Sergio Marchionne Undertakes Major Strategic and Culture Change at Chrysler Group[72]

A decline in sales isn't the only big problem facing Chrysler Group LLC. Another, according to Chief Executive Sergio Marchionne, is the almost ingrained tendency to react to falling sales by slashing prices.

In Detroit, "there's almost a fanatical, maniacal interest in (market) share," Mr. Marchionne told reporters Monday on the opening day of the North American International Auto Show. But rarely, he added, has heavy discounting in pursuit of high volumes helped auto makers generate profits in the long term. . . .

For the past seven months, the 57-year-old Italian-born Canadian has been working to shake up Chrysler and move the company away from old ways that forced it into bankruptcy reorganization last year. He has ousted several veteran executives, flattened its bureaucracy and, according to people who have worked closely with Mr. Marchionne, injected an element of fear into its ranks.

One of the more frustrating problems for Mr. Marchionne has been the use of heavy rebates and other incentives to maintain sales—an issue that has plagued General Motors Co. and Ford Motor Co. over the years.

Last July, for example, when the U.S. government offered as much as $4,500 in "cash for clunkers" rebates, Chrysler's sales chief at the time, Peter Fong, drew up a plan to offer an additional $4,500 from Chrysler, two people familiar with the matter said. . . .

But when Mr. Marchionne found out about it, he was furious, these people said. In an August meeting with Mr. Fong and his sales team, the CEO excoriated them, saying doubling discounts amounted to "giving away margin" at a time when Chrysler was scrambling for profits, one person familiar with the details of the meeting said. "Sergio was ballistic," this person said. . . .

Several weeks later, in September, Mr. Fong was summoned to the office of Nancy Rae, Chrysler's head of human resources, and was told his services were no longer needed, these people said. . . .

Mr. Marchionne took the helm at Chrysler in June, when the company exited bankruptcy protection and formed an alliance with Italy's FIAT SpA, where he also serves as CEO and which owns about 20% of Chrysler. In November, he laid out a turn-around plan that calls for Chrysler to launch a series of small cars designed by Fiat, and envisions Chrysler breaking even in 2010 and returning to profitability by 2011.

Besides working out ways for the two companies to work together, Mr. Marchionne has tried to shake up Chrysler's plodding corporate culture. . . .

To select his new management team, Mr. Marchionne held dozens of 15-minute interviews with Chrysler execu-

When the process was over, Mr. Marchionne had 23 people reporting to him. Some were junior executives who had been moved up a level or two in the organization. . . .

Many in the industry believe Mr. Machionne has no option but to shock Chrysler out of its old ways. "The culture in Detroit is so insular, and he's going to have to throw some china against the wall," said Michael J. Jackson, chairman and CEO of AutoNation Inc., a large dealership chain. . . .

Mr. Marchionne took an office on the fourth floor of the technology center at Chrysler's headquarters in Auburn Hills, Mich., among Chrysler's engineers, instead of an office in its adjoining executive tower. His management team began meeting weekly in a nearby conference room equipped with video gear so that Fiat executives in Italy could take part.

In these meetings, Mr. Marchionne often spelled out what he saw as Chrysler's many deficiencies: margins and vehicle quality needed to improve and better control over pricing was imperative, according to one person who has been in the sessions. Details of the discussions weren't to leave the room. Security officers even called senior executives over the summer to make sure no one was talking to reporters about the company's plans.

Mr. Marchionne, a notorious workaholic, carries five BlackBerrys and works seven days a week. He spends about one full week a month in Michigan and flies back for weekend meetings when he isn't in town.

Questions for Discussion

1. What are the observable artifacts, espoused values, and basic assumptions associated with Chrysler's culture? Explain.
2. How is Mr. Machionne trying to improve the PE fit of his direct reports?
3. Use the competing values framework to diagnose Chrysler's culture. To what extent does it possess characteristics associated with clan, adhocracy, market, and hierarchy cultures? Discuss.
4. Begin by looking up Chrysler's mission or vision statement on the company's website. Now answer the following question: To what extent is the culture type you identified in question 2 consistent with the accomplishment of this mission or vision? Explain.
5. Which of the mechanisms for changing organizational culture did Mr. Marchionne use at Chrysler? Explain.
6. Would you like to work at Chrysler? Explain your rationale.