

Strategic management chrysler introuble

[Business](#), [Management](#)



Chrysler Motors, LLC was the third largest automobile manufacturer in the United States filed for bankruptcy protection April 30th, 2009, under section 363 of chapter 11 of the United States bankruptcy code. The company included its 24 subsidiary in the filing. In order to remain viable and as a condition of its bankruptcy filing Chrysler announce that it would form an alliance with Fiat spA. Fiat was scheduled to receive a 20% stake in the company which would increase to 35% over time. The Voluntary employees benefit association would secure a 55% stake in the company once it emerged from bankruptcy.

The United States Treasury would also participate in this restructuring since they considered Chrysler an integral part of the U. S economy and for their concern would receive an 8% stake in the company. The Canadian and Ontario governments would also receive a 2% stake. Analyst surmise that the major reason for Chryslers financial problems result from their poor business strategy, lack of innovation and the global financial crisis. Chrysler failed marketing strategy failed to produce vehicles that met the needs of the American consumers.

Chrysler unlike its competitors Honda and Toyota did not produce fuel efficient cars. The company continued to produce large Trucks and Suv's, with the increase in fuel prices consumers could no longer afford their products. Chrysler's lack of innovation and inability to market to market fuel efficient vehicles led to their demise. Product quality was also an issue at Chrysler; quality related issues tarnished their brand image. Chrysler's products historically have been of substandard quality per the U. S. auto task

force. In 2008, the U. S. The U. S. economy experienced down turn. Banks ceased lending.

They were problems in the U. S. real estate markets. There was a rise in unemployment and a decrease in personal spending hampered consumer spending. Consumers who wished to purchase Chrysler vehicles were unable to because they could not get loans or they were simply too expensive. In 2008 Chryslers the U. S auto industry sales decreased by 18% from 2007 levels. Chrysler's largest market was the U. S in 2008 73%, of its sales were derived from purchases made in the United States. Chrysler produced 61% of its vehicles and contained 78% of its materials from suppliers in the domestic U. S. market.

The Global financial crisis severely impacted Chrysler's ability to continue operations. The company reported a 48% declined in vehicle sales in 2009. Management could no longer run the company profitably and sought financial assistance once again from the U. S. Government and the U. S. Bankruptcy court. Chrysler's merger with Daimler Benz also failed and the company once again sought a new partner who would allow it access to capital, foreign markets and innovative production processes. Analysis Chrysler did not properly conduct an environmental scan. Management was also weak and unable to design and implement strategic plans.

It appears they didn't recognize the American consumer's preference for smaller full efficient cars. While there competitors met this need, Chrysler continued to manufacture large vehicles and lose market share. Its product market was limited. Chrysler was restricted to the U. S. market alone and was unable to generate revenue in any other market. Chrysler management

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failed to anticipate the economic downturn and prepare accordingly. When the U. S economy faltered the company was unable to sell its vehicles and as a result lost half of their sales and revenue leaving the company bankrupt.

Strategy formulation prior to the bankruptcy was ill conceived. Chrysler was unable to fulfill its mission due to its inability to properly set objectives. Their strategy was deficient to the extent that it provided no alternative product market and if it did it would most likely take years to implement and would be of non-effect during their current crisis. It appears their policies were unclear and in their time of crisis did not assist senior level managers in making decisions. Based on the information provided in the case there appeared to be a great deal of confusion.

Strategy implementation was also poor. It also appears that the company had no control over its finances hence the bankruptcy filing, and that evaluation and control were nonexistent. On a more positive note Chryslers Restructuring plan for long-term Viability seems set the stage for the company's emergence from bankruptcy and a return to business operations. Industry Analysis Chrysler is the largest automobile manufacture in the United States. In the recent years, the company is facing many obstacles. Chrysler established a poor business strategy and lack of innovation that resulted in financial problems.

From a strategic management view, they were more unsettled than any other automakers. Their business strategy was focusing on SUV and trucks in an economy where gas prices were high and consumers were looking for more fuel efficient vehicles. Another poor business strategy was the historic May 1998, merger deal with a German automobile Daimler-Benz AG
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(Daimler) It was called the “ marriage of equals” (Garsten, 2000). The mergers have failed to achieve the expected results. At the time of the merger, Chrysler was the most profitable and cost efficient carmaker and Daimler was known as the luxury carmaker.

Daimler relied heavy on quality and Chrysler was prone toward cost effective vehicles. Culturecrash also failed because there were a displacement of executives, and a discrepancy in salaries. TaskEnvironmentThreat of new entrants: The threat of new entrant is very low in an automobile industry because it requires a lot of capital. However, Toyota and Honda launched small car models in the United States which created a lot of problems for Chrysler. High Rivalry Competitors Rivalry among the competitor is very strong in the auto industry. DaimlerChrysler faces a strong competition from all of the automobile manufactures.

Their strongest competitor is GM, Toyota, Honda and Volkswagen because they are the leading car manufacturers in the world. Chrysler has to come out with better products with better design and features to stay ahead of competition. Power of Buyers Chrysler lacked innovation in the handling of its minivan signature product. They continued to have their assembly plant to build the old version. The bargaining power of the buyers is very high. Japanese companies continued to come out with new design in which resulted in a decline of sales for Chrysler.

Consumers were looking for change and quality in which Chrysler failed to meet. Chrysler sales were not increasing because consumers have different options. Chrysler still did not have the competitive product line compared to its competitors. Availability of Substitutes Consumers are looking for a more

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fuel efficient vehicles in the struggling economy. People want smaller cars and Chrysler is not known for making them. Consumer reports ranked Chrysler the worst among the automakers in terms of quality and consumers were turning their backs on Chrysler.

Chrysler needs to come out with new design and make fuel efficient cars to handle the market trend. Bargaining power of Suppliers The bargaining power of suppliers is high because Chrysler is struggling with financial condition and product lines. Chrysler failed to come up with new product lines in keeping up with the market. Chrysler has had many obstacles in their history, but when the car industry crashed and Chrysler almost went out of business they were many issues that faced Chrysler that they did not address. While competition was changing their vision and making sure that the future of their companies would survive.

Chrysler did not worry about competition and also the needs of their customer base, that is the main reason why Chrysler almost failed. There are many reasons why competition succeeded while Chrysler was failing; the first reason is that Chrysler did not have a long-term vision. Chrysler is an iconic company that throughout history has run into issues, but the last time Chrysler has ran into a major issue it almost made Chrysler bankrupt. Competition like Toyota has been extremely successful where as Chrysler has failed.

Toyota has always looked at the long-term instead of the short term as Chrysler did. " Instead of responding to trends, fads, and quarterly numbers, Toyota looks far down the road and tries to develop products that will resonate for a long term. " (Newman 2008). A great example is when

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Chrysler was making large sized trucks and vans and V-8 engine vehicles, Toyota was planning on making the Prius which was a hybrid vehicle that worked off of gas and electric, also the rest of the competition was making vehicles that were more fuel efficient.

Instead of changing their plan of action Chrysler felt that people will continue to buy large sized SUV's and once fuel continued to increase then Chrysler should have changed their approach but they did not. " Japanese automakers have been building quality subcompacts for years, and while vehicles like the Honda Fit, Honda Civic, Toyota Corolla, and Nissan Versa typically earn strong reviews, they don't usually mark a crowning corporate achievement" (Newman, 2010).

Once fuel cost increased for the consumers, potential customer purchased vehicles that were more fuel efficient, and Chrysler did not offer that to its consumers. This was a major issue that hurt Chrysler and led to its failures. Chrysler while making new product did not plan. While they were partnered with Mercedes Benz they worked extremely differently when making new products. Mercedes would plan every move they made and once everything was planned then they started working to complete the project.

Chrysler on the other hand would just do and not plan out anything, this would bite them in the future. With competition such as Toyota all they did was plan for the future and also plan for bettering current models that they offer their consumers. " Toyota exhaustively researches all its options, then makes sure all the major stakeholders agree on a course of action. Once Toyota decides to build a car, however, the turbocharger kicks in: Toyota can

move a product to market much faster than all its competitors” (Newman, 2008).

Even competition was doing the same even Ford was planning on how to product a fuel-efficient car that was cost efficient to the consumers. While Chrysler was not planning and making vehicles that were not fuel-efficient. With Chrysler's failure to plan and change it almost went bankrupt. With competitors planning long before Chrysler was, they all have become so successful and built a customer base that Chrysler has lost. With the partnering with Fiat Motors hopefully Chrysler can get those consumers back and start making smaller and fuel-efficient models that consumer will buy.