

# Chrysler-fiat strategic alliance

Business



2009 Chrysler-Fiat Strategic Alliance Case Study by rechristening rhea 2009

Chrysler-Fiat Strategic Alliance A strategic alliance links two or more companies operations by combining manufacturing resources and knowledge.

These tie-ups combine R&D, product development, distribution networks, and other areas in knowledge allocation. With that said, Chrysler was ordered by the U. S. Government to form an alliance and file for Chapter 11 bankruptcy in-order to acquire government bailout.

So, in early 2009, Fiat turned out to be the key contender for Chrysler and in April 2009, Chrysler and Fiat announced their strategic alliance and agreed on a new ownership structure. In May 2009, Chrysler filed for Chapter 11 bankruptcy in a New York court and started the process of a company-wide restructuring.

Chrysler and Fiat, as well as the Obama Administration, announced that the Fiat Group, plans on providing technology- related expertise and assembly platforms to Chrysler.

The focal aim of this alliance is to allow Chrysler to survive and develop small and fuel-efficient autos in North America. The initial formation of this alliance allocated Fiat with twenty percent ownership of Chrysler and could raise its stake to thirty-five percent. After 2013, if Fiat meets certain conditions such as, introducing fuel-efficient cars and manufacturing small auto engines in North America, their shares of Chrysler ownership may rise to fifty-one percent. Therefore, this strategic alliance will benefit both companies and allow Fiat entry to the United States.

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The Chrysler-fiat strategic alliance, has enabled them to be contenders in the global market. On the contrary, GM, Ford, Toyota, Volkswagen, and Daimler are precisely known as the auto- industry giants and have immense power over both Chrysler and Fiat as separate entities.

The formation of the Chrysler-fiat strategic alliance has enabled these two companies to keep its presence within the auto-industry. Exhibit III of the case study, illustrates the power a strategic alliance can formulate.

According to the chart, both Chrysler and Fiat, as separate entities, drastically fall behind the industry leaders such as GM, Ford, Toyota, Volkswagen, and Daimler. Chrysler shows sales of \$59 billion while Fiat's shows sales of \$83 billion.

Out of the five industry leaders, Volkswagen comes in last (\$149 billion in sales), which is enormously higher than both Chrysler and Fiat.

If you look at Chrysler and Fiat as an alliance, their combined sales come to \$142 billion. Therefore, forming an alliance will keep them in the game; together they can compete globally with industry leaders and collaborate with TTS culturally diverse partner in order to innovate and keep current with new technologies. The strategic alliance formed by Chrysler and Fiat has given them both the power to gain market share in diversified regions. Fiat is now able to enter the North American markets while Chrysler enters European markets.

With the help of Fiat, Chrysler now has the opportunity to learn first hand the European culture.

Ninth their help, Chrysler can learn to emerge and build strong brand recognition Nothing Europe. If Chrysler maintains a humble approach they have the power to come a huge threat to other global automakers such as GM. Entering a new market/region is very intricate. Partnering up with Fiat gives Chrysler an advantage due to the fact that Chrysler can now be highly educated on European corporate culture. With quality teamwork, Chrysler can formulate a strategy for entry that may pose immense threat to industry leaders such as Volkswagen, Toyota, MM, Daimler, and Ford.

If Chrysler multi-national strategy can create an immediate positive buzz Nothing the European markets, then both Chrysler and Fiat can compete and one day expand into an array of diversified markets.

4. Analyze Chrysler and Fiat's brand portfolios in the world auto industry. How do [o see both companies revamping and overhauling their brands in the short (1-2 Hears) and long terms (5-6 years)? Chrysler and Fiat have the potential to become a large leader in the auto industry. Sergei Maraschino is both CEO of Chrysler and Fiat, and has recently improved the company beyond analyst's beliefs. Therefore, great leadership while upholding a plan of strategy can immensely help an existing organization revamp.

Table I illustrates financial and market-related data for both Chrysler and Fiat. Fiat's sales in 2008 (\$83, 696. Mil. ) are higher then Chrysler mil. ), but if you look at these two companies as one unit you will find that they are nearing global auto-industry leaders.

In 2012, Chrysler's market share in the U. S. was at 12.5% while Fiat's market share in Europe was at 8.2%. Chrysler also projected higher sales growth at 4.

0% while Fiat has a 2.8% sales growth. With that said, both Chrysler and Fiat tend to balance one another's downfalls. Industry leaders may project higher numbers but you must take into account that those giants are not located in just one region.

Over the years, industry giants such as GM, Ford, Volkswagen, Toyota, and Daimler have taken their companies global while Chrysler and Fiat are first entering into new multi-national regions.

Therefore, I project that the short term-2 years, both Chrysler and Fiat will "begin" to emerge as threat to industry leaders. I do not believe that they will surpass any one top-tier industry leader yet. On the contrary, if you look at both Chrysler and Fiat long-term 5-6 years, I believe that their threat may turn into reality. I believe that their humble approach and current CEO, Maraschino, has a well-implemented strategy that will enable both Chrysler and Fiat to flourish.

Our globalized economies feed off new developments and innovation and I strongly believe that nothing great, lasts forever.

I feel that with great leadership and collaboration of both Chrysler and Fiat, they can become the new necessitated item in the long run. While industry leaders stay on course, Chrysler and Fiat now have the opportunity to develop and innovate differently than previously seen. So far, a year has

gone by since the alliance was formed and CEO, Sergei Maraschino has improved both companies immensely. 5. What did you learn from the Chrysler-fiat Strategic Alliance regarding managing litigation's in the changing global business? What role did the U. S.

Government play in the formation of this alliance? Learned a lot from this case study.

I believe the pivotal point this case stresses is the power of a strategic alliance in accordance with great leadership. The power of multinational alliances is imperative in today's global economy. The U. S. Government gave bailout money to Chrysler and insisted they form an alliance overseas.

In doing so, Chrysler-fiat became a strategic alliance and formed a win-win situation. Fiat was now able to enter U. S. Markets while Chrysler, with the help of Fiat, emerged into the European auto markets. Culture is very unique to each region of this global economy and by forming this strategic alliance they were able to learn the European culture first hand from Fiat.

Ninth their help, Chrysler was able to formulate an entry strategy and form a new humble begging.

I believe that the Chrysler story can be summed up by two quotes, ' If at first you don't succeed, try, try again' & " This is not a dress rehearsal, it's the real thing. " These quotes, structure this strategic alliance and constitute for a hopeful new beginning for both companies to flourish within today's competitive lobar markets. 6. 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.

November, 2010... Chrysler has begun to revamp its brand due to great leadership and drive to start a new chapter beginning. The all-new Jeep Grand Cherokee, NAC became a hit.

Most sources state that the new 2011 line-up will be the fulcrum for success.

They have become increasingly innovative and design friendly. Chrysler now offers the consumer more for their money and is trying to capture the consumer based audience they once had. The Chrysler-fiat strategic alliance, took a dying company and brought it back to life. Chrysler has begun to develop higher fashioned cars than in previous years that cater to the masses.

Accounting for variable change is imperative and until the new 2011 line-up launches, skepticism of their once large consumer base still remains uncertain. If all goes well within the next year, I truly believe we will witness the emergence of a new Chrysler that's driven towards success.

The only concrete form of current information I can portray, is the Chrysler stock has been on the rise. I believe this must be attributed to the CEO's drive and cost importantly their new-formed alliance with European based Fiat, who now has interest in expanding operations into different ventures such as Subs. With great leadership, comes great responsibility, and so-forth, I believe CEO, Sergio Marchionne, is doing a great job revamping Chrysler and hope he can bring this company to a top-tier auto-industry giant so I can

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witness such great feats during this economic downturn. Conclusion: A multinational strategic alliance correlates directly to a powerful global economy.

In the case of Chrysler-fiat, their strategic alliance has empowered both companies to enter into different regions and expand brand recognition. Only time can and will tell, if the U. S. Government's decision for bailout money and the formation of a strategic alliance was the correct path for Chrysler. A strategic alliance is a powerful entity that has brought diversified backgrounds together. It enables two or more companies to simultaneously work in accordance to benefit one another in hopes to achieve its final objectives.

Therefore, I believe a key factor to success, when working with multinational companies, is to be humble and willing to learn from one another because every culture has an important message to offer.