

Italians get to work at Chrysler

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The automotive industry will have to wait another month or two for Sergio Marchionne and his team at Fiat to unveil their long-term plans for Chrysler.

The Italians have made many changes since they took operational control of the Detroit carmaker on its emergence from a court-supervised restructuring in early June.

But they are still getting to grips with some intractable problems that even Chrysler's journey through bankruptcy court and billions of dollars in US government aid have not solved.

Fiat plans to unveil its five to 10 year strategy for sharing vehicle platforms and powertrains with its new US partner in October or November. Chrysler's board is due to be briefed at the end of September.

Behind the scenes, Mr Marchionne has been cutting red tape and streamlining management and processes, much as he did after taking over Fiat in 2004.

"That's going to be job number one at Chrysler: dealing with the bloated control structure," says Stuart Pearson, autos analyst with Credit Suisse in London.

A consultant familiar with Chrysler added that "they're flipping rocks over and finding what's crawling underneath. At times they're finding things that they wish they hadn't found."

One priority has been to switch Chrysler's plants to Fiat's self-styled world-class manufacturing system, modelled on Toyota.

"Man, it's already major in its impact," enthused Leon Rideout, president of a Canadian Auto Workers union branch at a Chrysler car plant in Brampton, Ontario.

Mr Rideout says that tradesmen have more autonomy than in the past to fix problems on the assembly line. Labour classifications have been consolidated to allow more flexible use of production teams.

Chrysler has also made some critical changes to its relationship with dealers. David Hammer, owner of a Chrysler and Dodge outlet in Milford, New Hampshire, singles out an extension of the advance ordering period from 30 to 60 days.

The move gives dealers more latitude to specify features that they think will be most in demand. "It allows Chrysler to work with the suppliers to build the cars that we want," Mr Hammer says.

According to Mr Hammer, Fiat has also pledged to allow dealers to keep lower inventories. The carmaker's two previous owners, Daimler and Cerberus Capital Management, came under fire for swamping dealers with vehicles to keep assembly plants running.

The biggest conundrum, however, is how to fill gaps in each company's vehicle portfolio. Chrysler, long dependent on pick-up trucks, sport-utility vehicles and minivans, needs a line-up of small cars. Conversely, Fiat is eager to gain more heft in the family car market.

In each case, Fiat needs to build at least 1m units a year to make its investment in a new platform worthwhile. Among options under consideration is a new version of Chrysler's 300 sedan sold as an Alfa Romeo. The sporty Alfa 169 could also be built in North America. Fiat plans to produce its 500 mini-car in Mexico but volumes are likely to be modest.

Analysts suspect that Mr Marchionne is still on the lookout for another partner. He has said that Fiat needs to sell 5.5m-6m cars a year – about 2m more than Fiat and Chrysler now make – in order to justify his group's investments in its core carmaking business.

Fiat sought to put a third leg on its stool this year with an abortive bid for Opel, General Motors' European unit. According to Paul Haelterman, vice-president for advisory services at CSM Worldwide, a consultancy, a tie-up with France's PSA Peugeot Citroën "really is probably the best fit for everybody".

Mr Marchionne faces another challenge too. Apart from cutting through the entrenched corporate culture in Auburn Hills, he needs to devote attention to Fiat, Italy's largest industrial group, which also owns Iveco trucks and CNH, a construction and farm equipment maker.

All parts of the business have been hit hard in the global crisis, although Fiat's most recent quarterly loss of €179m, in the three months to end-June, beat the group's internal expectations.

Mr Marchionne was in Detroit for most of August. According to Credit Suisse's Mr Pearson, "it could become a concern how much time he spends at Chrysler".

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