Jaguar and Land Rover; But the lack of synergy resulted in increased costs, which led to some of them being sold off, which was the case of the last two, in 2008. This improved its liquidity, important in preventing the company from going bankrupt. It also allowed a higher concentration of human and financial capital in

the brands it effectively was still operating, in turn producing vehicles with higher quality and in a shorter amount of time. Ford also promoted a shift towards building smaller, fuel-efficient vehicles, which were in a continuous upwards trend. It came as an outcome of higher fuel prices, as well as increased awareness of environmental pollution by the population in general. This fuel-efficient technology was also implemented in its other products, such as trucks and crossovers, by leveraging its global assets and capabilities (Ford annual report, 2006, 2008). In 2008 it sold 5,5 million vehicles (1 million less than the previous year), and it had a net loss of \$14,7 billion.

The other big competitor of GM is the Japanese automaker Toyota Motor Corporation, based in the city which gave its name. Although Toyota's operations in the US started in 1957, which included sales and distribution, it only started manufacturing mid 1970s. At that time, despite having a much smaller market share in comparison with the Big Three, it was already a somewhat significant value, which quickly increased (alongside Honda) at the expense of American producers (**Figure 3**). Toyota had 4 different brands, Lexus, Daihatsu, Hino and Toyota itself. The company focuses in producing a low number but high-quality cars in most segments of the automotive industry, ranging from subcompacts to luxury cars, attending the diverse regional needs around the globe.

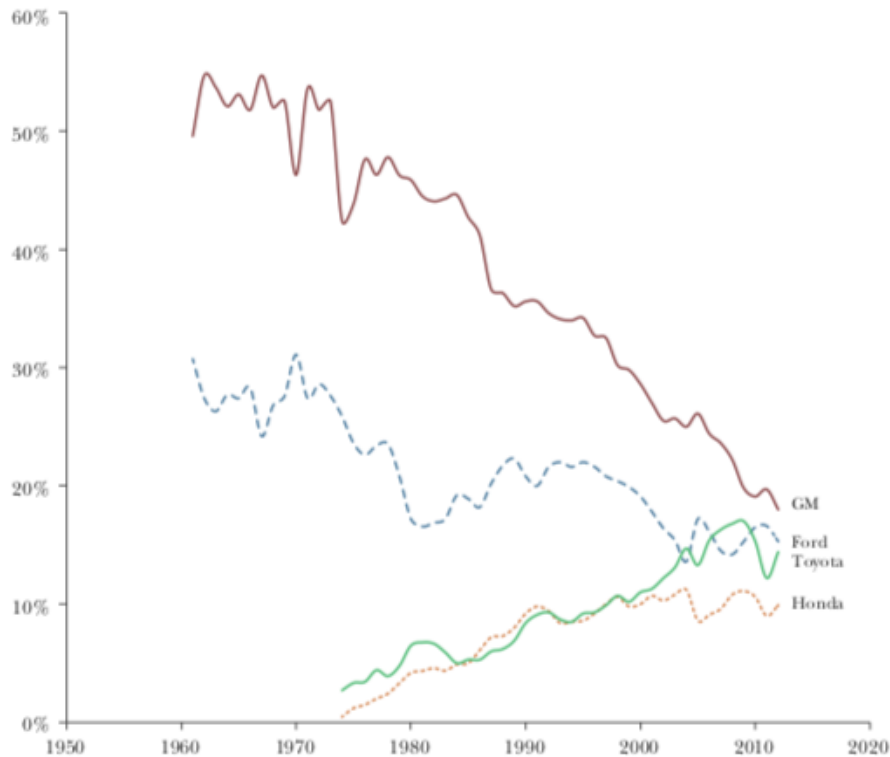


Figure 3 - US automotive industry market share of GM, Ford, Honda and Toyota, over the course of 54 years

This helps further retain and increase its customer base in the markets it is already present, by offering a reliable solution to each segment it is employed. It pretends to overlap sustainability with business profitability, which is put in practice in its activities, for example, with the development of hybrid technology as part of its operational core. This has also translated in the increased output of small efficient-fuel cars, that the company has been successfully producing (and selling) since the 1970s after the energy crisis¹⁰, way before its competitors (Toyota annual report, 2008). Toyota has adopted a cost leadership strategy, minimizing its production costs through the just-in-time manufacturing method, also known as the Toyota Production System (TPS). It is able this way to maximize efficiency by minimizing inventory costs and response time. Large investments in facilities to attain efficient scales and tight overhead control also help reducing costs. This pairs up perfectly with the leveraging of its R&D capabilities to develop innovative and exciting products, differentiating its vehicle portfolio and attracting new customers through specific/unique features. Although it sells its products at relatively low

¹⁰ The energy crisis of the 1970s refers to two specific events which unfolded in the Middle East, resulting in a disruption of oil production which affected various western countries which were highly dependent on oil exports.

prices, its low cost and high-volume sales ensure profitability. Not only this, but the fact that it is already globally present, Toyota has an easier time entering new segments or even creating them, which further supports its cost leadership strategy (through different factors, such as global economies of scale and scope). In 2008 it sold 8.91 million vehicles (400 thousand less than the previous year) and it generated \$17.2 billion.

4 Impact of the Financial Crisis

4.1 Bankruptcy and emergence as General Motors Company

Despite the different attempts and changes, the company had set itself on a path towards bankruptcy which difficulty would have been able to turn around. Just a few months before GM went bankrupt, it reported \$176 billion in liabilities against \$91 billion in assets, with almost a \$31 billion net loss (GM's financial report, 2009). As it was later known, a GM collapse would result in a loss of over 1.2 million jobs, not only related to the automaker but also dealerships and part suppliers, as well as \$130 billion in personal income, potentially crippling the economy (Arbor, 2013).

Earlier in 2009, in February, GM had applied to receive financial support from the government, which was promptly declined by the recently appointed president Barack Obama. A credible, long-term viability plan would have to be drafted if it were to be able to receive the aid. The previous one had numerous short-comings and as put by the president, “avoided tough decisions”; In the process, CEO and chairman Rick Wagoner was forced to resign due to its part in being unable to implement the necessary “drastic” changes, alongside several board of directors. The company organizational structure was rigid and slow to implement changes, with senior managers failing in recognizing the changing business environment, leading to missed opportunities. This was the case of late start into the small car segment or shutting the program of its electric vehicle EV1, in 1999.

To preserve the going concern value of the firm, avoid aggravating even further the problem of unemployment (which was at an all-time high due to the financial crisis) and avoid economic failure, a 363 transaction under Chapter 11¹¹ was an option suggested by the US Treasury. This type of transaction allows for the assets of a bankrupt firm to be sold, rather than immediately liquidated. Thus, on the 1st of June, the company filed for bankruptcy and all the assets of the defunct GM were bought by a newly formed firm, General Motors Company (Harrison et al., 2012).

¹¹ Chapter 11 is a type of bankruptcy which involves the restructuration of the company, allowing a renegotiation of debt and reemergence as a healthy business. The remaining debt will still be paid through future earnings.

4.2 Restructuration efforts

The company underwent a massive restructuration, while agreeing to cut \$30 billion debt by converting it into equity. It also received roughly \$50 billion from different lenders, with the ownership being divided among different entities; The US government had the largest stake, with 60.8%, followed by the UAW VEBA¹² (17.5%), the Canadian government (11.7%) and finally bond/credit holders of the previous GM (10%) (Klier & Rubenstein, 2013).

Taking into consideration the magnitude of this event, a full-scale description would be too comprehensive to cover here. Not only this, but a great deal of this process involves topics which are not within the scope of the subject at matter. Despite this, a summarized version of the main points will be described below, resulting in a recap of the restructuration itself, focusing on the business at its operational level.

4.2.1 Implementing a competitive cost structure

Before declaring bankruptcy, President Obama had laid out a framework for GM, stating a few high priorities changes the company had to make to become viable. One of them specifically targeted the high costs it had, not limited to operational but also legacy costs¹³, which ultimately became a burden too large to carry and were one of the main reasons why it went down in the first place.

I. Labor costs

Sometime before the restructuration, the company's market share had reached an all-time low, naturally indicating that sales had also taken a steep decline. Despite this, it was unable to scale down its operational business, so it faced a problem which was two sided. Not only was there a surplus of workers, but they also had the highest wages in the US auto industry (roughly \$75 per hour in comparison, for example, with Toyota which was \$55 per hour) (Harrison et al., 2012).

General Motor's response to this was a large labor cut, which saw the number of employees decrease from 91,000 in the end of 2008 to 75,000 right after the bankruptcy (Canis & Webel, 2012). This number was expected to be reduced to around 45,000, in 2012, to reach the cost

¹² United Automobile Workers Voluntary Employee Benefit Association

¹³ Legacy costs are associated to healthcare costs as well as other benefits for current employees and pensioners.

levels of transplant auto factories¹⁴. Heavily related to this was the announcement of closure of some of its manufacturing plants, bringing down from 47 to 34, by the end of 2010 (General Motors Company Press release, 2009). This cut was due to two different reasons, which are intrinsically connected:

- The amount of sales it needed to have to breakeven (with its market share at the time, the US auto industry would need to sell over 16 million cars, in 2008) was much higher than what it had been selling; The number of employees it had and consequently the cost was not justifiable by the number of cars it needed to produce;
- It was not aligned with the implementation of the new business model to become a leaner and more flexible company - which will be discussed further ahead.

Naturally a lower workforce would result in a lower fixed cost for each vehicle sold and allow for a more efficient utilization of the company's capital.

II. Renegotiating the union labor agreement

Almost 60 years prior its bankruptcy, GM made healthcare and pension union commitments, in exchange for lower salaries. While at the time it seemed a good option - Ford and Chrysler, its main competitors, were doing the same deals -, it was one that came back later to haunt the company. In 2006, it reached an all-time peak, resulting in \$50 billion in legacy costs. This resulted in an increase of \$1,900 per car produced in that year.

In 2007, when auto companies were already struggling, GM tried to further reduce its costs through the ratification of its agreement with UAW. The labor union made some concessions, with the highlights being the creation of a two-tier wage, which would provide a lower salary for newly hired workers; and more importantly the creation of a trust fund, VEBA, whose main purpose was to manage healthcare costs and other benefits of retirees. It was estimated that this transfer to the union-trust fund would result in savings of \$1350 per car (Lucas & Furdek, 2010). The company was then to begin funding it in 2008, through cash and other securities, to start receiving the benefits in 2010.

In the meantime, though, the financial crisis of 2008 further accentuated the already aggravated situation surrounding GM, and its massive losses resulted in the company not having enough

¹⁴ Transplants are also known as foreign automakers which possess US factories.

cash reserves to continue funding the trust, which was left with a claim of \$20 billion (being one of the first reasons it sought the government's money infusion in the first place). At the end of May of that year, the labor agreement was once more subjected to a renegotiation, which also saw the existing VEBA being replaced with a new one. Additional concessions were made, which included the suspension of cost-of-living adjustments¹⁵, overpay and bonuses were severely limited, more job buyouts were agreed upon and a ban on strikes was made until 2015(Lucas & Furdek, 2010). Not only this, but the \$20 billion obligation was wiped out. Naturally all these efforts didn't just lie on the UAW; GM committed to contributing \$9 billion, which was divided between three different installments which matured in 2017, equivalent to \$2.5 billion, while the rest stood on perpetual preferred stock. The labor union also held an equity stake of 17.5% of GM and an option to increase it to 20% in the future. According to the US Department of Treasury, the renegotiation between the two parties would "(...) help save jobs for active employees, pensions and health care for retirees, and make GM more competitive".

III. Shutting down factories and increasing capacity utilization

During the recession of 2008-2009, the production of light-vehicles in the US (the type of vehicle with highest number produced) reached an all-time low-capacity utilization of 25,9%(Klier & Rubenstein, 2013). Running an automobile factory is very capital-intensive, which translate in a cost of hundreds of millions between building the facility and buying the equipment, maintaining a workforce of thousands and then producing the vehicles itself. Considering that capacity utilization is a key metric indicative of profitability, lower values will point towards an unprofitable factory (in this case could be generalized to the whole business). It wasn't expected to be any other way, as in the middle of a financial crisis the demand for vehicles greatly diminished and so did the production; the high costs, on the other hand, were fixed.

One of the measures adopted was the shutdown of several different plants until the end of 2010, which would see a decrease from 47 to 34, roughly a quarter of the initial value (General Motors annual report, 2010). This would allow to increase capacity among the remaining ones while simultaneously resulting in the achievement of economies of scale, thus increasing cost savings

¹⁵ Increase in salary/benefits which are on par with the rising cost of goods and services, i.e., inflation.

and profitability. The company was also implementing an integrated global manufacturing strategy, which emphasizes the flexibility to produce multiple body styles for different cars in one single factory, opposing the previous model which had each plant being more unidimensional.

For one, these changes would allow GM to be profitable with lower output levels, by adjusting its production to the current demand of the US market. Thus, as mentioned before, it would be able to breakeven at a much inferior industry volume, of 10 million, rather than the 16 million it was before. Secondly, capital spending would be much more efficient and capacity utilization much higher, allowing a faster adjustment to different market trends.

4.2.2 Becoming a leaner firm

A fundamental part of the new business model and ensuring long-term success, was the improvement of the quality of the cars manufactured, as there was a widespread perception that the company had been for some time producing low grade and somewhat unreliable products. Thus, the company's formulated strategy (**Figure 4**) implied the concentration of its capabilities, design and technological wise, on a few selected brands.

This would allow for a more efficient utilization of its resources while it simultaneously shed off the brands which were unprofitable and with lower market shares (**Exhibit 4**). At the time of the restructuring, of the 8 existing core labels, only one (**Pontiac**) was announced as being phased out in the end 2010. With time though, and as the situation of the financial crisis continued to unravel and the restructuring process kept going forward, more of them met their fate. **Saturn**, established in 1985, was predominantly set up as a means to compete with Japanese automakers, which at the time were mainly involved in small car segment. Just to get the brand going costed billions and initially demonstrated a lot of potential – it had one of the industry's highest satisfaction scores and at some point, demand exceed its capacity – but since its conception it never really turned a profit. As the lower priced vehicles it was producing weren't covering for the unique manufacturing plant it had, the label was losing, per car, around \$3000 dollars. GM had set up a joint venture with Toyota, in 1984, the New United Motor Manufacturing, Inc. (NUMMI). The objectives were understanding the TPS, utilize an idle plant but most importantly, gain more insights about the development and production of small, fuel-efficient vehicles, which proved to have had little to no impact (Gomes-Casseres, 2009; Ritson, 2009). **HUMMER** was the last one being phased out of the portfolio. The brand

produced civilian models of a military vehicle, known for having a very low gas mileage, and was successful during the early 2000s. This changed when oil prices were soaring, with customers looking for other cheaper, lower fuel consumption alternatives. GM also suffered a lot of pressure from various different environmental groups, which also helped change consumer behavior. **Saab** was a Swedish luxury car manufacturer, and General Motor’s attempt in entering this market in Europe. Under the handle of GM, it didn’t have the opportunity to continue developing its highly unique, differentiated vehicles their clients were accustomed to. Rather, they were tasked to revamp GM cars which were being marketed in Europe, in this case Opel, to a “luxury” tier. This led to its products losing its appeal and consequentially a lot of its customer base was lost, with the company starting to lose money every year from 2002 on. Unlike the other three brands though it was sold off, for \$400 million to Dutch company Spyker.



Figure 4 - GM new business model

The remaining 4, Chevrolet, Buick, GMC and Cadillac, were to become the core of the operations of the company, resulting in a higher expenditure per brand and car model,

increasing product development and manufacturing flexibility. It would ensure that GM would be able to keep on track with their various scheduled future launches without compromising the quality of the products. Having four-brand strategy would also allow it to further consolidate its market position where it was already a leader but more importantly to increase its reach where it was under-represented, which is, for example, the case of the already mentioned efficient small-car segment and even the alternative fuel segment (General Motors financial report, 2010). This strategy would allow GM to give their products the necessary capital investment, marketing and advertising support to reach success, while fully focusing on the customer and be better equipped to adjust to consumer and market trends. Parallel to this move was the reduction of the number of nameplates by a little over 25%, from 46 to 34, by the end 2010, emphasizing the idea of fewer but impactful models.

Another important part that needed to be addressed was the number of dealers the company had. As of 2008, it accounted for over 21,600 in the whole world, making it the largest automotive dealer network globally. In the US its network of over 6200 dealerships made perfect sense, considering the large market share it once had, of between 40-50%; it was even considered a competitive advantage, as having the largest network of channels fit well with the large volume of automobiles it catered to the US population, and a considerable amount of them were exclusive to GM. In exchange, the company gave them some benefits which would go both ways, such as giving benefits to outsell other dealers which promoted other firm's cars or upgrading their facilities. The long history of the company also meant there were partnerships with a great number of dealers, which just grew more loyal GM and became even more fruitful. Though, as time went on, this edge it had started losing its usefulness. Not only because it kept losing its share (down to 18% on its lowest point), but the market itself was also shrinking. A high number of dealers for a relative low output led to GM auto brokers competing with each other as much as with other companies such as Ford or Toyota, to obtain sales. A cut of over 40%, which would put down the number to 3600, was due until the end of 2010 (General Motors Company Press release, 2009). Even after this cut, considering that most of its distribution network in the rest of the world wasn't greatly affected, it would still remain as the most extensive one. The end result would be a leaner, more competitive dealer network which would maximize sales across all segments of the business and geographical areas.

5 Theoretical background

Within this chapter some frameworks relative to the case study will be approached and explained. These will be important for the student to be able to understand the theoretical background of the case and to answer the question in the following section.

5.1 SWOT analysis

SWOT analysis is a very useful tool which is widely used by firms in the strategy formulation phase, which takes both internal (relative to the company) and external (relative to the industry environment) factors and examines how they (might) affect the organization, whether positively or negatively. SWOT stands for strengths, weaknesses, opportunities and threats, and we can categorize these four different parameters into the two types of factors. Strengths refer to the key aspects of a business and its ability to achieve the desired outcomes; weaknesses consider the negative points of the company and how it might set up obstacles to reach optimal performance. The two elements are inserted in the internal factors category. Opportunities are aspects which organizations can take advantage off in order to further improve its business. Threats on the other hand are the opposite, factors in the competitive environment which could limit a company ability to reach its objectives. These last two are positioned in the external factors category. It is important to notice that as businesses change at the strategical level and the external environment changes as well, so does the SWOT analysis (Namugenyi et al., 2017).

5.2 Porter's 5 Forces

With the publishment of its Harvard Business Review article titled “How Competitive Forces Shape Strategy” in 1979, Michael Porter introduced a whole new framework on how different factors inside a competitive environment can shape the positioning of a company. The basis of it is that a strategy will be molded according to five different forces, bargaining of power suppliers, bargaining power of customers, threat of new entrants, threat of substitutes and the industry competition itself. These forces interact with each other and can vary in intensity degree, which dictate the opportunity for greater profitability inside an industry. The lower the collective strength of these forces, the higher is the chance for a company to reach success. Having a firm grasp of the condition of these factors that shape an industry, a business can then plan their strategy based on them, having a higher focus on those that will present themselves

as a bigger obstacle to overcome. These are very important to understand the necessary positioning that it needs to have in order to be able to achieve sustainable long-term profitability if it is indeed possible (Porter, 1979). The illustration (**Figure 5**) below demonstrates the underlying of the concept.



Figure 5 - Porter's Five Forces (Harvard Business Review, 2008)

5.3 Resource-based View and Dynamic Capabilities

The achievement of competitive advantage (CA) is of enormous significance in a company being able to have long term success, which had led to intense research in this topic in the area of strategic management. In 1991 it was proposed that, under the assumption that they're unevenly distributed among companies and that this heterogeneity is stable over time, the role of strategic resources in obtaining sustained CA was crucial. These resources can be divided into tangible and intangible; the former is mostly related to physical entities, such as plants, land, machinery, while the latter could be intellectual property, company reputation and knowledge. In order to be able to provide sustained CA for a company, there are several requisites it needs to fulfill to reach this: it needs to be valuable, rare, inimitable and non-

substitutable (VRIN)(J. Barney, 1991). This theory continued to be developed, and it was argued that most importantly, resources needed to be aligned with a company's capabilities in order to be correctly deployed and effectively provide CA. Thus the RBV extends to the VRIO approach, where the "O" stands for organization, which are the processes of a firm which put the resources into appropriate use and transform into competitive advantage.

The dynamic capabilities (DC) theory emerged as an extension of RBV, which addresses the static nature of the latter, putting more emphasis in the achievement of sustainable competitive advantage. DC are, simply put, the ability of a company to build and adapt internal competences to changing business environments (Teece, 2007). The strength of a company's DC is given by how fast and to which extent it can align its resources with the customers' interests. To achieve this, companies must continuously be looking out and seizing new opportunities, while also being able to proactively reinvent some aspects of its business to address threats and other opportunities as they surge up (Barreto, 2010).

5.3.1 VRIO framework

The VRIO framework, proposed in 1995 by Jay Barney, is an analysis tool used in the area of strategic management to understand from which sources can a firm gain sustained competitive advantage. There are certain elements in place which help gauge a company's resources and capabilities, providing an insight on whether its effective utilization can provide a sustained competitive advantage, a simple competitive parity or temporary advantage. As mentioned before, these factors refer to value, rareness, inimitability and organization; Value is related with ability of a capability to take advantage of opportunities, to remove possible threats or both. Rareness points to the availability of this resource/capability among the different firms in a competitive industry scenario, while inimitability is the difficulty in reproducing said resource/capability by others. The organization element is the ability of a company to completely take full advantage of its resources and capabilities (J. B. Barney, 1995; J. B. Barney & Mackey, 2016).

Is the Resource or Capability...

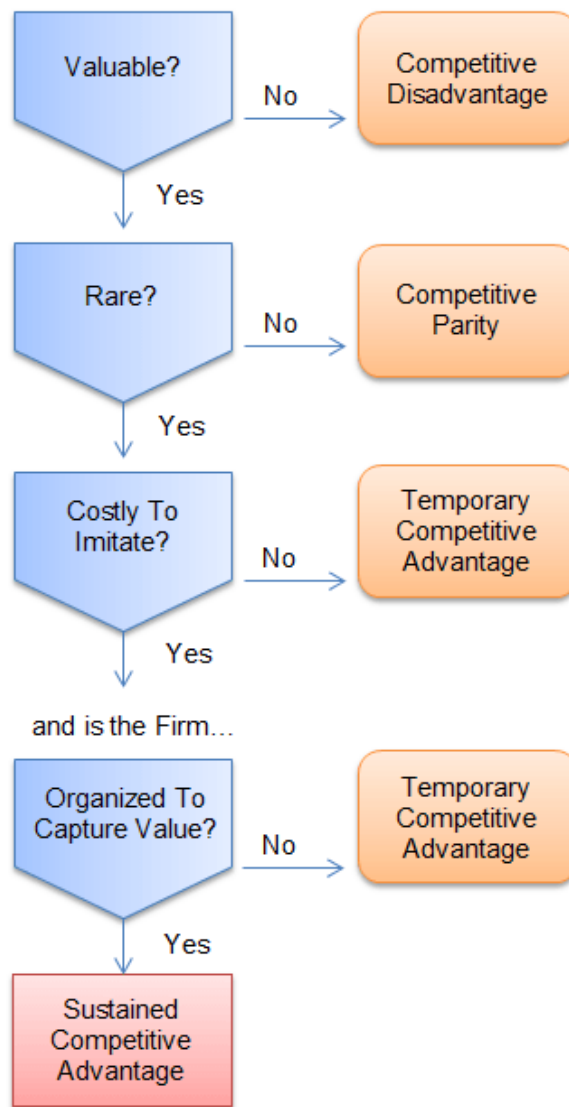


Figura 6 - VRIO Framework (Rothaermel, 2013)

6 Teaching note

6.1 Synopsys

During its long history, General Motors has faced numerous adversities which greatly threatened its existence, although none of them came close to the impact that the financial crisis had on the company. The implications of the crisis and the state of GM at the time presented the perfect mix of obstacles that the company was having a hard time overcoming, which ultimately led to its bankruptcy. This case approaches the fall, of what was once the largest industrial corporation in the world, and subsequent reorganization under chapter 11. It will analyze how the company has proceeded during this process, the strategic alignment of its capabilities and resources with the ever changing and highly competitive auto-industry environment. Students will acquire a deeper understanding of crisis strategic management and how it is employed in a matured company, in a way that it can develop long-term sustainability and taking advantage of market opportunities.

Although the case-study at hand narrates a relatively old point in time, it still is a very current topic, especially considering the Covid-19 pandemic, which despite being circumstantially different, has many common points with the financial crisis.

6.2 Teaching Objectives

The case at hand approaches different variables which affect the automotive industry, with the perspective of GM, and how it might influence different strategic decisions to reposition themselves in the market. With the concepts and frameworks provided, students will be able to develop distinct strategic solutions for a real case scenario with practical utility. An in-class analysis of the case will provide further understanding of strategic management components, such as the forces which shape an industry, the resources/capabilities of a firm and how the company itself is structured. The resolution of the case should be done be with a thorough, comprehensive reading, analyzed, and subsequently approached in class to discuss the possible answers for its resolution.

6.3 Case Study Questions and Discussion

I – Considering the financial crisis, indicate the changes in the automotive industry and demonstrate its impact on GM.

Teaching objectives:

- *Understanding how the market changes through the forces that shape an industry;*
- *Understanding the fast modifications in trends and consumer behavior, and its effect in companies;*

The main objective here is to understand what the major elements are, which arose in the midst of the financial crisis, that have transformed the automotive industry and consequentially GM. To have a good perception of this, it is necessary to perform an environment analysis, which can be done through Porter's 5 Forcers. This will allow students to observe what areas of the industry/company are susceptible to higher risks.



Figure 7 - Porter's Five Forces analysis of automotive industry

Bargaining power of suppliers: Low

We cannot talk about car manufacturing without addressing the necessity for huge amounts of raw materials, whether its alloy, plastic, types of resins, among other numerous elements

necessary for vehicle parts. Some major players in the automotive industry produce a great number of various types of vehicles, as several different functional/cosmetic distinct characteristics between the same models, which further boost this idea of high variability of raw materials. This means that there is a necessity to access at least a moderate number of suppliers in order to fulfill its needs to be able to produce cars, at least with the level of variety it has. There could be some financial pressure from some suppliers which present differentiated products that some of these key players utilize in their vehicles. But for the most part, the customers it catered to (GM, Chrysler, Ford) were so much larger than the suppliers themselves, that the leverage they hold is low. Another important factor to consider are the lower prices of these raw materials. As global demand decreased, due to higher difficulty in accessing credit, recessions in the US and Europe and volatility in oil prices, so did the rate for them. Naturally this would benefit the suppliers which purchase these materials, but simultaneously the expectation for auto manufacturers is that these parts will come cheaper than usual. Thus, if a specific supplier were to maintain or increase the prices it sold to increase its margins, most of the automotive giants could simply turn to another provider, which ultimately would be more problematic to the former.

Threat of new entrants: Low

The top 5 firms in the world, hold 49% of the entire automotive market, which is a somewhat relevant indicator of the difficulty of the entrance in this industry. This can be explained by several different factors; First and foremost, the existence of high entry barriers promotes of one of the biggest hindrances to play a part in this market. Establishing factories for the production of vehicles and personnel, acquiring the necessary equipment, hiring a specialized workforce, R&D expenditures, getting access to distribution channels, are all high capital intense requirements, in the order of hundreds of millions. There are more barriers to be considered other than the ones already mentioned, but to set up a large-scale business to be able to compete with companies such as GM or Toyota, an enormous amount of funds is required. Also, the existence of economies scale in key players is crucial in maintaining sustainable cost-efficient production, only possible due to the magnitude of operations of these companies, which are very difficult achieve. Lastly, it is important to consider brand preference. As buying a car is not a small investment, customers are highly sensitive to what product they would buy and from which company would that purchase be made. Most of the businesses in this market,

or at least the largest ones, have been around for decades, which not only brings a lot of experience operating in it but also high brand recognition and customer loyalty. Thus having customers switch from a recognized, high value brand into a new competitor would be, to say the least, unlikely.

Threat of substitutes: Medium

Cars offer a method of transportation which in terms of convenience is unrivaled by any other. The ability to travel to exactly any location needed brings great value to this type of vehicle. Of course there are circumstances where this is not always the case. There are other, more effective and cheaper methods such as public transportation, which include train, buses or subway, as well as bicycles, all of which are very useful in short or sometimes medium distances. Customers have the flexibility of choosing all of these different options with a very low switching cost. Another example is long distance travelling, which has flying as the most optimal and efficient option. The lack of access to credit in many parts in the world difficult dealerships obtaining inventory and customers securing loans, which ultimately prompts them into other alternatives. With volatile oil prices, which were expected to continuously increase, consumers were also less tempted to buy vehicles. In the US, the core market of GM which culturally has predominantly always marketed high fuel consumption vehicles (SUVs and Pickup trucks), the number of efficient consumption options was limited, which further pushed sales away from the automotive industry.

Bargaining power of buyers: Medium

The automotive industry customers are mostly individual buyers who only purchase one single vehicle in the middle of the millions which are sold every single year. There are corporations and government entities which buy these vehicles in higher volume allowing them to negotiate and bring down prices, comprising a significant percentage of its total market: 27.6% are fleet sales. This is a high price sensitive industry with customers looking for the best deals. Customer retention is achieved through constant improvement of its fleet, adaption to the changing landscape of the industry, such as the development of environmentally friendly products, and of course by providing competitive prices. This particular sensibility of customers makes it much easier to switch between the different companies. The existence of many different

segments and consequentially the high number of cars which are marketed from each company helps reduce consumer power, as does product differentiation.

Competition rivalry: High

As mentioned before, the automobile industry is highly concentrated, dominated by some major players for a few years now. This occurrence is a good reflection of the intensity of the competition (alongside some other factors), translating in the difficulty for newcomers to breakthrough in this market. Despite being a huge industry, it is already reaching maturity levels in many places around the globe. There are numerous market segments which are targeted by a certain brand, but more often than not there is overlapping between labels of different companies, sometimes even inside the same, which further intensifies competition for market share. To outperform others and reach the industry leader position, there is intense investment in marketing campaigns and the research and development of better, more innovative products. Since GM is virtually in every single segment, it is always competing with someone, which is the case of Toyota or Ford, which are also in most, if not all of them as well. Companies on all aspects such as price, technology, design and quality, which serve as points of differentiation. With the development of the financial crisis, General Motors should focus in the small, fuel-efficient car segment, as well in the alternative fuel vehicle segment. Not only are these two sectors rising trends, but GM is vastly under-represented in them; Through its technological capabilities the company can develop unique products which could prove to be a point of differentiation for it.

II – Perform a SWOT analysis considering how these variables might have changed with the financial crisis.

Teaching objectives:

- *Understanding how different factors can help/hinder a company's ability to reach its strategic goals;*
- *Understanding how a company can reposition itself in times of uncertainty and a fast-changing environment;*

Here it is pretended to observe the overview of the most important external and internal factors which impacted General Motors' business and the necessity for a strategic realignment. This is

important to understand how it can maximize the usage of its capabilities and resources, and how it might fill the gaps which hinder its ability to reach its goals.

General Motors has been around for more than a century and for most of that time it was dominating the US automotive industry, being not only the largest vehicle manufacturer inside the country, but also the world. This leadership has naturally helped it to be well established inside the industry, consolidating itself as a high-quality company with a large customer base.

It has lost market share in recent times, although it still retains its top spot in the US region, its core market, which puts it in a good position to jump back to where it was previously. Being a relevant player in almost all global markets means that it has high brand awareness worldwide, which further helps this possibility. It is also in possess of a highly diversified portfolio of quality, renown brands, which targets all different segments, catering to the various needs and values of its customers. These labels are backed up by a huge investment in research and development, translating in a fleet of innovative products. This innovation is extended beyond the vehicles it produces, such is the example of OnStar, the leading telematics provider in the industry and a pioneer in its area.

Indeed the company has a good set of conditions which make it possible to bounce back into the automotive powerhouse it once was. But there are several aspects of the business that can potentially hold it back. It suffered from a poor, bureaucratic organizational structure, limiting the flexibility of response to external changes. This resulted, for example, in lagging behind in the hybrid technology/alternative fuel vehicles in comparison with other big firms, or the lack of implementation of procedures learnt in its NUMMI joint venture with Toyota in its factories that suffered from low productivity. Another major issue are the large costs it incurs from the overpaid workers it employs, in comparison with transplant factories, as well as legacy costs, from union deals made previously.

Its vast reach along the world has led the company to be established in various distinct markets and although it isn't leading all of them, it has a good positioning in some of them. This presents as a great **opportunity** to increase its market share and emphasize investments in foreign markets. China is a prime example of this, with GM having a significant percentage and sales climbing each year, and Wuling, which is mostly focused on the Chinese market, is already its third largest brand in term of sales volume. The topic of hybrid technology and alternative fuel vehicles is not new, although it has only recently started gaining more focus. GM could quickly gain leadership in this growing segment, as the trend in product development starts slowly

skewing towards green energy rather than fossil fuels, by leveraging its technological and innovative capabilities.

Although it operates in over 140 different countries, it is over reliant on the US market, corresponding to more than one third of all sales (roughly 36%). As the industry becomes increasingly competitive, focusing on just one market could prove to be a **threat** to the company, and in the midst of a crisis, a sudden drop in sales volume could be the difference between staying in business or going bankrupt. With the increase of oil prices, the consumer will shift towards more fuel-efficient vehicles, or those which possess hybrid technology. For GM this was problematic, as it discouraged purchases of low efficiency vehicles, such as SUVs and crossovers, which happened to be those with higher margins and the primary focus of the company.

INTERNAL FACTORS	
STRENGTHS (+)	WEAKNESSES (-)
<ul style="list-style-type: none"> • Strong brand image • Diversified portfolio • Global Presence • High R&D investment 	<ul style="list-style-type: none"> • Rigid, bureaucratic organizational structure • High legacy costs

EXTERNAL FACTORS	
OPPORTUNITIES (+)	THREATS (-)
<ul style="list-style-type: none"> • Invest in growing markets where it already has a presence • Invest in alternative fuel technology 	<ul style="list-style-type: none"> • Over reliant in the US market; • Increase of oil prices

Figure 8 - SWOT analysis applied to GM

Source: Own figure

III – What are General Motor’s sources of competitive advantage?

Teaching objectives:

- *Understanding the core capabilities of a firm and its relationship with competitive advantage;*

The objective of this question is to understand what are the internal factors that would allow General Motors once more to achieve long term success through a sustained competitive advantage. Through the VRIO framework analysis, it is pretended that students identify what are the resources that the company possess and its ability in exploiting their full competitive potential, that would allow GM to differentiate itself from its competitors.

Starting off with the **resources**, GM being a manufacturer, specially of such complex machines as is the case of cars, would naturally result in it having a comprehensive list of **tangibles**. Many different elements could be considered, such as the raw materials or machinery for the development of its products, but these are common among all firms in the industry, not being driving forces to the company being able to distinguish itself. More important than that, would be, for example, the company’s highly diversified portfolio, which allowed it to be present in virtually almost different existing segments in the industry. Even after the restructuring, when it cut half of its brands, the number of models it was producing was enough to cater to a very extensive variety of customers, excluding the brands it was selling under certain agreements, such as joint ventures. It also had an incredibly vast dealer network, which included distributors, outlets and dealers. For GM this was crucial, as they helped marketing the company’s vehicles worldwide, helping to capture and maximizing value. They stand as one of the biggest touchpoints with the end customer, for both primary sales and secondary services, and have a rather important position when it comes to the company’s strategy. These two tangible resources would be the most significant drivers behind promoting a uniqueness point to the value chain of the company.

The **intangibles**, although harder to quantify and thus analyze, are also an important part of the bundle of resources which the company has. First, the reputation of GM is one that sets precedents, having created a brand which is recognized worldwide. It has, over the course of decades, worked hard to provide quality products to its customers, building a close relationship with them and earning their trust. This isn’t just showcased with consumers, but also with the

different companies that it has worked with or is currently partnering up in the development of new products. GM's inherent strong brand awareness is also demonstrated by its position as one of the world's leaders in its industry, even being, at some point, the largest industrial corporation in the world. As per the human aspect of the business, GM has an abundance of high-quality personnel, whether it is engineers in charge of the development of its products, designers responsible for the design of cars' interior or the mechanics which build them. General Motors also emphasizes the investment in R&D, which perfectly goes hand in hand with its aforementioned employees, by exploiting their capabilities and maximizing the creative process of product development. This allows them to sustain various different brands, all of them with numerous models, as a way of serving of all the segments it is participating in, as well as moving into new ones.

This analysis of the resources is intrinsically related to its dynamic **capabilities**, as it is the ability of a company in successfully deploying its resources for gain. Over its long history of existence, General Motors has managed to remain at the top for so long due to the attractiveness of its products. Benefiting from its huge R&D investment, its highly skilled employees and different partnerships it created, GM reunites all the conditions to continue once more developing fresh ideas which appeal to customers, simultaneously exploiting possible new opportunities that show up in market. Its restructuration would help a lot, as becoming a leaner, more flexible company certainly eased the process of reintegrating and gearing its resources towards an ever-changing business environment. Thus, through its innovation capability, GM would be able to better exploit its major resources and provide a unique selling proposal, presenting itself as a source of CA.

	Valuable	Rare	Inimitable	Organized
Diversified Portfolio	Yes	No	No	Yes
Dealers' network	Yes	Yes	Yes	Yes
Brand Awareness & Reputation	Yes	No	Yes	Yes
Personnel	Yes	No	No	Yes

Table 1 - VRIO analysis

The VRIO analysis gives us an understanding of which resources could effectively feed into a capability and turn it into a sustainable competitive advantage. A diversified portfolio is incredibly valuable for a company, as is its personnel; But as is the case with most large automotive firms, they have numerous lines of different products, catering to all different segments, which renders it not inimitable and not rare either. The existence of all of these different vehicles among several companies and considering the complexity of this product, it's also concluded that the specialized personnel fall into the same category as the diversified portfolio.

General Motors has more than a century of existence and for a good period of it was the largest industrial corporation in the world, which naturally has enabled it to extend its reach to all corners of the globe. This is seen in its different segments which virtually comprise almost all countries, and the existence of products which serve specific zones further boosts this idea of it being established worldwide. Although it has had some problematic times, there is no denying that the company, among its industry, is well-recognized and not just in the US, where it is headquartered. Despite this, the proposition of the company of offering diversified products to cater all consumers is already shared between most automotive giants, making it non rare.

The dealers' network thus is the only resource which effectively completely lines up with the VRIO model. Although this resource is shared between many other automotive firms, none has

the extension of GM's, which even after cut still remained the largest in the world. The almost exclusive relation most of them have with GM (at least the ones in the US) means it will be more difficult for other companies to sell their cars in these locations. Creating a network of this size and commitment to the firm, which is already rare, takes a lot of money, reputation and time, making it extremely difficult to imitate.

7 Conclusion/Limitations

This thesis was developed with the intention to provide a real business situation in the form of case study, giving students the tools to be able to strategically readjust the company in a time of crisis. Although over a decade old, the topic of the case at hand is very present, with comparable situations being seen during the COVID-19 pandemic. This dissertation showcases the importance in the ability to rapidly adjust to a changing business environment, as there can be unexpected changes which might have significant consequences. Identifying opportunities and possible threats are crucial in the design of strategies, while simultaneously aligning them with the resources and capabilities of a firm to be able to mitigate risks and increase the value chain of the company.

Throughout the development of this thesis, the biggest existing limitation was the lack of an internal reference inside General Motors. Although there is an abundance of online data, whether it's provided by the company itself or industry experts, GM contacts did not disclose relevant data which wasn't already included in its reports. Additionally, the vast majority of the information regarding the bankruptcy and the restructuring of the company is referred towards the business of General Motors inside the United States, rather than addressing all of its different business units. This difficulted the analysis of the firm as whole, with a great deal of it being targeted towards GMNA.

8 Exhibits

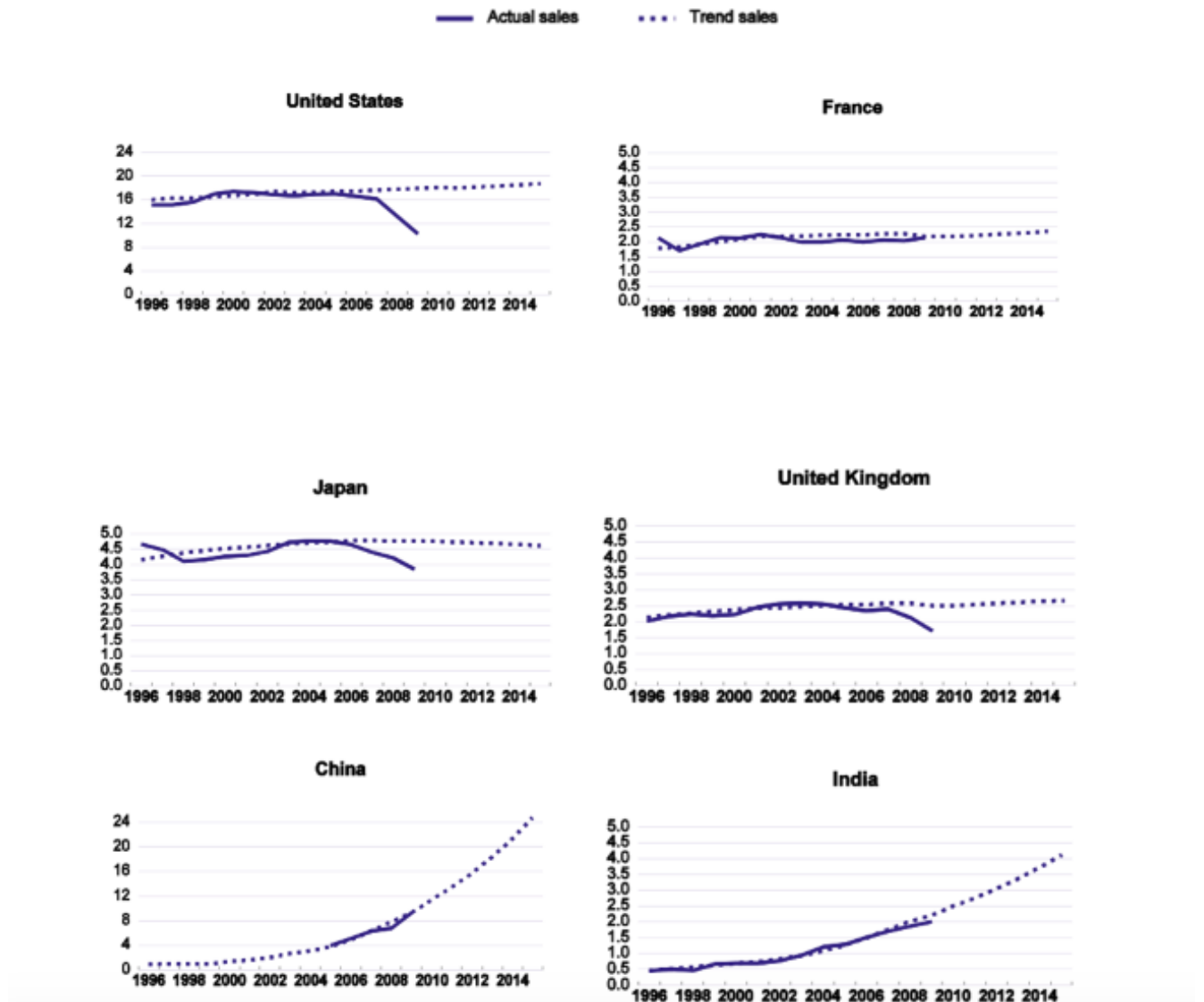


Exhibit 1 - Actual and forecasted car sales for different countries, 1996-2014

Source: OECD, Economic Outlook, 2009

Segment	Description
A	Mini cars
B	Small cars
C	Medium cars
D	Large cars
E	Executive cars
F	Luxury cars
J	Sport utility vehicles/SUV
M	Multiple purpose cars/MPV
S	Sports cars

Exhibit 2 - Classification of automobiles, according to the Euro Car segment scheme

Source: *Euro NCAP*

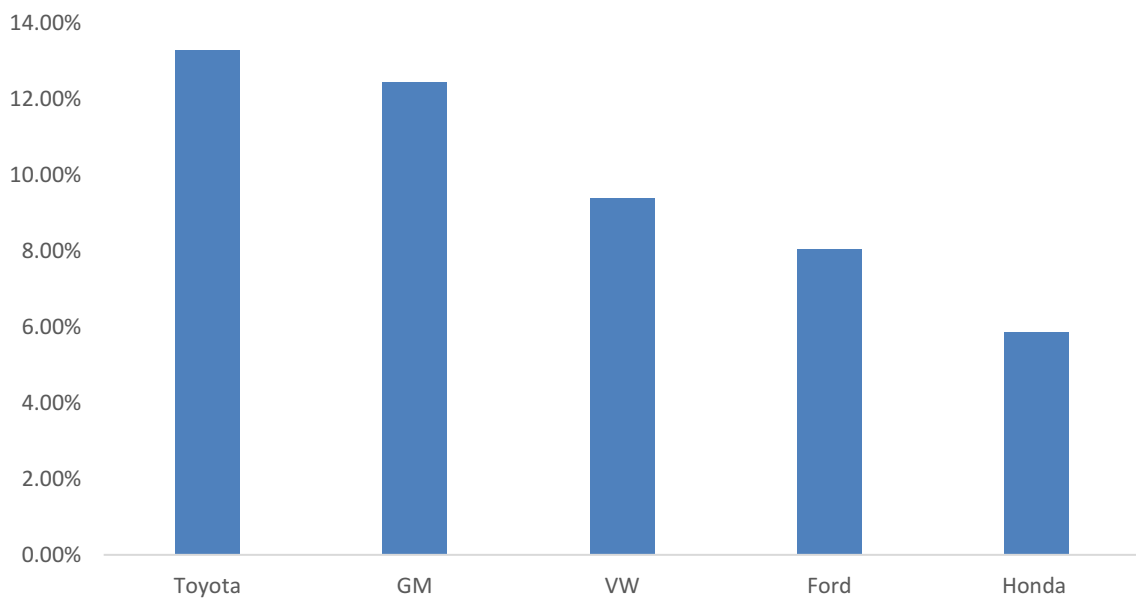


Exhibit 3 - Top 5 largest companies' market share globally, 2008

Source: Own figure

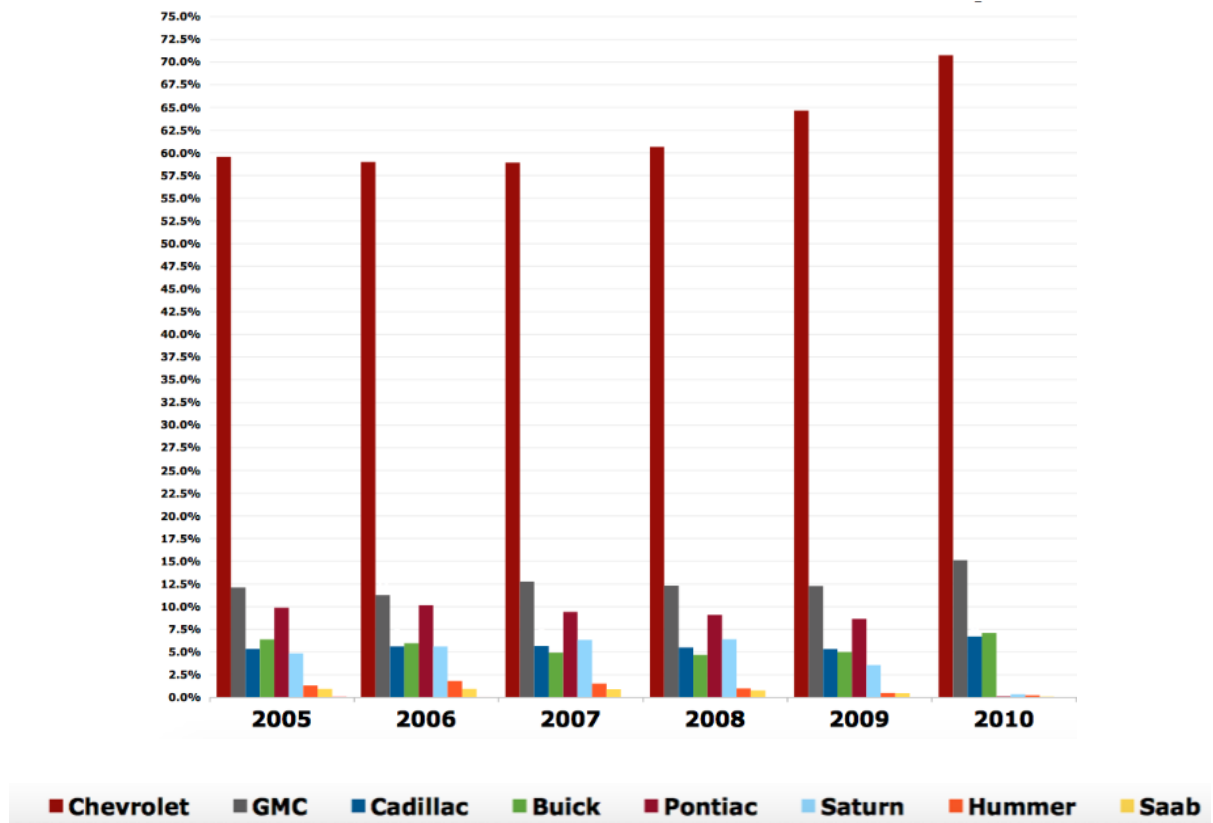


Exhibit 4 - Total market share of GM's brands, 2005-2010

Source – Thetruthaboutcars.com, accessed 13th of April

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