

Daimler chrysler



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Mergers and acquisitions take place to realize the synergies between the two or more companies. Why do you think the Daimler- Chrysler merger failed to realize the synergies that were expected from the merger? If mergers and acquisitions take place to realize the synergies between the two or more companies then Daimler- Chrysler were heading for failure from the beginning itself. The merger was not just between the companies but between two drastically opposite cultural bodies.

While Germany was characterized as a society that lays importance to success, money and material possessions and that which feels threatened by ambiguity, the American culture is characterized as individualistic, where people value having a high opportunity for earnings and getting recognition they deserve for a good job. They do not feel threatened by uncertainty. The merger between these two companies was followed by an agreement to let each of their cultures and practices prevail and to manage the new found entity Daimler Chrysler in that manner.

The companies failed to address their differences and caused a sense of uncertainty in the minds of employees from both companies. While the Germans think through each and every step involved in decision making and implementation and the Americans lacked the urgency to build that sense of security for themselves. Lack of open communication, corporate cultural clash, inadequate planning, a laid back leadership bench at Chrysler, differences in leadership and management styles and over all organization culture gave room for doubts about their ability to make the merger work.

The merger seemed more like an empire building exercise by Juergen Schrempp. Daimler did not look into the facts and figures and draw a map for the future of the new found company and to a certain extent this ambiguity created havoc. Daimler and Chrysler were each strong players in their market but failed to diffuse their differences and create a company that had the potential to compete for a far bigger market share. Q2. Many a cross cultural merger has failed because proper attention was not given to the difference in cultures between the two companies. What issues must be addressed to make a cross- cultural merger a success?

There are plenty of examples of how mergers and acquisitions failed in the past. Roughly two thirds of big mergers lose value at the stock market. All motivations that lead to the merger prove false once the process is done and any cost benefit from the premium paid will become evident as overestimated. Having said that, a cross cultural merger would have that much lesser chance to survive and reap profits compared to the similar culture mergers. Apart from miscalculations about economies of scale and revenues, the company has to deal with the cultural aspect that will affect the business day in and day out.

To make any cross cultural merger a success there has to be an audit of the characteristics and cultures of the two companies. Unless an audit is done, one would be uncertain of how different or how similar the companies are; the level of compatibility will be unknown. Any planning done without this vital information will only lead to the way to disaster as in the case of Daimler-Chrysler. A deal that makes financial and cultural sense is the only

deal that will stand the test of times and reap benefits of the merger.

Moreover, a strong leadership bench is absolutely important.

It is the people who take decisions that make or break a company. For example, the mergers between Daimler and Chrysler would not have taken such drastic shape if Chrysler had a competent and strong leadership bench. Daimler had intentions of taking over Chrysler from the very beginning of negotiations but Chrysler's management was not able to hold their position and did not do enough due diligence to ensure the motivation behind the merger was mutual. Even after the merger, the change in leadership at Chrysler gave way for Daimler to dominate and turn things around for themselves.

Lastly, the employees of both companies should assimilate cultures and working patterns such that there is no shock later. Training and planning and implementation of the plan have to be carried out. The merger process must be carried out together by both the companies. Q3. Very often companies involved in a merger claim it to be a merger of equals but this is not the case always. The Daimler-Chrysler deal was never expected to be a merger of equals. Comment. The manner in which the dealings in Daimler-Chrysler merger have been carried out is clear evidence that this merger was never meant to be among equals.

Daimler obviously did not have any intentions to work hand in hand with Chrysler. The comments made by Juergen Schrempp are evidence that he had hidden the real motivation to have initiated the merger process. The dealings that followed- no concrete plan of integrating Chrysler and Daimler,

the change in organization structure in Chrysler, the losses that Chrysler incurred, the loss of employment at Chrysler etc shows that Daimler saw Chrysler as the reason for loss. Had this been a merger of equals, there would have been proper measures to smoothen out the process of integration and ensure the communication was open.

Daimler-Chrysler would have had chalked a plan for the integration process and assimilated their management style. Moreover there would have been a management team who would look into implementing the merger process ensuring that events that occurred at Chrysler would not have occurred- (Loss of leaders, appoint of Daimlers executive as Chryslers head of management, no presence of Chrysler inthe supervisory board of management, Chrysler reduced to an operating division, Chrysler sailing division called for retrenchment).

Daimler had intended to use Chrysler for it facilities and never intended to make it a partner in decision making and growth plans. Most importantly what is the motivation behind the merger or acquisition is what decides the fate of that merger. In this case, it was clearly not a case of mergers between equals. Daimler- Chrysler did not use its resources to create synergies and one of the companies had to end up being absorbed into the other.