

CASE 2

STRATEGIC MANAGEMENT

CHRYSLER: COMPETING IN THE 1990s

In the 1980s, Lee Iacocca became a legend by rescuing Chrysler Corporation from bankruptcy. Today Chrysler faces another challenge: surviving the heated competition and predicted overcapacity of the world car industry. To respond to this crisis and compete successfully, Chrysler must overcome major problems.

First, the production overcapacity of the world car industry means that all car manufacturers will be fighting to maintain or increase their market shares. Not only have U.S. companies invested to improve their efficiency; Japanese automakers continue to build factories in America, thereby contributing to the problem. In addition, European and Korean producers want to increase their penetration of U.S. markets. To respond to these threats, Chrysler, plans to do whatever is necessary to buy additional market share. Iacocca recognized that price cuts on some models were required, and he instituted generous rebates and other incentives to lure customers to Chrysler showrooms. However, Iacocca and Chrysler realized that price is only one way to gain more buyers. In fact, it is not the best way, particularly over the long term. Instead, Chrysler must solve its second problem: improving the cars it produces, in terms of both quality and performance. Iacocca acknowledges he made a mistake by focusing primarily on marketing and finance while delegating product development to others. Also, Chrysler must emphasize high standards for the service provided to customers after a sale.

Industry analysts agree that excellent customer service is essential in a glutted market. A third major problem for Iacocca was merging American Motors Corporation (AMC) with Chrysler's operations. The merger meant Chrysler had to lay off many other employees, both blue and white collar. The remaining employees; responses to these layoffs ranged from outrage to fear. This placed great pressure on Chrysler management to work closely with labor to avoid unrest and ensure quality and productivity. To survive, Chrysler recognized that managers and employees from all parts of the firm (design, marketing, engineering, and production) must work together as a team to develop and manufacture quality products that match the wants of buyers. Chrysler's future is also based on its ability to improve efficiency. Today Chrysler is focusing on cutting costs, improving the quality and speed of product development with a teamwork approach, and developing better relations with suppliers and customers. Among other things, Iacocca asked suppliers to provide suggestions for cutting costs- and he received thousands. Iacocca stated that the key to cost cutting is "to get all 100,000 employees talking about it."

Iacocca is not retired as chair. Some analysts foresee hard times for Chrysler. Stated one former manager, "The feeling is that time has really passed {Chrysler} by. {Iacocca} was as much liability as an asset." One current executive counters that Chrysler has one big advantage: It has been in a crisis before, and it survived and turned around. Thus, it can learn from its past. (*Adapted from: 'Management Function and Strategy' by Bateman and Zeithaml; Pg. 53*)

Questions:

How can the contemporary approaches to management be used to solve the problems Chrysler faces?

- How can the contingency approach be used to address the problems Chrysler faces?
- Using an open-system perspective, describe the system that exists at Chrysler and between Chrysler and its environment.

It is necessary for you as an entrepreneur to be goal-oriented. Have your short-term and long-term goals and establish your work priorities. Revise your time-plan regularly so that you achieve your goals.

It is advisable to stress the importance of time to employees so that there is no misuse of your time and organisation's time. You will spend most of your time on those objectives and problems which affect the whole organisation. It is also important to avoid spending too much time on easy problems and leaving out difficult ones. Just identify the major problems and use your priority order to tackle them all.

Time-saving methods

Maintain a simple filing system. It is useful to review the files at regular intervals. Those, which are no longer needed, should be thrown away.

Let your committee meetings and conferences be held near lunchtime or dinnertime.

Majority of the participants will be keen to finish the meetings in scheduled time.

Screen telephone calls in order that you answer only the essential ones. Your secretary or assistant can take messages for the rest. You can answer them later.

Keep your desk clear by removing away the materials, which you are not currently using. By doing so you will avoid distraction and the tendency of doing too many things at the same time.

Be fully aware of your key hours of the day. Use them effectively together with the lunch-time and the short period finishing the work in the evening.

Potential ways of wasting time

- Taking too much time for working to chat with people on personal matters not connected with work.
- Long group or committee meetings which may not be productive.
- Too many interruptions during working time.
- Disorganisation arising from poor management.
- Work is not properly delegated or very little delegation is allowed.
- Leader/manager may not be decisive.
- Lateness and absence are other potential ways of losing time for performing tasks.

Successful entrepreneurs must use their time effectively because any time which has been spent is gone. It cannot be recovered. Entrepreneurs must use every minute productively. They must adopt their own methods of planning, organising leading/directing and controlling for the most productive performance.

Time management techniques

- Daily goals. First, identify your specific daily goals. Know what you want to accomplish each day. List the work goals, in order of importance. Then tackle the most important goal before you to the others in your priority list. Have time to work on your own until you finish your major goals. There should be no interruptions and distractions during this time of your total concentration. Establish your office routine to operate even if you are not there.
- Deadlines. Set specific deadlines with time targets to achieve the tasks. Let your deadlines be realistic and achievable. Do everything possible to meet your time targets.

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- Japanese management is characterised more by consultation than by direct order. Even low level officers help in formulating policies. (This however, results in slow decision making).
 - Japanese managers rarely reject any contributions by subordinates flatly because to do so is impolite and a threat to their culture of harmony.
 - The Japanese worker usually signs for life with a company. Labour turnover is very low in Japanese firms. Companies try hard to keep their workers happy.

d) Management Excellence

This theory was advocated by Thomas Peters and Robert Waterman in the mid 80's. After studying various American firms they concluded that successful managers were characterised by eight attributes:

- a bias for action
- staying close to the customer
- autonomy and entrepreneurship
- productivity through people
- hands on-value driven management
- remaining with the business: stick to the knitting.
- simple form and lean staff
- climate of dedication to the central values

Because these theories have not been tested and are still evolving, their validity cannot be ascertained but they still do have useful information for managers of today's dynamic and complex organizations.