

# An introduction to daimler chrysler ag



**ASSIGN  
BUSTER**

DaimlerChrysler AG-the third-largest car maker in the world-is the product of the November 1998 merger of Daimler-Benz AG of Germany and Chrysler Corporation of the United States. Vehicles built by the resultant powerhouse include Mercedes-Benz luxury passenger cars; a micro compact car sold under the name Smart; Chrysler, Jeep, and Dodge cars, pickup trucks, minivans, and sport utility vehicles; and commercial vehicles, including vans, trucks, and buses, under the brand names Mercedes-Benz, Freightliner, Sterling, Setra, and Western Star Trucks. The company's revenue stream is heavily weighted toward the United States and Europe-the Mercedes Car Group and the Chrysler Group divisions account for the majority of company sales. The company has been plagued with problems in recent years related partly to its investment in Mitsubishi Motors. Its troubled Chrysler division experienced a \$637 million loss in 2003 due to restructuring costs and slowing U. S. sales. In addition to its vehicle manufacturing operations, DaimlerChrysler is a leading provider of information technology services in Germany and offers a variety of financial services-including vehicle sales and leasing financing, dealer financing, and insurance services-primarily in North America and Europe. The European Aeronautic Defense and Space Company (EADS), which is 33 percent-owned by DaimlerChrysler, operate as the world's second-largest aerospace and Defense Company.

## **Models of change management**

Lewins model

Unfreeze the current paradigm of the organization. This involves understanding the need for change. Then communicating that need to the people. People should be open to change in structure, behavior and thinking.

<https://assignbuster.com/an-introduction-to-daimler-chrysler-ag/>

Change the organization paradigm by introducing new theories in the organization. This is a lengthy process as the new method will take time to sink in. people will question the new method thus it is important that there is a strong channel for feedback.

Refreeze the changed paradigm. This is the stage where the change is inculcated into the organization and people followed the changed methods as a part and parcel of the organization.

## **Kotters 8 steps**

creating a vibe of change into the members

gather supporters to guide change

create a vision

explain the vision to the supporters

empower people to follow and spread the vision

create shot objective or milestones

improvements and feedback

Inculcation of change by making it a part of structure and system.

Complex model which recognize the need of individual organizations.

Johnson Scholes and Whittington's model identifies the variables that the organization faces.

Time is how quickly change is needed. This can be identified by the Balogun and Haily's model.

Scope is the degree of change that is necessary.

Continuity what is the incremental factor

History is the past experience of change

Skills what capabilities are required and what do we have.

Resources which are available for change management.

Readiness is the willingness of people to accept change.

Power is where the of the organization lies i. e. with management employees, stakeholders etc.

McKinsey 7S framework identifies the areas that management need to focus on in order to manage change effectively

Structure is the hierarchy and the departmentalization of the organization before and after the change.

Strategy is the plans that organization makes i. e. when to compete? Where to compete? And when to compete?

System is the alignment of the strategy with the business objective and at what level evolutionary stage the organization stands.

Shared values is what type of culture prevails in the organization

Style is the leadership style of the management. How are decisions made?

Staff is the human resource of the organization. How trained they are and what staff is needed?

Skill is the organizations ability to use its resources. Thus measure of the efficiency of the organization.

## **Need for strategic change in Chrysler**

Chrysler has been to the top and now has lost most of its profit.

## **Strategic intervention techniques**

The purpose of intervention techniques is to improve the efficiency and the effectiveness of the organization. Strategic intervention techniques focus on improving the processes through which ideas are generated and then gain feedback on the ideas. These techniques “ make some thing happen” and also focus on “ what is happening” French & Bell Jr (1994). The reasons for interventions can be

To gain feedback

To educate people

To invoke rapid change in the organization.

Rapid and sudden change in the external environment

Intense competition

## **Driving forces for change in GM**

Driving forces are the reason that GM requires to change its strategy and align itself with the environment. Few of the forces that pressure Gm to change are as follows

Low economic growth in the car manufacturing business has stumped most of the manufacturers.

Car manufacturers on government support are making cars at a loss but yet there cars are in the market and cutting the market share of other companies.

Japanese car manufacturers are making better cars at low price which is the main competition for GM.

Change in technology in the industry has been an issue. Honda and Toyota have advanced in technology at a higher rate than GM.

Rising oil prices have also caused the industry to rethink there strategy.

## **Resource implications for GM**

GM CEO Rick Wagoner has put in a lot of effort to turn around GM since 1992. but his response to change in the environment was too slow. The resources of GM can be evaluated using 5 M's model

Money has been the problem for GM for sometime now but government is ready to help them but they do not have a turn around strategy.

Manpower of GM has not been able to generate new ideas which show dulled motivation, and poor creativity skills by the management and other employees. Also GM is stuck in contacts with employees with huge pensions.

Minutes time frame for adaptation has always been short for GM and it has always lagged behind the need of time.

Material has very special item oil which has sky rocketed. So the price of car manufacturing is rising as well as the price of maintaining a car.

Machinery has been the major issue for GM as its competitors have acquired new machinery and processes which are better than that of GM.

Due to these factors GM has not been able to change. These are the forces that create resistance for change.

## **Change and stakeholders**

Stakeholders are an integral part of the organizational paradigm. To bring change in the organization, stakeholders should own the change. The process of change should start from within the stakeholders.

To change the culture stakeholders should realize that there is a need for change. Then they should be directed into the right direction. In Kotter's 8 steps model for change the role of stakeholders can be incorporated. The model pushes the organization to make its own decision and define its process of change.

## **Kotter's model for change for GM**

Kotter gives a model of change in the organization in which the stakeholders are empowered to make change for themselves. I shall use this model to explain how GM can bring about change in the organization with the help of its stakeholders.

### **Step 1: Create urgency**

For change to occur it is necessary the whole organization realizes the need for change and puts its effort in making the change. For this purpose managers can paint a grim picture of the future if continued on the same path. Explain to the shareholders the increase in ability of the organization to exploit its resources. There should be feed back from the stakeholders and there ideas should be incorporated in the change process.

In case of GM it is not very difficult to paint a grim picture because the next step to bankruptcy is liquidation. The decline in the performance of the company has been a question mark for a long time now. So in GM people are ready for change and stakeholders support the management. Now there is need for discussions so that the ideas and the wills of the stakeholders can be incorporated in the change process.

### **Step 2: Coalitions**

This is the point where the leadership emerges; people among the stakeholder should take charge of the groups. It is necessary that to identify the key leadership and make them commit to the change in the organization. This is necessary that people who are selected for the leadership believe in the change.



In case of Chrysler they have to find leaders in order to bring change.

Recognition of the people who will help GM to evolve and to accept the changed processes is necessary, if it wishes to make any type of change in its strategy.

### **Step 3: Vision for change**

When the process of change starts there are many ideas floating. All these ideas need to be linked together in order to form a vision. This vision needs to be simple and understandable. The vision gives people a sense of direction; they understand the purpose of the change. For change to be successful you need to know the main idea behind the change. For this purpose prepare a summary of the future endeavors of the company. Knowing about the future helps people to support the organization.

In case of Chrysler the mission statement is quite clear “ G. M. is a multinational corporation engaged in socially responsible operations, worldwide. It is dedicated to provide products and services of such quality that our customers will receive superior value while our employees and business partners will share in our success and our stock-holders will receive a sustained superior return on their investment.”

But unfortunately Chrysler has not been able to deliver. The vision of the Chrysler needs to be communicated effectively through the organization. Every stakeholder needs to believe in the mission statement of Chrysler.

### **Step 4: Communication of vision**

Every person in the organization needs to know the objective of the change. The previous paradigm of the company will produce resistance against the

<https://assignbuster.com/an-introduction-to-daimler-chrysler-ag/>

new method. The New Mission statement needs to overcome the resistance and unite the organization on a single path to success. For this the management needs to address all the doubts and problems of the people. Divide the vision into smaller objectives and tie the performance of individual with the achievement of these objectives.

In Chysler the management should take responsibility of communicating process of change through the organization. A process of change developed from the input of stakeholders is easier to communicate back.

### **Step 5: Remove obstacles**

In the process of change, there will always be resistance. The objective of the management is to minimize this resistance and bring the stakeholders to a common platform on which everybody can express their opinion. As the process of change moves forward, there should be constant checks for any barriers to change.

In Chysler the inner management has failed to provide change in the organization. The change in GM can be induced from the outside; perhaps a change agent will help GM over come change barriers. Another good way to bring about change is to award the people who embrace the change.

### **Step 6: Create short term objectives**

For the process of change to work people need to know that it is working. For this management can divide the main objective in to simpler objectives. The management should thoroughly analyze the short term objectives such that they are achievable and motivation. For the achievement of every objective the employees should be rewarded.

In Chrysler that management need to step up and divide their long-term objectives into the short term goals. The management should make the stakeholders believe that they are capable of changing the business for the better. The most important stakeholder of GM is the government. The government needs to know that that GM can stand on its feet, for it to bail out the company.

### **Step 7: Build on the change**

The process of change is not complete he unless and until the change culture has inculcated into the organization. Changes in many organizations fail because they do not fully implement the changed processes. The changed processes should become part and parcel of life in the organization. The people of the organization need to build on the changed processes and achieve even more success.

The management of Chrysler should not stop at making the government believed that they deserve a bailout, but should make efforts to build on the changed processes.

### **Step 8: Change in corporate culture**

The most difficult thing to do in bringing about change into the organization is to change the culture of the organization. In history many of the mergers in companies have failed because they unable to merge the culture of the companies. Changing the culture of the company is a very long and hard process.

Chrysler will need to change the culture and introduce a fresh method to succeed in an unattractive industry. At this point the employees of General

Motor will not be motivated; the management needs to bring faith back into the employees.

## **Monitoring progress and conclusion**

The final step in the management of change would be to monitor the performance of the company. For this purpose appraisal of each of the activities of the company will be performed. The justification of activity will provide grounds by which the productivity of the activity will be measured. The idea of kaizen should become a part of the activities of the business.

The process of change is very lengthy; it takes years for change process to become part of the culture. The management of the organization needs to be very patient and need to prioritize their objectives.

In Chrysler it is necessary that people accept the change and once the changed processes have settled in there should be continuous evaluation and revaluation. The U. S market has become very saturated thus not allowing the companies to grow as fast as they would like. For the companies to survive they need to use there resources with utmost efficiency.