

# The 2009 chrysler-fiat strategic alliance essay sample

[Business](#), [Strategy](#)



1. What are your views of the 2009 Chrysler-Fiat strategic alliance and its future prospects in the auto industry? Analyze and evaluate Chrysler and Fiat's strengths and weaknesses before and after their 2009 strategic alliance (see Tables II and III). The alignment between Fiat and Chrysler does not exactly save Chrysler. It gives Fiat an entry into the U. S. In short, Fiat is to get 35% of Chrysler, will not pay any cash for the stake, and it will give Chrysler access to its technology.

Fiat had publicly said it wanted a production base in North America for its Alfa Romeo brand—and presumably the Fiat brand, too. Through its 35% interest that it is getting in Chrysler, it would presumably have access to a U. S. plant to build its cars. Is Fiat capable of surviving in today's world? What about Chrysler? The company has been weak technically and does not have enough money to finance the kind of new vehicle programs that Chrysler needs to stay competitive in this market.

Fiat is strong in small cars and in their engines and transmissions, as well as in luxury cars and diesel engines. Getting the technology could be a huge help for Chrysler, but the American company will still need the money and ability to create new cars even with Fiat technology. The alliance might help Chrysler if it needs to get more money from the American government in its battle to survive. Fiat needs a manufacturing base if it intends to reenter the American market. It makes no sense to import small or low-priced cars, or even mid-level cars from Europe, as the strong European currency makes that a money-losing proposition.

If Fiat could manufacture in the U. S., it could build some variations of its cars for Chrysler. How this would fit with the cars scheduled to come from Nissan is another question. The problem is that it could take years for Fiat to pass on technology and build engines and transmissions for new Chrysler products, or even to build Fiats here and badge them as Chryslers.

2. Compare and contrast Chrysler and Fiat with five other global auto manufacturers (GM, Ford, Toyota, Volkswagen, and Daimler) in the areas of global operations and manufacturing issues (see Tables II and III). The problem is that Chrysler-Fiat can compete with other car manufacturers, however, it could take years for Fiat to pass on technology and build engines and transmissions for new Chrysler products, or even to build Fiats here and badge them as Chryslers.

3. Analyze Chrysler and Fiat's brand portfolios in the world auto industry. How do you see both companies revamping and overhauling their brands in the short and long terms?

Chrysler's strength has been in sport utility vehicles, pickup trucks and minivans. We do not know Fiat's degree of interest in these businesses. Meanwhile, another foreign maker, Nissan (which is part of the Renault/Nissan alliance) has an agreement with Chrysler whereby Nissan is to get a version of the Dodge Ram, a big pickup, and Nissan is to build small cars destined for Chrysler.

4. What did you learn from the Chrysler-Fiat Strategic Alliance regarding managing multinationals in the changing global business? What role did the U. S. government play in the formation of this alliance?

A Chrysler/Fiat partnership is a great fit as it creates the potential for a powerful, new global competitor, offering Chrysler a number of strategic benefits, including access to products that compliment their current portfolio; a distribution network outside North America; and cost savings in design, engineering, manufacturing, purchasing and sales and marketing.

This transaction will enable Chrysler to offer a broader competitive line-up of vehicles their dealers and customers that meet emissions and fuel efficiency standards, while adhering to conditions of the Government Loan. The partnership would also provide a return on investment for the American taxpayer by securing the long-term viability of Chrysler brands in the marketplace, sustaining future product and technology development for our country and building renewed consumer confidence, while preserving American jobs.

5. What has happened to the company since this case was written as the alliance was being formed? Give an update as of the time of your reading this case.

Chrysler's sales are falling faster than the other Detroit manufacturers. Its December sales were off 53% from a year before, but the company still had 10% of the U. S. market that month. Chrysler is suffering because of its past emphasis on trucks, its weak front-drive car entries and perhaps because of

a weak reputation for quality. All the negative news of the past several months may have scared away potential customers, too. Right now, Fiat sells Ferrari and Maserati cars in the U. S., but in tiny numbers. Last year's Maserati sale number was only 2, 509, and there are plans to sell a few dozen very expensive Alfa models here in the near future.

A few years ago, Fiat had a partnership with General Motors. GM had bought 20% of the Fiat auto business, but then paid Fiat \$2 billion to get out of the deal. That \$2 billion helped jump-start Fiat's recovery. Fiat is not a global competitor like Volkswagen. It is strong in Italy, of course, and is the leading seller there, and it is also the leader in Brazil. Fiat's European sales were down only 5% after 11 months last year, while the industry was down 7%, but its November sales crashed 24%. Others dropped sharply too, too, but Fiat's CEO seemed particularly worried. Yet Chrysler, which is weak outside North America, does not seem to gain any global trading advantages in the alliance. The Chrysler-Fiat deal might-just might-stir interest in Chrysler from Nissan, which still needs those pickup trucks from Chrysler, and maybe minivans, too. How will it all end—The deal making may not be over.