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Project Failures From the Top Down: Can Marchionne Save Chrysler

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When Chrysler merged with Fiat on June 10, 2009, there was cause for hope and optimism. After an endless string of bad news, perhaps, the auto industry was not dead yet.

On paper it looked like a good deal for everyone. Fiat would return to the US market and sell its popular 500 (Cinquecentro), Chrysler would acquire a line of cars that consumers might actually buy, and tens of thousands of workers would keep their jobs.

But the real prize might just be Sergio Marchionne, CEO of Fiat and now CEO of FiatChrysler.

When he first became CEO of Fiat in 2004, Marchionne inherited a company on the brink of failure. It manufactured a lackluster product line and had suffered more than $12 billion in losses over the previous five years.

To transform the company he embarked on several strategic and operational projects. He fired senior managers, upended a bloated bureaucracy, and brought a team of young aggressive managers on board. Then, he reviewed all projects and killed those that could not pass the market test. And he hired new designers, and demanded a portfolio of exciting projects that would bring customers back to dealer showrooms.

In less than three years he succeeded in one of the most impressive turnarounds in automotive history.

Now, as part of his plan to grow Fiat into a global competitor he has taken on Chrysler. But, can he perform his magic again? Can he save yet another company whose circumstances in many ways, but not all, are strikingly similar to those faced by Fiat just five years ago? Can his leadership style as well as the Fiat 500 be successfully exported to the other side of the Atlantic?

If we look at Marchionne's record by itself, not only is it impressive, but it suggests that he might be the right person at the right time. But, before we can reach this conclusion, his ability to succeed must be considered in the context of what has happened to Chrysler in the last decade. In that case, success may not be assured.

DaimlerChrysler

In May 1998, Daimler-Benz merged with Chrysler. Jurgen Schrempp, CEO of Daimler-Benz, called it a "merger of equals." Robert Eaton, CEO of Chrysler, promised that "within five years we will be among the Big Three automotive companies in the world." Even bringing together two companies from Europe and the United States was not considered a hurdle; Robert A. Lutz, Vice-Chairman of Chrysler, argued that there was "definitely no culture clash here."

But behind this display of public enthusiasm and corporate kinship, Schrempp took complete control and his actions made it clear that this was indeed no "merger of equals." Eaton responded by deferring to Schrempp, often retreating to the safety of his office in Auburn Hills; his top managers responded by defecting to Ford and General Motors. Soon Chrysler was rudderless, projects were lackluster, and within just a few years not only was the product line in trouble but the merger was too. While there were many reasons for its failure, the one most frequently cited was a clash of corporate cultures.

Cerberus

In 2007 DaimlerChrysler sold Chrysler to Cerberus Capital Management, a private equity firm with no experience in making cars. Bob Nardelli, former CEO of Home Depot, was chosen to head the company. For many, it was clear that the deal was strictly financial and few believed that Cerberus was committed to building a competitive company in an increasingly competitive auto industry plagued with too much capacity.

Nardelli was a "tough-as-nails" CEO. Business Week, in August 2007, said that he "alienated ... virtually all of the management he inherited." While many thought that his military style was exactly what Chrysler needed, it didn't work. In that Business Week article, a University of Michigan Professor, Gerald Meyers, said that Cerberus had the right idea, but Nardelli was the "wrong guy."

Then, Chrysler was hit by the perfect storm. Oil rose to over $140 per barrel, the economy went into a tailspin, and Chrysler was caught with a product line dominated by gas guzzlers no one wanted to buy.

Marchionne's Challenge

It is within this context that Fiat has taken a 20 percent stake in Chrysler. Marchionne inherits an organisation shattered by the distant, yet dominant, style of Schrempp and the "tough-as-nails" style of Nardelli. He inherits a workforce that has endured job losses, pay cuts, deterioration in benefits, and the anxiety of an uncertain future. But above all, he inherits a workplace that has suffered one lackluster project after the other, and a project culture that has failed to stress markets not methodology.

Here is the problem; his leadership style, characterised by the quick and disruptive changes he made five years ago, may not be very different from the leadership style practiced by his two predecessors at Chrysler.

But he must be different if he is to succeed in making sustainable changes.

Is he flexible enough to become the transformational leader that Chrysler so desperately needs or will he ignore Chrysler's rough ride over the last ten years, grab the reins, ignore the cultural differences, and simply repeat history? Can he be tough on the problems but at the same time restore morale and create a project-based environment that motivates not alienates its project teams?

Or, will he be the third in a string of tough CEOs and continue with the beatings until the morale at Chrysler improves?

To learn more about strategic issues in project management and to learn about the lessons that other failures have taught us, I invite you to visit my website Global Project Strategy.

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