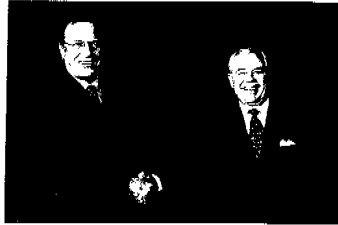


# Detroit Free Press



Daimler-Benz AG Chairman Juergen Schrempp, left, and Chrysler Chairman Robert Eaton, right, announced the merger of the auto giants in 1998.

**LOCAL COMMENT**

DaimlerChrysler merger was riddled early with bad decisions

## TWO COMPANIES, TOO MANY BLUNDERS



By GERALD and SUSAN MEYERS

IF ONE LEARNS from making mistakes, DaimlerChrysler has surely earned a PhD in what not to do in a merger.

What went wrong at DaimlerChrysler AG? What does co-chairman Robert Eaton know in his heart as he makes his precipitous departure, retiring on March 31? And what can we learn from this momentous coupling of industrial giants?

The problem isn't the strategy of combining the assets of these two corporations. Nor is it the timing of the marriage. Both were surely defensible. But DaimlerChrysler made tactical errors right from the onset. The first 18 months were marred by a series of mistakes.

■ **Overstating the case:** Combining these two companies makes sense as national borders melt away and global businesses grow.

Chrysler's strengths and Daimler's needs fit hand-in-glove. But the new company's early prediction that it would soon be the biggest and most profitable auto company on the planet encouraged stratospheric expectations.

This annoying buff-puffery made DaimlerChrysler look bad. After all, Ford Motor Co. and General Motors Corp. are still around and a giant step ahead of the pack in most respects, with Toyota nipping at their heels.

■ **Prematurely proclaiming contentment:** The deal was described as a marriage of equals. Two equally powerful CEOs would share the throne, though they barely knew each other.

Knowledgeable observers never swallowed this assertion. The history of such instant linkages is dreadful. This was either a transparent attempt to keep people on both sides happy or a simple self-delusion. In fact, no one ever expected Daimler-Benz CEO Juergen Schrempp to do anything but rule Chrysler from Stuttgart.

■ **Lame-ducking the boss:** Eaton emulsulated himself early on by announcing his imminent early retirement to take effect any time — maybe soon, but perhaps not for three years.

Who goes to a lame duck for answers? Or for decisions? Eaton's people took no comfort from his attempt at a shared stewardship. Instead, they saw through it. If Eaton was not long for this world, then they'd better start pleasing the new German boss. Senior executives began to bolt out.

■ **Announcing incredible and immediate economies:** Chrysler and Daimler, before they became business partners, overlapped in few places, and so the extravagant prediction of billions in savings was beyond reasonable belief.

Some joining of efforts would of course yield modest economies in purchasing and engineer-

ing, but nothing earthshaking. DaimlerChrysler boasted that in its first years it would save a couple tractor-trailers-full of money. It couldn't and didn't.

■ **Forcing a culture blend:** Before the historic 1998 merger, Daimler-Benz was known for its top-down management approach. Chrysler, by contrast, was a humble collection of colorful consensus managers.

DaimlerChrysler said they could be merged in 12 months. But authoritarian German management methods proved so foreign compared to the non-hierarchical style at Chrysler that the management-merger-of-equals effort had to be junked, resulting in more disillusionment and departures, involuntary and otherwise. They included Thomas Stalkamp, a fine Chrysler president and cost-cutter deluxe, thrown to the wolves.

■ **Taking Wall Street for granted:** Chrysler and Daimler felt certain that DAX would easily earn a spot in the Standard & Poors 500 Index. After all, this deal was planned and presented as an enhancement of a strong American corporation, a shimmering American success story. Surely U.S. investors would want this new and improved automaker represented in the world's closely followed stock index.

**The Chrysler corporation as we knew it is dead.**

But DaimlerChrysler, now incorporated in Germany, was rebuffed. Chrysler suffered a devastating drop in market value on the New York Stock Exchange as index-fund holders dumped Chrysler stock in the United States, much of it to be snapped up at bargain prices by German buyers.

The last visible vestiges of the original Chrysler management team have disappeared with Eaton. The pretense that DaimlerChrysler is two auto companies operating as one under mutually compatible management has shattered. The Chrysler corporation as we knew and loved it is dead. We will know it in the future as one of several DaimlerChrysler subsidiaries.

Whether Chrysler and Daimler-Benz would have been better off as separate, but perhaps strategic, partners is an academic exercise. Years from now the results of the buyout will probably be rewarding to company shareholders. For now, however, it is a company combination that got off to a bad start and made mistakes from which we can all learn.

Chrysler, rest in peace.

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