

Organizational Theory Research The Man with the Toughest Job at GM Cheverlet Company**By: Dr.Bassam Bani-Ata**

Received: 07-05-2019 Accepted: 03-12-2020 Published: 30-12-2020

Abstract :

General Motors Corporation is a U.S. Corporation, the world's largest automotive manufacturer for most of the 20th century and into the 21st. It was founded in 1908 by William C. Durant to consolidate several motorcar companies, and it soon included the makers of Buick, GMC, Oldsmobile (discontinued in 2004), Cadillac, and Oakland (later Pontiac) autos. GM acquired the Chevrolet auto company in 1918 and formed General Motors Acceptance Corporation (GMAC) in 1919 which constitute the Financing and insurance activities to GM customers and dealers, of which GM owns about a 10% stake.¹ Chevrolet was founded by 'Louis Chevrolet and ousted GM founder William C. Durant on November 8, 1911'(Kimes & Cunterson, 1986). Chevrolet holds various car brands such as the Cavalier, Corvair, Impala, and Suburban etc. Chevrolet had a great influence on the American automobile market. In 1963 'one out of every ten cars sold in the U.S was a Chevrolet.' (Kimes & Cunterson, 1986). GM has experienced historic financial hurdles that threatened its viability. The auto giant went through a brief Chapter 11 bankruptcy in 2009; it was bailed out by the United States government, under President Barack Obama's administration and returned to the stock market about a year later.¹ GM has nevertheless retained its position as the world's leading automaker. As GM, Chevrolet is currently recovering from the economic downturn of 2007 -2010. In order to insure its full recovery, a tough guy, James Campbell was appointed CEO by E. Jr. WHITECARE.

Key Words - Management ; Organization ; Researches

Introduction

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Chevrolet was founded by 'Louis Chevrolet and ousted GM founder William C. Durant on November 8, 1911'(Kimes & Cunterson, 1986). Chevrolet holds various car brands such as the Cavalier, Corvair, Impala, and Suburban etc. Chevrolet had a great influence on the American automobile market. In 1963 'one out of every ten cars sold in the U.S was a Chevrolet.' (Kimes & Cunterson, 1986). GM has experienced historic financial hurdles that threatened its viability. The auto giant went through a brief Chapter 11 bankruptcy in 2009; it was bailed out by the United States government, under President Barack Obama's administration and returned to the stock market about a year later.¹ GM has nevertheless retained its position as the world's leading automaker. As GM, Chevrolet is currently recovering from the economic downturn of 2007 -2010. In order to insure its full recovery, a tough guy, James Campbell was appointed CEO by E. Jr. WHITECARE.

In the following analysis, we will discuss about the new appointment of Mr. Campbell as chief of Chevrolet and the probability of success of the new strategies he is implementing within the firm to increase Chevrolet market share and make Chevrolet the leading automaker's brand in the U.S. as it was once before.

We start with a summary of our analysis (executive summary) to give you an idea of the content of our work and present you some key facts about GM which is Chevrolet's owner; this will be followed by an analysis of the external environment within which both Chevrolet and GM work.² From PESTEL, to Five Forces Analysis, passing through competitors' analysis, we expose the reality surrounding the operations of those giant brands. Then, we will have a look at the internal forces pushing Chevrolet towards its anticipated success and the long- /short-term objectives/strategies employed by both Chevrolet and GM to be the leading auto-manufacturer worldwide and in particular in the U.S.

1) Executive Summary

'Chevrolet is GM's primary brand across Africa and the United States' - Tim Lee, president of GM International Operations.²

GM management has dealt with a business problem in its organization concerning its Chevrolet brand which is its most important brand and accounts for about 70% of GM sales in US, and became losing share for years. In order to solve this problem, GM has announced that Mr. James Campbell, 45 years old, will lead Chevrolet effectively from December 9, 2009 in order to restore the luster of the brand. Campbell has a strategy in facing competition and managing the product: he relies on his customers and relationship base, such as the ads he bought on Chevy's lineup site, promoted the Chevy's cars by sponsoring little league baseball games and letting people test-drive cars at second-tier auto shows around the country, using also the marketing tools such as offering financial facilities, ads, discounts, and

dealer's partnership, marketing research through studying the competitors and customers needs and wants regarding the small cars, and his insights in the business field as well as in the middle- and working-class people.³

In the reference of the topic, and through the recognition of the problem and the assignment of Mr. Campbell as chief of Chevrolet, in order to solve Chevrolet problems related with its position and marketplace, for improvement and enhancing the activities functions efficiency, GM management has applied one of leadership and development theories, that is Leader-Member Exchange (LMX) Theory, which is based on the skills of leadership and development and depends mostly on the experiences⁴. The optimal leadership in organizations complies with looking at the complex field of research in the environment of leadership in all levels of large organizations and the scientific theories along with the backgrounds⁵.

GM management considers external threats coming from competitors such as Toyota , Honda, Mercedes and BMW and should deal with it , and must do some changes , in order to increase management ability and systematic optimization through the improvement and the orientation of the organizational structure, how? through the study of the internal strengths available, GM has decided that Mr. James Campbell, 45 years old, will lead Chevrolet instead of Mr. Brent Dewar effective dated 9/12/2009⁶, relying on his execution by his achieved positive results and experiences, as well as the successful historical records along with the quality outcome in order to restore the luster of the brand and drive it towards the global growing⁷. Campbell joined GM in 1988 and was holding many positions in proficiency ways, also has a strong and deep experience of building relationship and partnership with GM dealers and customers as well as working people during the past 22 years,⁸ he was recommended for this post as an intelligent capital. Campbell has a strategy in facing competition and managing the product: he is relying on profiting and investing in the external Opportunities, willing to take risks such as the ads he bought on Chevy's lineup site as mentioned above, using also the marketing strategies in respect of the analysis and research in competitors ,product and customers needs and wants.⁹ GM has implemented the management change policy in its organization in order to maintain the factors which are more important to its organization that is: Its Clients, People and Its Reputation¹⁰

We will give detailed information relating to our above analysis in the following pages.

a) Mission Statement

GM's vision is to be the world leader in transportation products and related services. We will earn our customers' enthusiasm through continuous improvement driven by the integrity, teamwork and innovation of GM people. Becoming the best is an unending journey, a constantly changing destination. But that's where we're determined to drive - one car, one truck, one customer at a time.¹¹

b) Vision Statement

The GM vision is as follows: GM's vision is to be the world leader in transportation products and related services. GM will earn customers' enthusiasm through continuous improvement driven by the integrity, teamwork and innovation of GM people. "(GM.com) The proposed new vision for GM is as follows: For GM to become the automotive industry leader in alternative fueled vehicles and providing superior quality products that global consumers call to mind when they think of quality and innovation.¹² (For example, the way consumers call tissue, Kleenex, or the way consumer's

reference quality -- Rolex to watches) My vision for GM is to be the industry leader in innovation, and where all other industry competition strives to imitate.

c) Values

We have defined six core values to guide our global business conduct:¹³

1. Customer enthusiasm
2. Integrity
3. Teamwork
4. Innovation
5. Continuous improvement
6. Individual respect and responsibility

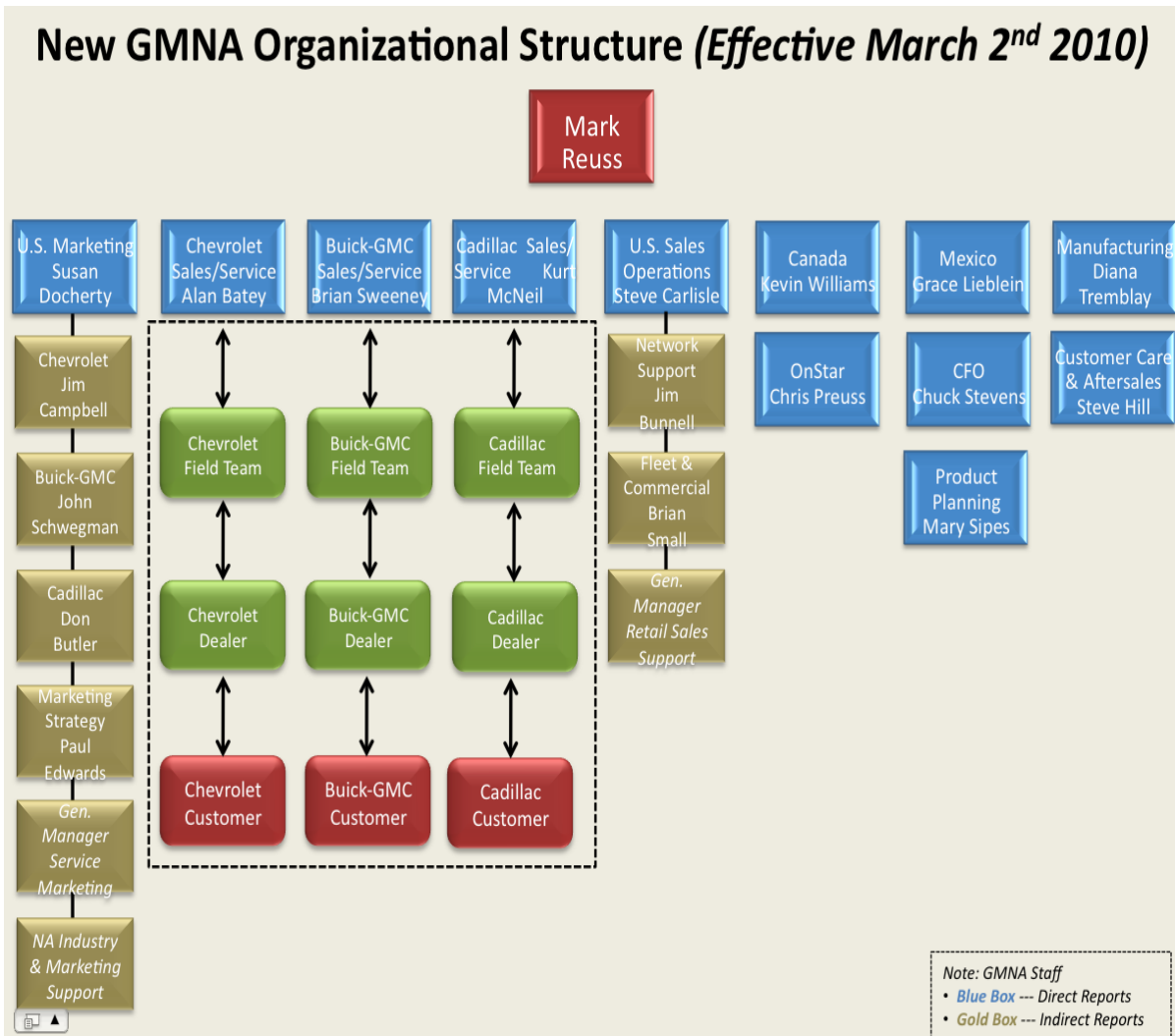
The employees conduct their day-to-day business with the strong foundation of the company's core values.

d) Organizational Chart

As expected, GM announced a restructured organization with a flurry of key leadership changes across core North American brands, including Chevrolet, Cadillac, and Buick-GMC.

GM North America (GMNA) is moving away from combined sales and marketing organization to one that "enables the company to engage experts in each respective role." That's code for matching more qualified personnel with jobs that require more expertise. GM is adopting a flatter structure where accountability is key.

GM is placing great emphasis on its hope that these changes will lead to an increased focus on the customer, as it places responsibility directly on the executives in charge.¹⁴ We've been hearing reports for some time that CEO Ed Whitacre is a big proponent of placing increased responsibility on more employees.



e) Shape of the Organization

Chevrolet operate on a spherical organization shape considering the fact that Chevrolet is operating under a high technical structure, ranging from design to manufacturing and even advertisement and sales.¹⁵ It's also conglomerate in the sense that it deals with many company like different brand of Chevrolet car, such as Omega, Opala, Corvette, etc. In this ideal, spherical organization are infinitely rotatable, when a particular request (problem or opportunity) confront the organization, the sphere rotates, quickly providing the initiator with a means of accessing the company's entire array of resources.

This shape suggests a stable, unified focus on the environment no matter where problem and opportunities enter the hierarchy; they are routed to the top for et organization shape is spherical because the network form of the organization represents a significant departure from previous organizational forms. It is a product of a continuing evolution stretching from the small owner managed firm of colonial time, with its direct personal control, all the way to the global matrix organization of the 1980s with its complex coordination mechanisms.

Chevrolet has acquired companies throughout the world and established its own Greenfield investment in many countries. If Chevrolet has sales operations in multiple countries, production in multiple countries, and some other

permutation of international business activities physically present in multiple countries, then it is multinational or conglomerate.¹⁵ In conclusion, organization shape of Chevrolet is participation and contribution to direction and responsibility is essential.

f) Nature of the Organization

According to Shelton Grenade, (Professor of Effective Organizations at Rollins College in Winter Park, Florida) General Motors maintained a divisional structure during the 1980s and 1990s.¹⁶ Under the divisional structure, General Motors employees worked for one of several separate brands like Chevrolet, Pontiac, Oldsmobile, or Cadillac.

According to Thomas G. Cummings and Christopher G. Worley(Organization Development and Change) The divisional structure also known as a product or self-contained-unit structure represents a fundamentally different way of organizing, it was developed at about the same time by General motors, sears, standard oil of New jersey(now Exxon Mobil) and Du Pont.¹⁷ It groups organizational activities on the basis of products, services, customers or geography. All or most of the resources and functions necessary to accomplish a specific objective are set up as a division headed by a product or division manager. In effect, a large organization may set up a smaller (sometimes temporary) special-purpose organization, each geared to a specific product, service, customer or region.¹⁸

2) External Analysis

a) PESTEL Analysis

- Political

Laws and government regulations have affected this industry since the 1960s. Almost all of the regulations come from consumers increasing concerns for the environment and the concern for safer automobiles.

There is no significant political pressure on the North American motor industry. Past and present, positively affecting Chevrolet segment of the industry.¹⁸ In general however, political demand for the general car industry's use of fuel and the consequent impact on the environment exists. Thus as part of its corporate social responsibility, General motors maintains strict ecological and environmental ethics to ensure the minimal use and thus the most ethical use of this resource; complying with environmental protection agencies of the government as do other serious players in the industry.

While political forces are made to ensure that legislation to protect the environment are put in place; they also act in most cases to protect players in this industry, by the enactment on patent laws and etc.¹⁹ However, the consequences of political forces relevant to Chevrolet segment of the industry have been more of an opportunity than a threat.

- Economic

The automobile industry has a huge impact on every country's economy. According to various studies this industry is the major user of computer chips, textiles, aluminum, copper, steel, iron, lead, plastics, vinyl, and rubber.²⁰ The study also showed that for every autoworker there are seven other jobs created in other industries. These industries include anything from the aluminums to lead to vinyl.

- **Social**

Social factors, which include the beliefs, values, attitudes, opinions and lifestyle of the societies in which general motors operates, make its social environment a very favorable one. Today's society judges people on the type of car you drive. Society does not like to admit to this but it is very true. Manufacturers know this happens and targets their markets by these thoughts. Anyone who drives a nice vehicle is thought to be wealthy. No one wants to be seen driving an unattractive piece of junk because of what other people will think of him or her. Consumers also just feel better when they are driving a nice or new car, if makes them feel better about themselves.²¹

- **Technology**

Technology plays a very important role in this industry, as it can be heavily affected by technological advancements. For example the internet has affected just about every industry in the world and has also had a huge impact on the automobile industry. A study was conducted by J.D. Power and Associates in 2002 and involved more 27,000 new vehicle buyers.²² The study showed that 60% of the buyers referred to the internet before making their purchases and out of that 60%, 88% went to the auto websites before going and taking a test drive. Business-to-business marketplaces have given the industry many opportunities because of the internet, such as more efficiency and lower cost.

- **Environment**

Ecological and environmental pressures from various agencies (both governmental and non-governmental) are directed especially to companies directly or indirectly involved in the production of carbon monoxide from car fuel which pollute the environment. This is so, because the lobbying activities of such organization, occasionally lead to legislation on the increased taxation of petroleum and rubber industries, which invariably increases the overhead cost of cars, thus either reducing the profitability of these firms or causing a hike in price of goods and thus a drop in annual sales.²³ Thus activities of environmental and ecological agencies can be a source of threat to Chevrolet in the segment of the industry.

- **Legal**

The law of United States of America have form and organization to protect the home industry (general motors) by calling on General Motors, Ford Motor Company, Daimler Chrysler, BMW, Volkswagen, Volvo, Toyota, Mazda, and Nissan Motor Company come together to create a new trade association created the Alliance of Automobile Manufacturers.²⁴ The organization was to replace the American Automobile Manufacturers Association that only consisted of American manufacturers, the goals of the associations were to work together on public policy matters of common interest to provide credible industry information and data, and seek consistent global regulatory standards.

b) Five Forces Analysis

Michael Porter's famous Five Forces of Competitive Position model provides a simple perspective for assessing and analyzing the competitive strength and position of a corporation or business organization.²⁵

Porter's five forces:

1. Existing competitive rivalry between suppliers
2. Threat of new market entrants
3. Bargaining power of buyers
4. Power of suppliers

5. Threat of substitute products (including technology change)

Analysis²⁶

Overall industry rating	Favorable		Unfavorable
1. Threat of new entrants	10	1	1
2. Bargaining power of buyers	6	1	3
3. Threat of substitute products	0	1	3
4. Bargaining power of suppliers	4	1	2
5. Degree of rivalry among competitors	3	2	4

1. There is low threat of new entrants
2. The bargaining power of buyers/customers is low
3. There is a huge threat of substitute products
4. Suppliers do not have much bargaining power
5. There is a significant amount of rivalry among competitors

Porter's Five Forces Analysis of the Industry – Version 2	
Threat of new entrants	Moderate
Event	Comments
New automakers entering the market and claiming a large share of the market	Industry-wise, there are huge barriers to entry and minimal capital available. But with respect to GM's existing position, even a small entrant could have an impact. Low-cost cars from China, India, S. Korea, or even Italy (FIAT) could be candidates.
Bargaining power of buyers	High
Event	Comments
Sale of cars from dealers to the public	Dealers are offering unheard-of prices and discounts suggesting high bargaining power of customers
Threat of substitute products	High
Event	Comments
People could use public transportation, bicycles, or alternative means to commute or travel	With a lack of credit, heightened environmental awareness, and fears of increasing oil prices, these threats are very real. People are making conservative, defensive moves now given the uncertainty ahead. Cars are not selling yet people are still getting around.
Bargaining power of suppliers	Moderate

Event	Comments
The suppliers and the manufacturers need each other, but the suppliers tend to be smaller and need the manufacturers more. They are even asking for financial help from automakers.	The suppliers sell to other car manufacturers (most are not reliant on just one automaker). This is a highly-integrated industry ¹⁰ . Thus, their bargaining power is not as low as it may appear as they have some degree of diversification (other automakers to sell to). American Axle and Manufacturing took a 90-day break in 2008 ¹¹ suggesting suppliers have some bargaining power.
Degree of rivalry among competitors	High
Event	Comments
Competitors taking offensive action in acquiring market share	There is huge rivalry between the automakers and as GM is in a defensive position (cutbacks, asking for financial help), this provides opportunities for the competition to expand

c) External Opportunities and Threats

Opportunities

1. Alternative Energy Movement

It is obvious that GM was behind its competition with regards to the research and development of hybrid vehicles. However hybrid technology is still very much new giving GM the opportunity to once again become the automotive industry's leader in innovation and technology.²⁷

2. Continuing to Expand Globally (emerging markets)

Recently GM saw an increase in the Chinese automotive market, which proves their needs to be more emphasis put on foreign markets. If GM can infiltrate these markets and successfully grow along with their continuing focus on the US market they will be headed in a positive direction.

3. Low Interest Rates

With the right marketing strategy the low interest rates have the potential to generate an immediate increase in sales.

4. Develop New Vehicle Styles and Models (Growing market for alternative fueled vehicles)²⁸

This is an opportunity that will never be satisfied, meaning that GM should always be attempting to develop the automotive world's most popular vehicles, and as we know, what is in today will be out tomorrow.

Threats

1. Rising Fuel Prices

With GM being a large producer in both trucks and SUV's, sales have drastically decreased due to the lack of fuel efficiency. The rise in fuel prices has played a significant role in creating the opportunity for development of both hybrid

and more fuel efficient vehicles.²⁹ As you will find with most threats, an equal opportunity will usually emerge as is the case here with GM's opportunity mentioned above.

2. Growth of Competitors

GM no longer has the luxury of being the known leader in the automotive industry and faces the reality that they are in serious trouble. Toyota took the first step in the direction of hybrid technology and has since drastically grown and become the questionable automotive frontrunner to start the 21st century.

3. Pension Payouts

Part of this threat is the company own doing and the other is simply unavoidable. GM is responsible for providing generous pension benefits to its employees, who at the time seemed like a great idea, however they are now experiencing problems as more and more people begin to collect.³⁰

4. Increased Health Care Costs

GM, like many large companies with quality employee health care benefits, is experiencing a large financial hit that only gets worse as time continues.

5. Rising Supply Costs, i.e. Steel

Once again this threat affects the entire automotive industry and forces each company to cut manufacturing and production costs as much as possible, without taking away from the quality of the product.

6. US economic downturn³¹

d) Competitors' Analysis

Bellow are some important Financial information about GM's top 4 Competitors which are Chrysler Group LLC, Ford Motor Group Company, Honda Motor Company Ltd. and Toyota Motors Corporation for the years 2008 & 2009.³²

2009	market share	total liabilities	net income	vehicles sold	owners' equity
Chrysler Group LLC	3%	US\$ 202 million	US\$ 3,785 million	931,402	United Auto Workers Voluntary Employee Beneficiary Association (67.69%) Fiat S.p.A. (20%) U.S. Government (9.85%) Government of Canada (2.46%)
Ford Motor Group Company	6%	US\$ 611.93 million	US\$ 2.717 billion	1,620,888	US\$ -6.515 billion
Honda Motor Company Ltd	6.50%	US\$ 45,524 million	US\$1.39 billion	1,150,784	US\$40.6 billion
Toyota Motors Corporation	10%	US\$ 107 million	US\$ 2503 billion	1,770,147	US\$ 123 billion
2008	market share	total liabilities	vehicles sold		
Chrysler Group LLC	4%		1,453,122		
Ford Motor Group Company	5%	235	1,988,376		
Honda Motor Company Ltd	6.60%	51,532	1,284,261		
Toyota Motors Corporation	10%	119	2,217,662		

Financial Results

AS we see in the above table market share of Chrysler during 2008-2009 increased 1%, while Ford faced with 1% decrease, Honda experience 0.10% increase and Toyota doesn't have any changes. General Motors North America market share, during these last two years fell down. In the last 1990s, GM had regained market share up \$ 80 a share.³³ In 2000, the interest went up by the Federal Reserve to quell the stock market and a severe stock market decline following the September 11, 2001 attacks. Due to this factor, it affected a pension and benefit crisis at General motors and many other American companies. The current stock market price of General Motors are falling between \$28- \$29 per share. It has been falling down gradually in the past six years. So Toyota, Chrysler and Honda are most critical competitors in automobile industry.

This decreased in market share was due to sales declines in segment where GM has high volume such as : large sport utilities, mid-sized utilities, and mid-sized cars. Between these huge automobile companies Toyota has the least amount of liability and the best net income according to the number of vehicles which are sold (maximum vehicle sold by Toyota), this information itself explain the strong competitor of GM which is Toyota.

Financial Projections of GM:

The U.S economic activity has slowed mostly due the sharp downturn in the housing market, along with a downturn in corporate investments in plant and equipment.³⁴ The economic forecast is expected to pick up beginning in late 2008, as the housing market begins to moderate. "Country Watch forecasts the continued slide in the US dollar that will make U.S. products more competitive in export markets, and imports more expensive to U.S. consumers" (Country Watch. U.S. Macroeconomics). GM needs to take advantage of the declining dollar to exploit the foreign markets, and regain some of the U.S market share recently lost to the foreign competition. "Growth is expected to pick up in 2008 and remain favorable the remainder of the for forecast period, with real GDP averaging around three percent from 2008 – 2012." (Country Watch. US Macroeconomics).

GM is a large organization and with large financial statements, as reflected in chart below. So rather than spend time providing financial projections that would probably take months to create, and even longer to validate, I will focus on how GM should go about funding the new vision of alternative fueled vehicles. GM has done a good job in recent years in reducing structural costs, and working on the ever increasing health-care costs. GM will need to continue to find ways to target cost reductions that can be used to fuel the research and development of alternative fueled vehicles.³⁵ "GM, with its structural labor cuts, has freed up capital to invest in new product, but how? The authors argue that at any gas price between \$2.00 and \$3.10 per gallon, GM (as well as Ford and Chrysler) can produce more profit by investing a buck in fuel efficiency than by any other approach." (Jenkins, 2006).

However, GM will not be able to totally fund this development and production by themselves, and will need the government to subsidize the necessary development and infrastructure required to implement this technology. "Most of us wish that government intervention in the marketplace could be avoided. But it's time we face up to the fact that there are times when it's necessary. And this is surely one of them. Let's hope our pandering leaders find the backbone needed to end America's restriction to oil." (Wilson, 2006). The US government needs to step in and support GM and the other

domestic automakers become an industry leader in alternative fueled vehicles. The government can provide incentives for college students to pursue technological degrees, as well as using taxes to provide the income needed for this next industrial revolution. "As the price of gas decreases in response to declining demand created by the ethanol alternative, increase taxes on gasoline to keep it from undercutting ethanol sales."³⁶ The new gas- tax revenue would pay for the initial investment required to force ethanol into the marketplace." (Wilson, Bruce, 2006). If the domestic automakers do not receive the support from the US government we stand to lose the technological lead to other countries that have their full government support and financial aid.

3) Internal Analysis

a) Internal Strengths and Weaknesses

Strengths

The main strengths of Chevrolet can be categorized under the name recognition, the corporate strategy and perceptions of opportunities, processes of its marketing team, and quality improvement.

Name Recognition: The Chevrolet biggest strength is undeniably the brand "name"; through which it has built a strong brand Identity and established customers' loyalty over generations.³⁷ As illustrates a passage of our case: "he comes from a Chevy-driving family... He is Chevrolet". Corporate Strategy & Perception of Opportunities: Another relevant strength of Chevrolet is the GM corporate strategy. In our case, as GM drops some Pontiac and Saturn brands; Chevrolet has focused its marketing efforts on how to attract the 6.5 millions customers left orphans. It globally has had its marketing campaigns, songs, taglines, and slogans (S. ELLIOT, 10-27-2010); it has displayed an aggressive national presence- tier auto show around the country (USA) - offering numerous discounts. Chevrolet has been selected by GM to be the brand that the company will advertise in the commercial time it has bought during the game and the commercials to appear during the World Series. Also it uses public and private website to promote and sell "Chevy". It has entered partnership with Goodby, Silverstein & Partners an advertising agency on May 20, 2010 (Adweek.com; 11-09-2010); in order to sell Chevrolet cars in website where competitors have already proved themselves.³⁸ As a result of that, Chevrolet has gained market share from the ninth position on Edmunds.com, it is now ranked fourth (Bloomberg; 03-01-2010).

Quality improvements: These marketing efforts go by taking into account innovations occurring in the automobile industry. As the new trend in electrical and non pollutant cars Chevy launched Chevrolet Volt on earlier 2007 (N. MAYERSOHN, 10-15-2010). In order to benefit from the first mover advantage; Chevrolet Volt can be used both as electric and hybrid car.

Weaknesses

GM has been under pressure of dropping market shares for so long that the government came to rescue it more than once.³⁹ For some skeptics GM stands for "Government Motors" despite its efforts to go out from government shackles. Ed WHITACRE the current GM CEO summarizes the company's weaknesses as follow: shedding debt, dropping several brands (Pontiac and Saturn), shrinking its bloated dealer network, cutting jobs and securing concessions from those workers who remained (Cyber Essays, 16-12-2010).

Chevrolet lacks differential products and focused product line. There are too much investment on SUV' s & Trucks.

b) Financial Analysis

The General Motors one of the world's largest automaker. During last few years the company was near to bankruptcy and the situation was in a critical point. In 2007 year at the company posted loss of 39 billion dollars, the single greatest yearly loss for any automaker in history.⁴⁰ Today the company has healthier situation in market at all, and it can be noted from quarter trial balance analysis. Also we can noted it from that factor, that "General Motors Co. confirmed it has taken another step to reduce its financial leverage with the completion of the \$2.1 billion purchase of the GM 9 percent Series A Preferred Stock held by the United States Department of the Treasury (UST). The 84 million shares of stock were purchased today by GM from the UST at \$25.50 per share; a 2 percent premium over the liquidation value." (Gm.com/news, Wed, Dec 15 2010). The Sales ratio has positive sign and greater than industrial ratio, it is mean that the sales of the company grow. In same time the Income ratio is not in a good position it has negative sign, from income statement we can see that responsibilities and payment grow, it is because the company was in a critical situation. The government of United States makes decision to release a General Motors from tax fees, what was helpful in this situation. If look at the net profit margin and interest coverage ratio, we can recognize that the end of the 2009 year for company was more successful, then 2008 and 2007 years. Investment ratios are low according to the industrials standards, but if look at the quarter period the huge portion of investment in second quarter of the 2010 year, when was production of new models of automobiles and its advertisement activities.⁴¹

According the ratios of quarter period I submit, that the advertisement activity of the Chevrolet and strategy of the Campbell were successful and has good results and positive effect. Profitability and liquidity ratios increase and this is show that the company has increasing in net income and assets. This is meaning that the sales available to cover operating expenses and still generate profit, and the company able to cover its current liabilities. Accounts receivable turnover high, this is because of discount and increasing in periods of credit sales, but if it is has positive effect on profit it is not so important. The debt ratio is low and it is also good sign, because it show that the debt of the company will be finance the company's business activity, and there is no bankruptcy risk.⁴² Debt on equity a little high, but it is not so bad, it is talking about that the General Motors has a new projects and the portion of share payment will be financing in this projects. The times interest earning more than 1, this is mean that if the profit can decline the company still can meet its interest obligations, that reduce the risk of bankruptcy. This ratio important for investors and gives the opportunity for General Motors to increase its Value in the Bombastic industry by the creation new projects.

4) Chevrolet's Management

a) James Campbell's Biography

James M. Campbell was born 45years ago. He graduated from University of Michigan where he earned his BA ,and an MA at the university of North Dame.⁴³

He joined General Motors in 1988 as a district sales manager at Pontiac Division. While at Pontiac Division, Campbell was named the district manager – telemanagement in 1989.

In 1991, he was named the Metro district manager, and later the manager – Zone marketing and distributing in 1993. In the year 1994, Campbell was named the assistant brand manager for the Pontiac Grand Am. And in 1997, he

became the regional manager Kansas City for Pontiac – GMC, the position he held for long prior to assuming his current position as the General Manager Chevrolet.

James Campbell moves to the position of Chevrolet General Manager after leading General Motors Fleet and commercial operations. And before running General motors fleet and commercial operations, Campbell held various positions in field sales, retail incentives, marketing and customer relationship management.⁴⁴

However, few years ago James Campbell rejected a potential career – making opportunity to run Chevrolet's marketing operations in china.

James Campbell was also among the GM-Chevrolet Corvette C5-R racing car team management in 1995, and he was the brand manager of the Six members team. In November 3rd, 2010 the Chevrolet team headed by him as the General Manager and Motorsports Vice President designed and created the new C6 Corvette Jake Edition Concept, a special Grand Sport convertible concept vehicle that celebrates Corvette's racing spirit. And it will be launch in 2011.

CAMPBELL'S MANAGERIAL ATTRIBUTES AND KNOW HOW

Looking at Campbell's achievements, we can easily relate him to a Chopper or Helicopter type of manager. Because of his dynamic, constructive and think ability managerial attributes.⁴⁵ He also possesses the attribute of a full risk taker, which had helped him played many important roles in product launch. He launched the Chevrolet Impala, Colorado, the C6 Corvette and the last Monte Carlo, he was in charge of Chevrolet's SS resurgence and Chevrolet's SS V-8 and Trailblazer SS of few years ago.

STRATEGIC MANAGEMENT PROCESS

He formulated strategic plans that are capable of delivering future competitive advantage through quantitative and qualitative growth. His mission is to return Chevrolet to the position where customers will always identify with it as a brand. He intends to achieve this through proper marketing and advertisement on internet, car race shows and also discounting the price of Chevrolet to encourage buyers. His plan is to make it easier for customers to identify and stick with the brand. And this strategy has been working for the company as a whole.

On September 8, 2010 Chevrolet Cruz was rolled out. It is the most earnest attempt at building a compact car that Customers might buy because they like it, and not simply because it is cheap. At this moment, the car is Chevrolet's second best selling vehicle in 2010, behind Silverado Pickup. The sales of Chevrolet Cruz increased and generated more revenue for the company, which is a sign that the strategy employed by Campbell has worked. And the profitability has helped the automakers effort to shrink the U.S Government's 61% stake in General Motors to just more than 43% following shares sale to investors.

In conclusion, James Campbell has a strong track record of building relationships and partnerships with dealers and customers, and deep Chevrolet experience.⁴⁶ His energy, drive for results and willingness to take risks are great assets for leading the growing global Chevrolet brand.

If GM is going to hang on to share – let alone increase it — as Hummer, Pontiac, Saab, and Saturn are phased out, Chevrolet must do the heavy lifting. And Campbell is a veteran in delivering result of this kind, looking at his past records.

b) Attributes of a good Manager

A manager is a person responsible for overseeing one or more employees or departments' in order to ensure that the assigned duties are carried out as required. Managers perform a number of duties as they coordinate the organization's work.⁴⁷

The management of GM recently appointed Campbell to manage Chevrolet-one of GM's four US brands that remained after the bankruptcy reorganization. He was appointed to restore Chevrolet's market share and also prevent it from phasing out because of his strong tack record of building relationships and partnerships with dealers and customers. In setting organizational goals and performing various roles, Campbell is also expected to employ managerial skills.

TRAITS OF A GOOD MANAGER:⁴⁸

- Action centered leadership:
- Motivate:
 - i) Physical needs (ii) Growth potential (iii) Interaction with others
 - iv) The esteem of colleagues and friends (v) weaknesses/strengths of each of them.
- Plan and delegate
- Negotiate
- Listen with concern
- Strategic management

The primary aim of management is to create a work place environment, where workers are equipped, empowered and self-motivated to accomplish this goal. The management skills and the confidence about one's own abilities make a good manager.

Managers are required to possess managerial skills and traits to fulfill the company's objectives. James Campbell shows most of these traits; we can therefore say that Mr. Campbell is a good manager. So if he fails to improve the situation of Chevrolet no one will argue that appointing him was a bad decision from GM senior management.

5) Long-Term Objectives and Strategies

a) Strategic Objectives

Strategic objectives are a set of targets/goals set by an organization to enable them succeed in the market environment. Such goals could be achieving the following; acquiring a reasonable share of present and new markets, innovations and development of goods and services, fulfilling social responsibilities, productivity and profit maximization etc⁴⁹. GM in the U.S. will focus on four core brands: Chevrolet, Cadillac, Buick and GMC. This four-brand strategy will enable GM to focus its new product development programs and market each core brand more competitively.

Strategic objectives are set over a period of time to be put in place and actualized. The following objectives were set to be achieved during this revision period:

- ❖ Marketing spend per brand and nameplate improves to a level competitive to Toyota, Honda and Ford. The use of the Web to provide greater opportunities to connect with their customers. They will use a combination of in-person meetings and online technology to better interact with them with the use of Edmunds.com.

- ❖ The manufacturing of "Advanced technology Vehicles" which brought about the new "Chevrolet Volt " which is built on "lithium ion batteries" in the development of fuel efficient and advanced technology vehicles.
- ❖ The need for Campbell to get Americans excited about Chevy's new line up is based on rationalizing vehicle sales and marketing operations in the United States through reducing brands, nameplates and retail outlets. This will help to concentrate on product development.
- ❖ To improve the consumer appeal, quality, safety, and fuel efficiency of its cars and trucks; to achieve cost competitiveness or advantage in labour, manufacturing, and product development.
- ❖ Domestic manufacturing in the United States, such as Chevrolet volt and many others. Chevrolet is set to release ten (10) new models in the market giving Americans a wide range of products to choose from.⁵⁰
- ❖ Implementation of an integrated Global Manufacturing Strategy, based on common lean manufacturing principles and processes to facilitate flexible production.
- ❖ Continued trend of segment share gains with launching of new vehicles. The model Chevrolet accounts for 70% of the accounts of general motors. The "Chevrolet volt" has a major role to play in this.
- ❖ Dealer rationing to contribute to increased profit and customer satisfaction for remaining dealers resulting in volume and price gains.
- ❖ Leveraged scale of purchasing

Strategic management reshuffles. The functional form of organization in which general motor's operates has strategically place James Campbell as the chief of Chevrolet brand and they trust that his experience will bring great profit to the brand.

b) Financial Objectives

General motors' is maintaining its intense drive to grow global revenue, increase earnings, and generate cash.⁵¹ as well as the measure to determine the Net Present Value now and at an estimated future timing. In the long run Net Present Value must be positive after the objectives have been actualized. General motors' financial objectives include

- ❖ An improved Gross Domestic Product (GDP) at the end of 2012, after a massive sale of the new products such as Chevrolet volt, Buick etc.
- ❖ The Company will lower its outlook for industry sales, thereby conserving its yearly forecast.
- ❖ The revisions of the company's share market and unit volume assumptions.
- ❖ Government funding by the United States" and other governments in their various subsidiaries such as Canada, Sweden, Australia etc. By way of getting huge long term loans to be paid over a number of years, i.e. five to ten years.
- ❖ A sustainable cost reduction which will include several possible closures/spin-offs of manufacturing facilities in high cost locations.
- ❖ The issuing of preferred stock and not sale of listed stock.⁵²

Strategic planning is set over a period of time for a strategic people, a particular timing and location. As noted, volume remains the most significant variable in the Company's objectives. I.e. sell as many cars and generate as much revenue for the company and in turn pour into the economy. The United States has a lot of believe in its automotive industry and generates a lot of income from this sector.

c) Alternative Strategies

Below is a list of Alternative Strategies which have been used by GM to redirect profits and be able to maintain survival for the future:⁵³

1. Market Development or Forward Integration
2. Market Penetration
3. Product Development
4. Restructuring
5. Retrenchment
6. Liquidation
7. Propulsion Strategy
8. Develop specific centers of Expertise (Concentric Diversification).

In 2006 the automotive industry's overall global sales went up 4% compared to 2005 and predict an addition 1.5 million units in 2007. Over the last five years the global automotive industry grew 17.7% with overall revenue growth averaging an increase of 6% in the last 10 years. Most of the growth can be attributed to China where sales have increased 25% in the last year to 7.4 million units.

GM sold 100,000 less units compared to 2005 despite growth in GM's Europe, Pacific, and Latin America/Africa division. There have been substantial cost pressures due to growing competition and the rise in cost of commodity goods such as aluminum, copper, precious metals, and resins. Competing manufactures have increased their presence in established markets like North America and Western Europe. There has also been an increase of local manufactures in emerging markets like India and the Pacific. The low value of the yen against the U.S. dollar has helped Japanese manufactures export at low price cars or parts into the U.S.⁵⁴

GM's net revenue grew to \$207 billion compared to \$194 billion. Although GM had an overall loss of \$2 billion it was an improvement compared to the net loss of \$10 million the year before. The improved net income is due too increased revenue and decreased losses in the North American market.

Forward Integration or Market Development Strategies: GM's management claims that their top priority is improving business in the North American Division and to be more competitive in the global market lay out in the report five specific priorities in 2007. The first priority is to continue to execute the North America turnaround plan. They plan on restoring the North American market to making a profit by product excellence, revitalize sales and marketing strategy, accelerate cost reductions while improving quality, and address health care and legacy cost burdens. GM wants to try to keep their line of vehicles new and fresh.

Retrenchment Strategy: In 2006 30% of the cars sold were released 18 months before their purchase. Sales of large utility trucks had the biggest factor on profitability even with rising gas prices. GM plans to sell and additional 6% of cars that have been released in the previous 18 months further pushing their new and improved lines of cars GM is pouring in additional money to engineer more fuel efficient cars in the U.S.

Product Development or Concentric Diversification :GM recently announced its plan to produce the Chevy Volt which is an extended range plug in car They have also announced plans to accelerate development of advanced lithium ion batteries.⁵⁵

Restructuring Strategy: GM is also unveiling 5 new flex-fuel cars raising the total number to 14. In addition to these advances GM is selling over one million cars that have 30 MPG. In the U.S. they plan to increase the number of cars that average 30 MPG or better to 23 vehicles In the struggling market of North America GM wants to sell a positive product mix and increase their contribution margin. They plan on doing this by emphasizing the quality of their cars, reducing the reliance on sales marketing initiatives, and focusing on newer products. GM wants to differentiate between their product lines.

Retrenchment and Restructuring Strategies: In 2006 GM significantly lowered the manufactures suggested retail price which accounted for nearly 80% of its automotive sales volume. GM wants to try to emphasize the quality of their cars rather than price and other incentives. Promotions like their 5 year/100,000 mile Power Train warranty attracts customers that are concerned with reliability and total cost of ownership.

Concentric Diversification: GM also plans on launching at least 5 new cars and new heavy duty versions of old trucks.

Liquidation and Divesture strategies: Legacy cost burdens and structural costs continue to be the main cost related goals. Legacy costs are related to the benefits given to employees and their dependents. Structural coast are those costs that do not change with production like unionized and salaried employees. All costs besides material, freight, and warranty costs fall under the umbrella of structural costs. They plan on reaching the goal of structural costs to account for only 25% of global revenue by 2008. After 2006 this number is just under 30% down from 35% the year before. In November 05' GM announced that they were shutting down 12 factories and reducing the workforce by 30,000 employees by the end of 2008. They achieved the reduced employee levels in January of 07', nearly a year early. GM also caped their health care contribution to retired employees at their 2006 levels.⁵⁶ In a new UAW program of reducing hourly workers will see its full effect in 2007. GM also altered pension plans for present and future employees. Despite better performance in purchasing that effort has been offset by higher prices of copper and aluminum. GM has however seen reductions in warranty and other quality related costs which can be attributed to the new Power Train warranty program.

Market Penetration: GM's next strategy for producing a global profit is to grow aggressively in emerging markets. Although car sales have grown globally the largest growing markets are in countries like India, China, Russia, Brazil, and the Middle East. To achieve this goal they plan to strengthen their ties to Shanghai Automotive and GM Daewoo. In places like China the substantial profit will lead to these markets to finance their own expansion and take the burden off GM's global costs. 55% of total unit sales were made outside the U.S., and that number is expected to rise due to the rising sales in these markets.

Resource Integration and Product Development :GM also plans to integrate resources around the world to more efficiently manage a global business. GM has taken steps to globalize key business functions like product development, manufacturing, power train, and purchasing. Gm wants to more efficiently use global resource to bring products to market faster and at lower costs, something the Asian companies have been extremely proficient at in the past.

Develop Specific Centers of Expertise or Concentric Diversification: GM has developed different centers of expertise. In North America the center concentrates on SUV's and sport cars, in Europe they specialize in midsize sedans, and in the Pacific region they specialize in mini class cars.⁵⁷

Propulsion Strategy : GM also wants to continue to develop their advanced propulsion strategy. This strategy includes focusing on alternate fuel sources they claim that making energy diversity and environmental leadership is a critical element of their ongoing strategy. GM has sold over 2 million vehicles that run on an ethanol-gasoline blend. They have also devoted more money into electric powered vehicles, hybrid vehicles, and hydrogen powered vehicles. New cars like the Volt are just the first results from these new developments. GM plans on improving there liquidity and cash flow through reduced structure costs, reduced material costs, increased sales, and the pension plan set up with the UAW.

d) Porter's Generic Strategies

General Motors is a good example of achieving success by adopting a differentiation strategy. In 1921, General motors were badly beaten by the competition given by Ford in US until it pursued a differentiation strategy. It made its cars stylish and offered closed sedans to compete with the Ford open coupe. As a result Ford was struggling, its market share which was 62% by the end of 1921 reduced to 28% in 1926.⁵⁸

It was GM's CEO Alfred Sloan who came out with the pioneering strategy of "a car for every purse and purpose." He rationalized GM's cars into five price-quality segments—from a Chevrolet, to a Pontiac, to an Oldsmobile, to a Buick, to a Cadillac. In order to differentiate GM brands from their competition, he positioned each car line at the top of the price scale in its price-quality segment.

For more than half a century GM dominated the U.S. auto industry like a colossus with a market share as high as 50% which made it a low-cost leader. It was GM's differentiation strategy that spelled the doom of Henry Ford's Model T--and his cost leadership strategy--an event Porter (1980: 45) himself has acknowledged. So, it is ironic that even the most prestigious handiwork--Cadillac—of the man wrote the book on market segmentation and differentiation failed the threshold of a differentiated product in Porter's scheme of things.⁵⁹

In our case, James Campbell (Chevrolet's new chief) really believes that differentiation is the key for success when he says: *If they are shopping a Camry or Accord, we serve up information about the Malibu* (from Chevrolet) which means that he is confident that Chevrolet's products are different from what competitors are offering and that's why buyers will come around.

Chevrolet has differentiation strategy is amplified by the existence of different models within the brand. Chevrolet also manufactures hybrid-electric and all-electric vehicles.

US and Canada models⁶⁰

Cars	<u>Aveo</u>	<u>Cruze</u>	<u>Malibu</u>	<u>Impala</u>	<u>Camaro</u>	<u>Corvette</u>
Trucks	<u>Colorado</u>	<u>Silverado</u>	<u>Avalanche</u>			
Crossovers	<u>HHR</u>	<u>Equinox</u>	<u>Traverse</u>			
SUVs	<u>Tahoe</u>	<u>Suburban</u>				
Vans	<u>Express</u>					

Latin America models

Cars	<u>Spark</u>	<u>Celta/Prisma</u> <u>Corsa B/Chevy</u> <u>C2</u> <u>Corsa C</u>	<u>Aveo</u>	<u>Cruze</u>	<u>Optra</u>	<u>Astra B</u> <u>Astra</u> <u>C/Vectra</u>	<u>Vectra</u> <u>C</u>	<u>Epica</u>
Trucks	<u>Montana/Tornado</u>	<u>S-10</u>	<u>D-Max</u>	<u>Silverado</u>	<u>Avalanche</u>			
Crossovers	<u>HHR</u>	<u>Captiva</u>	<u>Captiva</u> <u>Sport</u>	<u>Traverse</u>				
MPVs	<u>Meriva</u>	<u>Tacuma/Rezzo</u>	<u>Zafira</u>					

Europe models

Cars	<u>Spark</u>	<u>Aveo</u>	<u>Cruze</u>	<u>Epica</u>
SUVs	<u>Captiva</u>			
Crossovers	<u>HHR</u>			

Middle East models⁶¹

Cars	<u>Spark</u>	<u>Aveo</u>	<u>Optra</u>	<u>Epica</u>	<u>Lumina</u>	<u>Caprice</u>	<u>Malibu</u>	<u>Corvette</u>	<u>Beat</u>	<u>Camaro</u>
Trucks	<u>Colorado</u>	<u>Avalanche</u>	<u>Silverado</u>							
Crossovers	<u>Traverse</u>	<u>Captiva</u>								
SUVs	<u>Trailblazer</u>	<u>Tahoe</u>	<u>Suburban</u>							
Vans	<u>Uplander</u>	<u>Express</u>								

Chevrolet currently has 37 models (Camaro, Tahoe, etc) under the same general brand.⁶² This is a broad diversification that the company has established to show the gap that exists between common cars, trucks, vans, etc. the company even sells different brands depending on the region of the world where it operates.

After careful analysis, we can certify that Chevrolet is a spherical organization and has a matrix structure because employees are grouped according to both function and product.

6) GM during the Economic Crisis

The problems of GM company actually reverts to the 5 reasons that David Cole, PM Advisory Board Member and Chairman of the Center for Automotive Research, mentioned as main 5 reasons that GM company encounter with. In this research I try to explain those aforementioned 5 reasons in details.⁶³ The economic crisis actually affected these 5 reasons and catalyzed them (speeded them up) but, the main problem from my point of view are these 5 reasons.

Strapped for cash, GM is on the brink of bankruptcy. It's a dramatic shift for a car company that had begun to right itself after decades of trouble. So what happened? We turned to PM Advisory Board Member and Chairman of the Center for Automotive Research, David Cole, for his take. Ironically, GM's perfect storm of troubles hit just as the

company seemed to be making progress on a number of fronts: The Company is producing its most competitive cars and trucks in decades, and the upcoming 2011 Chevy Volt has generated more excitement for GM than any product in recent memory.⁶⁴ On the cost side, the market slowdown has closed factories, which has removed most if not all of the industry's overcapacity of cars and trucks. And when a new labor agreement kicks in, GM's cost to produce a car will fall to a point where it can once again be profitable. That's the good news. The question is, will GM be around to benefit once the economy improves? The troubles at GM are vast and complex, but Cole summarized what he sees as the immediate and long-range factors that have brought the once dominant automaker to its knees.

5 Reasons Why America's Largest Car Company (GM) Struggles to Perform Better:⁶⁵

1. Demand Shift and Uncertain Energy Policy
2. The Financial Meltdown
3. Legacy Costs
4. Sub-Par Quality and Lackluster Cars
5. Global Slowdown

Conclusion:

Through the processes and decision makes, obviously, GM concentrated on and has adopted successful strategies in the dealing with its problem as mentioned below:

- Used SWOT analysis: strengths, weaknesses, opportunities and threats , which is considered as one of the best strategies and comes from systematic analysis of organizational strengths and weaknesses combined with analysis of opportunities and threats in the environment;
- Focused its resources toward solving the problems and achieving organizational goals, which are human resources and Chevrolet's reputation;
- Used familiar marketing mix elements (4Ps) analysis : product , price , promotion and place (distribution);
- Conducted a Leadership research;
- Tested its management's ability in dealing with crises;
- Improved its organizational structure and finally
- Achieved overall goals

According to the analysis, the threats of substitute products, bargaining power of customers, and rivalry among competing firms are high, and are unfavorable to industry Profitability.⁶⁶ The bargaining power of suppliers and threat of new entrants is moderate, which is not very favorable to industry profitability. It should be noted, however, that the bargaining power of suppliers may be induced upon them by force, as if they stop supplying it is not because they have money and are threatening the automakers, but because they cannot afford to keep assembly lines open. This creates a negative-sum game, hurting both parties.⁷¹ It could force the automakers to rescue the suppliers.

Chevrolet currently has 37 models (Camaro, Tahoe, etc) under the same general brand.⁶⁷ This is a broad diversification that the company has established to show the gap that exists between common cars, trucks, vans, etc. the company even sells different brands depending on the region of the world where it operates.

After careful analysis, we can certify that Chevrolet is a spherical organization and has a matrix structure because employees are grouped according to both function and product.

Recommendations

Here are some recommendations Chevrolet's management should consider in order to attract more customers and re-establish itself as "THE American Car":

- Chevrolet will need to focus on emerging markets that will continue to drive revenues and market share. Emerging markets like China, India, and Russia provide significant market opportunities. The auto company that is able to move the quickest, and understands these markets stands to achieve significant growth in global market share. "China is the most rapidly growing economy in the world and by 2011, Country Watch forecasts Chinese GDP at nearly \$4.8 trillion."⁶⁸
- GM needs to use its current market share, global presence, and global infrastructure to begin mass production of alternative fueled vehicles. GM will need to be an innovator in product and market development while engaging in strategic alliances to defend against a threat or shore up an internal weakness. By leading the industry in alternative fuel options, GM can eliminate threats like rising fuel prices and government mandated environmental regulations.
- GM will need to create some strategic alliances with fuel cell companies, other automotive companies, governmental agencies, as well as companies who produce alternative fuel (ethanol). Look to create alliance with companies who have expertise and the technologies to produce these vehicles cheaper and with the best quality.
- Chevrolet needs to begin to create future sales orders for local and federal government's fleet vehicles to use electric or fuel celled vehicles. Creating these partnerships will provide Chevrolet with positive sales growth and allow Chevrolet to showcase their vehicles around major cities and communities. College towns should be a primary target! Mostly because the college towns tend to be more environmentally concerned, and this will present Chevrolet a potential to grab huge market share with a younger demographic.⁶⁹ Currently the younger demographic has a negative opinion and perception of GM, and therefore, GM loses out on this huge market.
- Chevrolet needs to establish milestones throughout the planning process for each of its strategic and financial objectives that will identify any issues and new opportunities. Along with any corrective action plans that need to be put in place to get any of these objectives back on track.⁷⁰
- GM needs to act quickly to become the world auto industry leader in alternative vehicles. GM has a momentous opportunity to recapture lost market share, and regain profitability that will allow for continued growth.

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