

Marchionne 'Micromanages' Chrysler Into Profitability

Tom Krisher, AP Auto Writer

DETROIT (AP) — Chrysler was collapsing when Fiat took control of the company just 19 months ago.

Now, under the Italian automaker's detail-driven CEO, Chrysler is on the verge of turning its first profit since it filed for bankruptcy protection in 2009.

Chrysler Group LLC on Monday said it dramatically narrowed its losses in the fourth quarter and 2010. And it predicted it would post net income of \$200 million to \$500 million for 2011.

Chief Executive Sergio Marchionne has transformed Chrysler by managing the smallest details, even picking the music for company presentations.

As a result, Chrysler's vehicles are starting to look and drive better and the company's costs are under control.

Marchionne, 58, a Canada-educated Italian who quickly replaces executives who don't deliver, has brought back the speed and drive that Chrysler once had. He pushed engineers and designers to bring out 16 new or revamped models in the past year, including 11 in the fourth quarter alone.

Last year at this time, many Chrysler, Dodge and Jeep dealers were wondering if they'd even make it through the year. Sales were down and there were few new products on their lots. The company needed a \$12.5 billion bailout from the government to survive in 2009. For years, it piled up debt and produced very few hit cars.

Carl Galeana, who runs dealerships in suburban Detroit, Florida and South Carolina, said he is impressed with the turnaround that Marchionne engineered.

"I think this guy is a visionary," he said. "He talks about what he needs to do and he goes out and gets it done."

Of the 16 new or revamped models, five were rebuilt from the ground up in under two years, far faster than the normal three or four years. They include the 300 big sedan, the Jeep Grand Cherokee and Dodge Durango SUVs, Dodge Charger muscle car and the Fiat 500 minicar.

Marchionne allowed engineers to make big changes, even if they added costs, said Doug Verley, chief engineer of the revamped Chrysler 200 midsize car.

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Engineers were encouraged to make a case for new technology or designs, something that didn't happen under Chrysler's previous owners. As a result, the 200 has new features such as LED headlights and a quieter engine mounting system, a big improvement in quality that its predecessor, the Chrysler Sebring, didn't have.

"The answer used to be no," Verley said.

Along with quality, Marchionne pushed the 200 to come out faster. He personally approved the car's interior in three days, far faster than the two weeks it took under previous CEOs.

Chrysler's new models, such as the Jeep Grand Cherokee, could give the company a big boost. Sales of the SUV, which came out in June, rose 70 percent last year.

But while Detroit rivals Ford Motor Co. and General Motors Co. are making profits, Chrysler still hasn't posted a quarterly net income since leaving bankruptcy in June of 2009. It reported a \$199 million loss in the fourth quarter. It lost \$652 million in 2010, although the result was a huge improvement over the staggering \$8 billion loss the year before.

Chrysler must be profitable before its stock can be sold to the public, a goal for the end of this year. The stock sale is important because it will allow the U.S. government to unload its stake in the company, currently at 9 percent, which it got in exchange for the bailout.

To keep its momentum going, Chrysler needs to produce more new cars and trucks with help from Fiat.

Chrysler tried to upgrade many of its older models, and although they're better, they still appear old. That is especially true for its small and midsize cars, a critical area for sales, said Joe Phillippi, president of New Jersey-based AutoTrends Consulting LLC.

Completely new models, designed jointly by Fiat and Chrysler, are in the works. But the first one, a new compact, won't arrive until January of next year at the earliest.

Phillippi said they are crucial to Chrysler's future because design costs will be shared with Fiat.

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AP Auto Writer Dee Ann Durbin in Detroit contributed to this report.

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