**Chapter 15 Entry Strategy and Strategic Alliances**

General Motors in China

The late 2000s were not kind to General Motors.Hurt by a deep recession in the United States and plunging vehicle sales,GMcapped off a decade where it had progressively lost market share to foreign rivals such as Toyota by enterning Chapter 11 bankruptcy.Between 1980,when it dominated the U.S.market,and 2009,when it entered bankruptcy protection,GM saw its U.S.market share slip from 44 percent to just 19 percent.The troubled company emerged from bankruptcy a few months later a smaller enterprise with fewer branks,and yet going forward some believe that the new GM could be a much more profitable enterprise.One major reason for this optimism was the sucess of its joint ventures in China.

GM entered China 1997 with a ＄1.6 billion investment to establish a joint venture with the state-owned Shanghai Automotive Industry Corporation(SAIC) to bulid Buick sedans.At the time the Chinese market was tiny(fewer than 400000 cars were sold in 1996),but GM was attracted by the enormous potential in a country of more than 1 billion people that was experiencing rapid economic growth.GM forecast that by the late 2000s some 3 million cars a year might be sold in China.While it explicitly market,and would probably lose maney for years to come,GM executives believed it was crucial to establish a beachhead and to team up with SAIC(one of the early leaders in China’s emerging automobile industry) before its global rivals did.The decision to enter a joint venture was not a hard one.Not only did GM lack knowledge and connections in China,but Chinese government regulations made it all but impossible for a foreign automaker to go it alone in the country.

While GM was not alone in investing in China--many of the world’s major automobil companies entered into some kind of Chinese joint venture during this time period--it was among the largest investors.Only Volkswagen,whosr management shared GM’s view,made similar-size investments.Other companies adopted a more cautious approach,investing smaller amounts and setting more limited goals.

By 2007 GM had expanded the range of its parnership with SAIC to include vehicles sold under the names of Chevrolet,Cadillac,and Wuling.The two companies had also established the Pan-Asian Technical Automotive center to design cars and components not just for China,but also for other Asian markets.At this point it was already clear that both the Chinese market and the joint venture were exceeding GM’s initial expectations.Not only was the venture profitable,but it was also selling more than 900000 cars and light trucks in 2007,an 18 percent increase over 2006 placing it second only to Volkswagen in the market among foreign nameplates. Equally impressive,some 8 billion cars and light trucks were sold in China in 2007,making China the second-largest car market in the world,ahead of Japan and behing the United States.

Much of the venture’s success could be attributed to its stategy of designing vehicles explicitly for the Chinese market.For example,together with SAIC it produced a tiny minivan,the Wuling Sunshine.The van costs ＄3700,has a 0.8-liter engine,hits a top speed of 60 mph, and weight less than 1000kg-a far cry from the heavy SUVs GM was konwn for in the United Stated.For China,the vehicle was perfect,and some 460000 were sold in 2007,making it the best seller in the light truck sector.

It is the future,however,that was people excited.In 2008 and 2009,while the U.S.and European automobile markets slumped,China’s market registered strong growth.In 2009 some 13.8 million vehicles were sold in the country,surpassing the United Stated to become the largest automobile market in the world,and in 2010 the figure was close to 18 million.GM and its local partners sold 1.8 million vehicles in 2008,which was record and represented a 67 percent increase over 2007.At this point,there were 49 cars for every 1000 people in China,compared to 765 cars for every 1000 people in the United Stated,suggesting China could see rapid growth for years to come.In 2010 GM sold 2.35 million cars in Chnia,more than the 2.22 million it sold in the United States!