

# The 2009 chrysler-fiat strategic alliance

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



The 2009 Chrysler-FIAT Strategic Alliance Introduction The term strategic alliance has been widely used as a competitive weapon in the modern business environment. Strategic alliance refers to a voluntary, formal agreement between two or more organizations or business units to pool their resources together so as to achieve strategically significant goals while maintaining their independence. In the modern global business environment, strategic alliance has been a fast growing trend because of its capability to create new markets, cost share, and enjoy the benefits of new technologies and pooling of resources. This affirms Peter Drucker sentiments that “ the greatest change in corporate culture may be the accelerating growth of relationships based not on ownership but on partnership” which refers to alliances (Das 2). Strategic alliances could be of various types depending on the structure and objectives. These would take forms of franchising, cooperatives, equity investments, joint ventures and distribution relationships among others. While some would be short lived, others result to mergers. Case study The motives for entering into a strategic alliance vary in various cases. In 2009 when Chrysler entered into a strategic alliance with FIAT, the prevailing market factors were quite dynamic. This was the period around which major corporations were facing the negative impact of global economic recession and escalating oil prices. Massive losses were therefore reported as companies tried to salvage themselves through downsizing. Furthermore, consumer demand weakened. There was therefore the need to realign structures in organizations so as to guarantee survival. The weaknesses of one organization would be compensated by the strengths of the other as each of them seeks to acquire the strengths possessed by the

partner. Strategic alliance in the auto industry would be motivated by economies of scale and increased productivity. In their alliance, Chrysler was to provide FIAT with technology in addition to the latter eyeing assembly platforms too. FIAT had previously withdrawn from the North America market in the 1980s due to stiff competition from other giants in the industry like GM, Toyota and Nissan. This alliance provides the company with a strategic partner to aid in re-capturing the market and at the long run be able to compete with the other auto makers dominating the market. On the other hand, Chrysler had been marred with debts, gone bankrupt and had also been negatively affected by labor union contracts. FIAT would provide the motor manufacturer with small cars technology which was behind its 2004 success recovery strategy. In addition, Chrysler could benefit from the leadership of Marchionne who was able to turnaround FIAT during its difficult times. The alliance between these two companies would be more compatible because other than their symbiotic needs, they are both involved in small car manufacturing. This would increase their capacity to pool their resources together and consolidate their brand portfolios so as to save in technology platforms and research and development. Similarly, the result of this alliance has its aims at the same target market, which would largely be the middle class citizens in Europe, North America and emerging markets. However, there would be a price to pay for each of these corporations. There would be changes in organizational structure and management. Chrysler would be hard hit because it faces bankruptcy therefore a need to overhaul its structures. In fact, this could be the reason that Marchionne, FIAT's CEO would also head Chrysler other than because of his turn around capability.

The result of this could include job cuts, consolidating dealer networks or even closing down of plants. In the long run, it would be difficult to recast the brand image of products of each of these partners. FIAT could also face the challenge of having to deal with North America and Europe labor unions. It would be important for the heads of these companies to be wary of factors that could fail the alliance. According to Robinson, lack of clear goals and priorities and mutual trust among the partners have initiated failure in strategic alliances. For instance, Chrysler failed to blend in its merger with Daimler because the organizational cultures of the firms could not be integrated into one. Likewise, when seeking to enter into a strategic alliance, it would be important to consider a firm with which there would be shared objectives. Future prospects Under the leadership of Marchionne, Chrysler would be guaranteed of a turnaround in its performance. In case the alliance period expires and these firms go back to their independent operations, they would have major challenges in recasting their brands. Combining FIAT's success in Europe and Chrysler's brand name in the North American market, this alliance would acquire a strong presence in the global market. As noted by Robinson, strategic alliances involving firms from different nations face problems in control, corporate challenges and operations in value chain. If the Chrysler-FIAT alliance emerges successful in line with its objectives, the firms would be recognized for their roles in crafting a successful auto alliance. Works Cited Das, T. K. Strategic Alliances for Value Creation. United States of America: Age Publishing Inc., 2011. Robinson, B. " Why Strategic Alliances Don't Work." Forbes. 7 January 2002. Web.