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# **Thirty Years Later Forgotten Lessons From Chrysler**

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Industrial Partner Ripplewood  
Principal, Collaborative Management LLC**

# Forgotten Lessons From Chrysler

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## Background

### Current

- Industrial Partner, Ripplewood Holdings, LLC
- Principal, Collaborative Management, LLC

### Boards

- Borg Warner Automotive – Public Auto Supplier
- Baxter International – Public Medical Products
- Asahi Tech – Japanese Public Auto Supplier
- Honsel AG – German Private Auto Supplier
- Babson College – Wellesley Massachusetts, Chairman of Board

### Automotive Experience

- 1972 – 1980 Ford Motor Company
- 1980 – 1988 Chrysler Corporation, Procurement & Supply
- 1988 – 1990 Chrysler Acustar Components Division CEO
- 1990 – 1997 Chrysler Corporation EVP Procurement & Supply
- 1998 – 1999 Chrysler Corporation President
- 1999 – 2000 Daimler Chrysler President
- 2000 – 2004 MSX International CEO

# **Forgotten Lessons From Chrysler**

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## **Fifty years of Ups and Downs**

- Early success at brand differentiation and loyalty
- Product innovation – SUV's, minivans, features, multipurpose trucks
- Low cost, high volume large power trains
- International expansion by GM/Ford
- Efficiencies of volume and derivatives

**LESSON: These days are over.**

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## Historic Industry Trends

- Consolidation through Alliances and Mergers
- Insulated and isolated industry mindset
- Widespread adversarial practices
- Reliance on high unit volumes
- Micro financial measures

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### **Alliances are Difficult, Mergers are Worse Chrysler's Varied History**

- Chrysler and Mitsubishi Motors – Late 1970's-1991
- Chrysler and Maserati Motors – Late 1984
- Chrysler and American Motors – 1987 Acquisition
- Chrysler and General Motors – New Venture Gear – 1989
- Chrysler Mitsubishi and Hyundai – Global Engine Alliance - 2004 - 2009
- Chrysler and Daimler Benz - 1999

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### **Alliances are Difficult, Mergers are Worse**

- Alliances require specific definition of control
- Acquisitions provide certainty of control
- JV's = shared control creates problems
- JV's usually have termination point or exit
- DCX = constant battle to resolve control

**LESSON: JV's can fill product or geographic void for short time while acquisitions are permanent and resolve control issues.**

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## **Acquisitions Require Constant & Active Management**

- Easier to invent than to implement
- Synergies often over-stated
- Must consider each company's culture
- Cross-pollination is necessary
- DCX – intended as a merger, reality was acquisition

**LESSON: Industry consolidation will continue with some failures along the way.**

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## **Auto Industry is Too Insulated**

- Follow the leader/safety in numbers
- Copycat products, management, & systems
- Big 3 – Detroit, Germany, Tokyo
- Resistance to outside pressures
- Limited learning from other industries

**LESSON: Industry is not as unique as they think they are.**



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## Adversarial Relationship Prevail

- Unions
    - Co-dependent, but dysfunctional
  - Dealers
    - Move to multi-franchises reduced loyalty
  - Suppliers
    - Dominant/subordinate industry practices
    - “Extended Enterprise” introduced unique philosophy
    - Suppliers now in control
  - Customers
    - Effect of quality problems on owner loyalty ignored
  - Employees
    - Hierarchical management stifled input
    - Introduced platform teams to correct
- LESSON: Cooperation and collaboration free up resources and improve relationship.**

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### **Reliance on High Unit Volumes Manufacturing Speed & Flexibility Essential**

- Financial system biased against change
- Dedicated factory lines obsolete
- Interchangeability of components required
- Engineering not in step with Manufacturing
- Need rapid response to market changes

**LESSON: K-Cars: One size does NOT fit all.**

# Forgotten Lessons From Chrysler

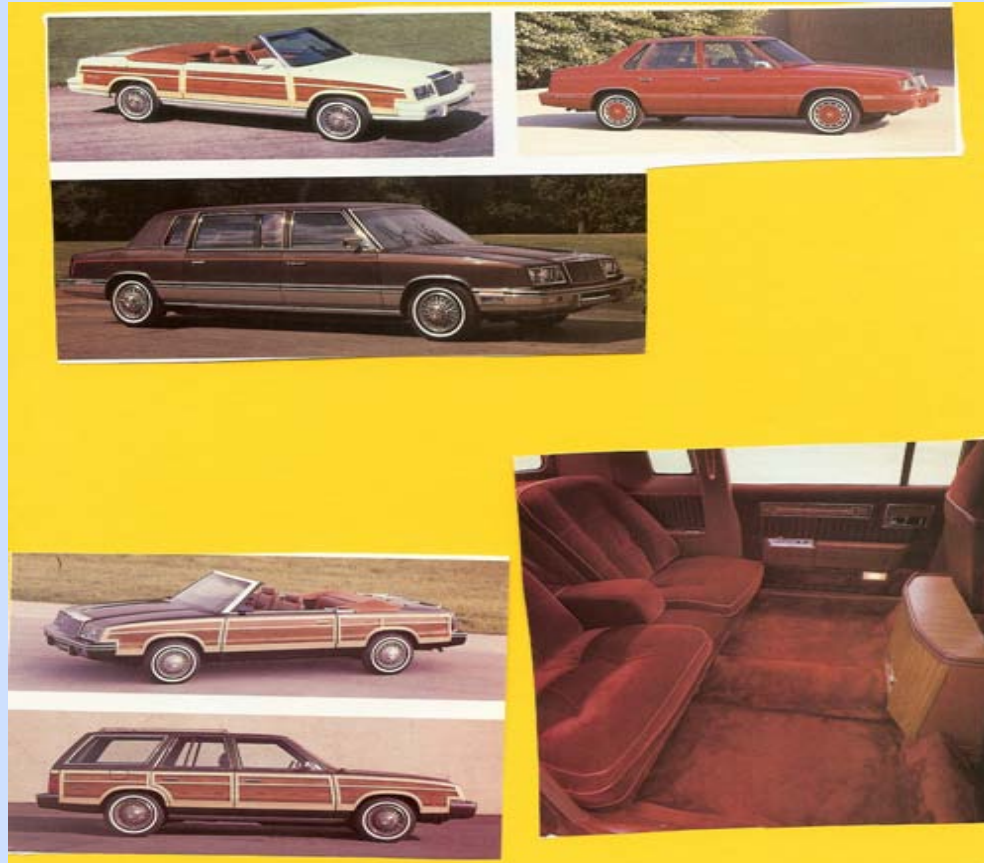
## K-Car Models



# Forgotten Lessons From Chrysler

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## K-Car Models



## **Forgotten Lessons From Chrysler**

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### **Micro Financial Measures Measure System Costs, Not Variable**

- Historic concentration on component piece price
- Unit costing misses large cost elements
- Finance Staff domination
- Leverage of supplier technology
- Share supplier savings and reinvest - SCORE

**LESSON: SCORE should have been continued. All firms need collaborative supplier relations policy.**

# Forgotten Lessons From Chrysler

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## Lessons Requiring Remedial Training

- Adopt true collaboration over adversarial tactics
- Achieve geographic balance in markets
- Focus on system costs over variable
- Leverage supplier technology over internal development
- Track non-competitor trends and look outside, not in

## **Forgotten Lessons From Chrysler**

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### **If Ben Franklin Had Been in Automotive Industry.....**

- You're never as good as they say you are; Never as bad as you think you are
- If you're waiting for more data, it's probably too late
- Government aid can be a last resort, but don't let them run anything
- A good CFO should have run something other than a calculator

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# **Forgotten Lessons From Chrysler (and Everybody Else)!**