



### Mini-case #2: General Motors

To be prepared for class on November 2, 2017

1. Look through the background materials and prepare your answers to the questions below. You will not be turning in these answers, so you may simply sketch the solutions to guide you in the in-class discussion. Links to the background reading are available on the course website. You may also find it useful to do some research yourself and consult other sources. The 10K filings have a lot of content that is irrelevant to our analysis. Dig through them to find the data you need. [This is research: separating the wheat from the chaff.]
2. One of the questions below — or a question very similar to it — will be a part of exam #2.

#### Background

\$8 bil in R&D

Intellectual capital

Global supply chains → competitive prices

1. What does General Motors (GM) do? Describe GM's business model. What factors contribute to GM's success? [What is GM's comparative advantage?] Quality [suu, trucks]

CARS, TRUCKS, SUVs, GM Financial.

2. GM operates four automotive segments. Name them. What share of 2016 total wholesale vehicle sales are accounted for by each segment? Do you notice any trends?

NA, SA, Europe, International. [63%, 9, 18 8.9]

3. How does GM's market share in South America compare to the market share in North America? In Asia? in Europe?

NA = 16%

SA = 10.8%

4. GM's lists several "risk factors" in their 10-K filing. What kinds of risks are the result of GM's multinational operations?

⊕ supply chain risk

⊕ CHINA

⊕ int'l demand.

⊕ UK

⊕ MEXICO

#### The Blue Macaw project

1. Describe GM's Blue Macaw project. What are GM's FDI motives? (horizontal, vertical,...)

Low cost car. HORIZONTAL, EXPORT PLATFORM, VERTICAL

2. Where is the Blue Macaw project located? Why do you think they located there and not Sao Paulo?

TRANSPORT INFRASTRUCTURE; WAGE DIFFERENTIAL

3. Evaluate the Blue Macaw project using the framework we developed in class. We do not know a lot about how the plant operates. What kind of data would you like to have to help answer these questions?

a. Is the investment likely to raise production costs for local firms?

b. Are there local firms that compete directly with the MNE?

c. Are there local firms that will likely benefit from the MNE?

capturing "value-added" workers

workers and training

Linkages: support industry. Suppliers of parts

Factories vs up by local firms

pressure on local firms Global firms