UNIVERSITÄT PADERBORN
Die Universität der Informationsgesellschaft

Fakultät Wirtschaftswissenschaften
Lehrstuhl für Personalwirtschaft

Dissertation

The DaimlerChrysler AG takeover failure within the framework of the failed Daimler-Benz Welt AG strategy

vorgelegt bei:

Herrn Prof. Dr. Martin Schneider

betreut durch:

Herrn Prof. Dr. Martin Schneider und Herrn Prof. Dr. René Fahr

Abgabetermin:

October 16th, 2012

vorgelegt von:

John Riach

Studiengang: Wirtschaftswissenschaften

EXECUTIVE SUMMARY

Although the DaimlerChrysler AG takeover was the largest industrial takeover in history (1998), this case study shows that the acquisition of Chrysler was a sub-strategy within Daimler-Benz CEO Jürgen Schrempp's plan to place Daimler-Benz and the Mercedes brand as the focal point of a global Welt AG for the passenger and commercial vehicle industry of the 21st century.

The reasons for the failure of both DaimlerChrysler AG and the Welt AG are rooted in the inherent contradictions of the two strategies. The lack of attention paid to post takeover integration processes combined with the shift of focus to Schrempp's Asian strategy made the hegemony of the Welt AG plan and the lie of the 'merger of equals' metaphor clear to German, American and Japanese stakeholders. As a result, the takeover failed to realize any of the goals of increasing shareholder value, implementing operative synergy effects, and enhancing customer satisfaction.

In addition, the failure of DaimlerChrysler AG can be traced to the failure of Mercedes-Benz Car Group, Chrysler Corporation and Mitsubishi Motor Corporation to perform satisfactorily in their respective markets. It is particularly salient to show how the significant drop in the quality of Mercedes products was a direct result of the decison to globalize and mass produce the brand. The drain of German managers needed to troubleshoot issues at Mitsubishi Motors and Chrysler only supplemented and accelerated the downfall of the Welt AG.

The DaimlerChrysler AG takeover failure provides no proof for the necessary failure of cross-border mergers and acquisitions. Indeed, the failure highlights the strategic role of consistent communication and trust in the process of integrating differing company national and organizational cultures.

Finally, the resiliency of national institutions as evidenced in the DaimlerChrysler takeover failure draws attention to the fact that it is still premature to envisage the creation of a truly global company.

TABLE OF CONTENTS

INDEX OF FIGURES

INDEX OF TABLES

LIST OF ABBREVIATIONS

ADR	American Depository Receipt
AEG	Allgemeine Elektricitäts-Gesellschaft
AMC	American Motors Corporation
CME	Coordinated Market Economy (Hall and Soskice 2001)
COS	Chrysler Operating System
DASA	Daimler Benz Aerospace Aktiengesellschaft.
DAX	Deutscher Aktienindex / German Stock Market (Frankfurt)
DC	DaimlerChrysler
DCX	DaimlerChrysler stock listing as of November 18th, 1998
Debis	Daimler-Benz InterServices
DMG	Daimler Motoren Gesellschaft (original name of Daimler)
GAAP	Generally Accepted Accounting Principles (US)
GERPSIA	Groupe d'Etudes et de Recherche Permanent sur l'Industrie et les Salaries de l'Automobile (The Permanent Research Group on the Automobile Industry and Workers)
GRS	Global Registered Share
IAA	Internationale Automobil-Ausstellung (International Auto Show, Frankfurt)
LME	Liberal Market Economy (Hall and Soskice 2001)
MB	Mercedes-Benz
MBB	Messerschmitt-Bölkow-Blohm
MDS	Mercedes Development System
MIT	Massachusetts Institute of Technology
MMC	Mitsubishi Motors Corporation
MPS	Mercedes Production System
MTU	Motoren- und Turbinen-Union
NAFTA	North American Free Trade Association
NHTSA	National Highway Traffic and Safety Association (USA)
W (*e.g.* W211)	Mercedes Werksnummer /Modelreihe (Mercedes internal model classification number)
VoC	Varieties of Capitalism (Hall and Soskice 2001)

THE DAIMLERCHRYSLER AG TAKEOVER FAILURE WITHIN THE FRAMEWORK OF THE FAILED DAIMLER-BENZ WELT AG STRATEGY

1 INTRODUCTION

1.1 Key research questions

When the takeover of Chrysler by Daimler-Benz was announced in May 1998, it surprised, delighted and shocked Germany, the United States of America, the stock markets, the global car industry, and the stakeholders and shareholders of both companies respectively (DaimlerChrysler AG Video Appendix 1.1).

For Americans, it was the takeover of one of the country's most famous and biggest industrial firms and at that time (1998) America's most successful automobile manufacturer. Under German (Daimler) and later Italian (Fiat) ownership it would be the beginning of the end of The Big Three, culminating with Chrysler's initial bankruptcy in April 2009 (The New York Times April 30th, 2009).

For Germans, it was the Chrysler takeover that encouraged concrete hope in the country's ability to manage the challenges of globalization. Germany's hitherto coordinated market economy (Hall and Soskice 2001), which had provided the economic and political framework of post-World War II success, had seemingly stopped functioning in the 1990s. DaimlerChrysler AG offered the promise of a German-led Welt AG. Using methods more reminiscent of corporate America and "Neutron" Jack Welch, CEO Jürgen Schrempp had restored Daimler-Benz from record losses to record profitability within two short years (Der Spiegel 30, 1996). His decision to acquire Chrysler as part of his Welt AG strategy of global expansion in the core competencies of passenger and commercial vehicle production was universally applauded in Germany (Der Spiegel 20, 1998). The unfolding Welt AG offered the opportunity of superseding the seemingly obsolete and inefficient Deutschland AG within a global framework.

For the American stock market, early enthusiasm (Blaško, Netter and Sinkey 2000) was replaced with fear about the institutional ramifications of DaimlerChrysler AG's proposal of creating the world's first truly global stock, a move which threatened to jeopardize the power of American banks (Karoyli 2003). Both shareholders at Daimler-Benz and Chrysler profited until the appearance of the new common DCX share in November 1998. This success was short-lived. After briefly surging, it would never again reach its highest level of $108 USD in January 1999 (The Economist April 30th, 2006). The average price of DCX during the Schrempp era at around $40 USD (Wall Street Journal July 29th, 2005) stands in stark contrast to the record high of 1272 DEM in 1987 at Daimler (Der Spiegel 31, 1995).

And although the global car industry was caught up in merger and takeover frenzy in the late 1990s (Table 1), Daimler's aggressiveness surprised everyone (Blaško, Netter and Sinkey 2000). Ironically, only the intervention of the Ford family had stopped the Ford Board from taking over Daimler-Benz AG a few months earlier (Vlasic and Stertz 2000). Going from "hunted" to "hunter", Daimler-Benz AG reversed its position as the primmest luxury model takeover candidate by itself buying Chrysler. Now DaimlerChrysler AG, as CEO Schrempp promised at the press conference on May 7th, 1998, was aiming to create the world's global passenger and commercial vehicle enterprise for the 21st century (DaimlerChrysler AG Video Appendix 1.1).

Table 1: Overview of the Global Automobile Industry 1998

Largest Carmakers	Earnings	Revenue	Car sales	Cash	Rumoured merger partners
General Motors	$ 2.8 bn	$ 140 bn	7.5 million	$ 16.6 bn	Isuzi, Suzuki, Daewoo
Ford Motor	$ 6.7 bn	$ 118 bn	6.8 million	$ 23.0 bn	Honda, BMW
DaimlerChrysler	**$ 6.5 bn**	**$ 147 bn**	**4.0 million**	**$ 25.0 bn**	**Nissan, Fiat**
Volkswagen	$ 1.3 bn	$ 75 bn	4.6 million	$ 12.4 bn	BMW, Fiat
Toyota Motor Co.	$ 4.0 bn	$ 106 bn	4.5 million	$ 23.0 bn	Daihatsu, Hino
Honda Motor Co.	$ 2.4 bn	$ 54 bn	2.3 million	$ 3.0 bn	BMW

Source: DaimlerChrysler AG Tables Appendix 1.1

The shock was greatest for the vast majority of the 421,000 employees at both companies. Less than ten people had been involved in the 4 month deal between January and May 1998 (Vlasic and Stertz 2000). Executives were confused with the image of a "merger of equals". The roles, the language and the first details announced at the press conference made it clear to executives on both sides that it was a takeover (DaimlerChrysler AG Video Appendix 1.1). What could be "equal" between two such radically differing corporations and profit strategies (Boyer and Freyssenet 2000)? Especially those executives who had been involved in Daimler-Benz and Chrysler cooperation talks back in 1995 questioned the possibility of creating synergy effects between the Germany luxury carmaker and its new American middle-class division (Vlasic and Stertz 2000).

Nevertheless, such doubts seemed negligible throughout the rest of 1998. The first year's results as described in the DaimlerChrysler AG Annual Report for 1998 appeared to confirm Jürgen Schrempp's vow that this "merger of equals" was indeed a marriage "made in heaven". Revenues grew by 12%. Operating profits increased by 38% to €8.6 billion. Earnings per share were up 30% to €5.58. DaimlerChrysler AG sold 4.4 million passenger vehicles, commercial vehicles and light trucks. In addition, 19,000 new employees joined the company (DaimlerChrysler AG Annual Report 1998).

However, less than 9 years later on the occasion of so-called Valentine's Day Massacre, Daimler announced on February 14th, 2007 that it was selling its Chrysler division (The New York Times February 15th, 2007). The "marriage made in heaven" had disintegrated into a "divorce in hell". What happened and how could it happen? That question is the central focus and main question of this case study of the DaimlerChrysler AG takeover failure.

In the quest to answer this question the DaimlerChrysler AG takeover provides us with the opportunity to review, test and expand both macro- and microeconomic theories and conjectures in the areas of cross-border mergers (Meyer and Mirvis 1998), national (Hofstede 1980) and organizational intercultural conflicts (Porter 1980; Kreps 1980), and national varieties of capitalism within the context of increasing globalization (Hall and Soskice 2001). The DaimlerChrysler AG case covers comprehensively the complete spectrum of issues regarding cross-border takeover strategies and their implementations. As such the story of DaimlerChrysler AG extends beyond the obvious role played by management "hubris" on both the German and American sides (Roll 1996).

With such a myriad of management issues involved, it is crucial to ascertain the right place to start our investigations. As Blaško, Netter and Sinkey (2000) point out in their comprehensive analysis of value creation in the early stages of DaimlerChrysler AG; one critical question stands at the beginning of this cross-border deal and transcends the specificity of the largest industrial takeover in the history of the world at the time: **"Can a company truly be global?"**

That simple question seems, *prima facie*, to be superfluous and almost ridiculous in an epoch of human economic history characterized precisely as being the era of an emerging global economy, in which huge multinational enterprises are the most important actors. It is therefore perhaps all the more surprising to learn that Blaško, Netter and Sinkey (2000) are pessimistic already at a very early stage of the Daimler takeover on the chances of success for all cross-border mergers and acquisitions. Their comprehensive analysis of value creation of the first year of the takeover correctly predicted major problems for the future of DaimlerChrysler AG already in the year 2000. Researching independently from Hall and Soskice (2001) they also see national institutional differences in corporate culture, compensation policies, ownership structure and the legal environment as major "roadblocks" for any effort for a company to become "truly global". Such an interpretation would have radical ramifications for all cross-border globalization strategies and makes it necessary to determine whether or not certain aspects of the DaimlerChrysler AG takeover strategy and implementation were avoidable whatsoever. Indeed, the spectacular nature of the failure of the DaimlerChrysler AG takeover risks tempting the researcher into concluding that all cross-border mergers and acquisition must fail (Weber and Camerer 2003). However, comprehensive empirical research shows that a significant number of German-American takeovers have succeeded in this time frame (Kröger 2005; Wübben 2007; Bassen, Schiereck and Wübben 2010). It is therefore necessary to look at the specific nature of the DaimlerChrysler AG takeover failure in particular before venturing any theoretical generalizations. This justifies a case study approach, but warns of the difficulties in generating a comprehensive theory of cross-border mergers and acquisitions (Yin 1984; Eisenhardt 1989).

1.2 Methodology

A multimethod case study approach embedded in a longitudinal framework was employed to gather information about the pre-merger situation at both Daimler and Chrysler (1886-1998), the immediate period leading up to the takeover (1998) and post-takeover events (1998-2007). This included piecing together the storyline using company histories, annual reports, academic papers, media reports and other non-academic renditions. It also involved the author's pre-case study access to an extensive internal network of Daimler-Benz and DaimlerChrysler employees over a period of 14 years on a daily working basis.

As Eisenhardt (1989) points out, the case study method "is a research strategy which focuses on understanding the dynamics present within single settings" (Eisenhardt 1989 534). Case studies can be used to provide description, test theories or generate theories (Eisenhardt 1989). This case study of the DaimlerChrysler AG takeover failure attempts primarily to clarify strategical inconsistencies between the Welt AG strategy and the DaimlerChrysler takeover strategy and inconsistencies between the specific strategies and their implementations surrounding the interaction between the Mercedes passenger car division and Chrysler. Although it would be too ambitious to claim that the study "generates" a new

theory, its unique explanation of the DaimlerChrysler AG takeover failure does allow us to test existing theories of mergers and acquisitions (Marks and Mirvis 1998), intercultural theories of management behavior (Hofstede 1980) and institutional approaches to firm strategies within national and global political economic frameworks (Hall and Soskice 2001).
In terms of the process of gathering and qualifying information the case study builds on a comprehensive analysis of the emergence of the overriding Welt AG strategy within the Daimler-Benz organization, which entails an understanding of the complete history and profit strategy of the organization (Boyer and Freyssenet 2000). The pre-takeover history of Daimler, Benz and Daimler-Benz is comprehensively covered by major histories such as dealt with by Grunnow-Osswald (2006) and Thieme (2004), both of which had wide-ranging access to internal Daimler archives. The Chrysler story from the company's founding in 1925 until the Daimler-Benz takeover is most extensively documented by Hyde from an academic perspective (2003). However, the tools of academia become increasingly superficial the closer the researcher approaches the Schrempp era at Daimler-Benz, which began in 1995 (Grnnow-Osswald 2006). Certainly the company annual reports shed light on Schrempp's intentions, but a comprehensive evaluation of the conflicts inside the company has to rely on newspaper sources. On the German side, every article in Der Spiegel on Daimler was reviewed between 1985 and Schrempp's removal in 2005. The Spiegel articles contain more extensive background information than German newspaper articles and exhibited a degree of correlation to the author's own experiences within the company. On the American side, Bob Lutz's biography (1990) on the 1990s turnaround at Chrysler breathes additional life into Hyde's (2003) more academic approach.
The events leading up to the 1998 takeover are best documented in Vlasic and Stertz's (2000) comprehensive analysis of the years between the first contacts between the two companies in 1995 and the subsequent events culminating in the 1998 takeover. Their examinations are substantiated by media reports on both sides of the Atlantic, including articles primarily from The New York Times and The Wall Street Journal. Both journals exhibited a high degree of accuracy as exhibited in the case of articles from Der Spiegel in German.
A unique aspect of the multimethod case study approach is determined by the fact that the author had direct contact with employees of DaimlerChrysler from the operational to strategic level throughout the history of the takeover. The employment both at Daimler-Benz and DaimlerChrysler included projects in the areas of design, development, engineering, factory planning and production across a broad range of post-takeover projects. It also included extensive contact with Mercedes attempts to globalize its production facilities in Alabama,

South Africa and France. Ironically this perspective offers both advantages and disadvantages. Inside knowledge allows the case study to filter out truth and rumor in the popular press. At the same time inside knowledge poses the risk of possible legal repercussions from former senior executives. The methodological challenge was to find a sufficient number of independent confirmations for any claims made in the case study, in order to preclude such threats and to ensure academic robustness.

This case study is a study of failure. Failure is something which managers are either understandably unwilling to discuss openly or do so in a self-praising and idealized manner (Grube 2005). This excludes therefore the use of surveys or public interviews to obtain raw data. It also requires a more critical evaluation of all contributions from major actors (Lutz 1998). Nevertheless, the author is convinced that this case study provides the most objective and comprehensive explanation of one of the most dramatic failures in the history of cross-border industrial takeovers.

1.3 Main themes

The title of this case study is: The DaimlerChrysler AG takeover failure within the framework of the failed Daimler-Benz Welt AG strategy. The use of the formulation “DaimlerChrysler AG takeover failure” is intended. The present case study of DaimlerChrysler AG differs from all other known studies in two critical aspects; its consistent use of the term “takeover” and its consistent use of the term “DaimlerChrysler AG”. Both conventions are related to and complement each other. Hitherto the “proof” that the “merger” was actually a takeover is primarily traced to Daimler CEO Jürgen Schrempp’s interview in the Financial Times on October 30th, 2000 (The Financial Times October 30th, 2000; The New York Times November 26th, 2000). However, a clear understanding of the relationship between the vision of a Welt AG and the DaimlerChrysler AG deal necessitates the use of the phrase “takeover” from the very beginning of the announcement of the deal on May 7th, 1998. This is critical to the argumentation of this case study and provides a main thread for explaining the rationale behind the most salient strategical decisions. Moreover, this understanding of Daimler-Benz’s takeover allows us to follow why events unfolded as quickly as they did and the reasons for their failure. For although the illusion of a “merger” between Daimler-Benz AG and Chrysler Corporation would exist publicly until April 2007, it was clear to insiders and observant commentators that the new company was a German AG and that the deal was a takeover from the beginning. Most importantly, insiders and observant commentators realized that the strategy was in serious trouble already in late 2000 (The New York Times May 8th, 1998; The

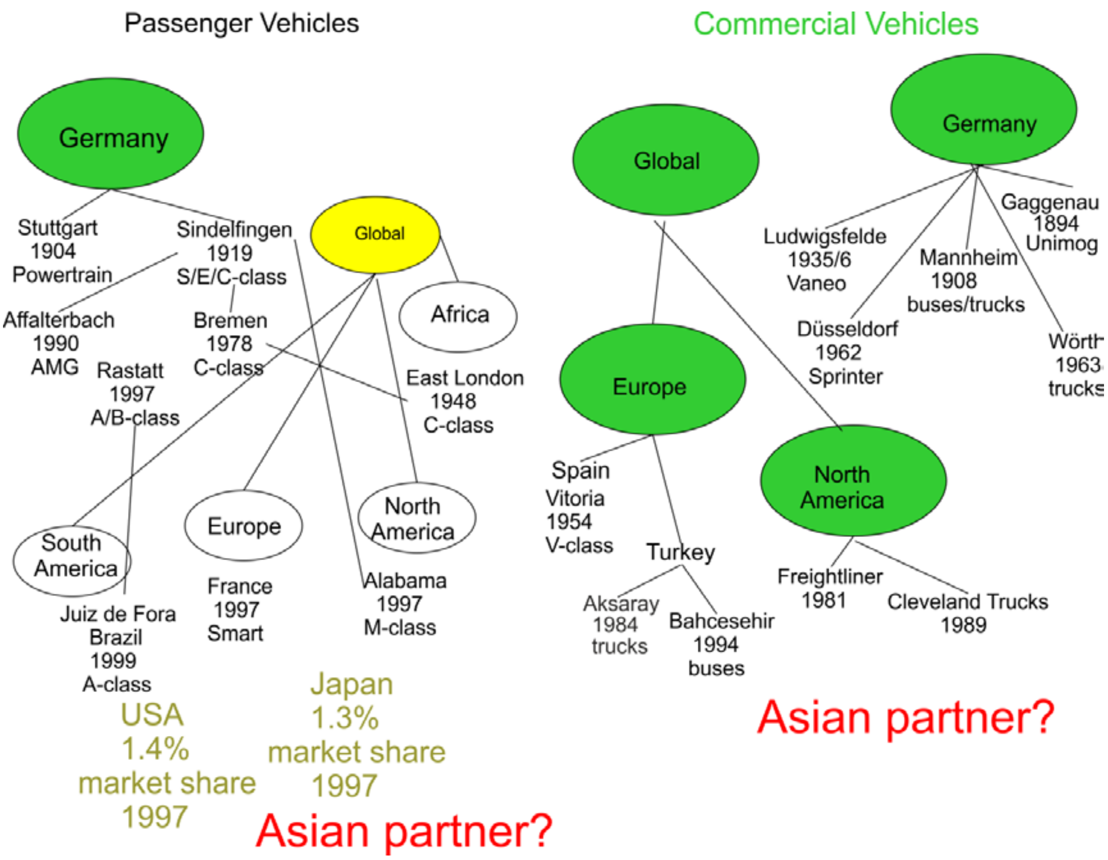
New York Times November 26th, 2000). The New York Times coverage of the event was one of the few commentaries to get it right from the very beginning with its headline “Daimler-Benz Takes Over Chrysler as VW Acquires Rolls-Royce: Fast Lane for German Firms” (New York Times May 8th, 1998).

On the other hand the announcement of a “Merger of Equals” was a key psychological instrument used by CEOs Schrempp and Eaton to sell the idea of the takeover to their shareholder and stakeholders respectively. Part of the reason for an initial acceptance of the “merger of equals” image by the outside world was the mistaken conflation of two different strategies; “Welt AG” and “DaimlerChrysler AG takeover strategy”. This was understandable given the sheer size of the Chrysler deal. But although the Chrysler takeover was the largest industrial takeover in history, it was only a sub-strategy of Daimler’s overall Welt AG strategy. The superordinate Welt AG strategy would determine the German side’s approach to Chrysler. Even more surprisingly, Jürgen Schrempp was not really the creator of the strategy. Former Mercedes CEO Helmut Werner had initiated a globalization of development, production and marketing processes encompassing all aspect of Mercedes passenger and commercial vehicle in the early 1990s as illustrated in Figure 1 below. After the crisis at Daimler-Benz also reached the Mercedes unit in 1992, Helmut Werner had begun radically restructuring the Mercedes organization. In line with the industry-wide MIT study from 1985-1990 (Womack, Jones and Roos 1990), Werner attempted to replace outdated Mercedes processes with methods of lean development and production. He also intended to stretch the Mercedes brands to ensure the company could survive by producing the magical number of 1 million vehicles per year (Brady and Lorenz 2000; Daimler-Benz Annual Report 1997). These goals entailed also a shift from costly, inflexible and union-dominated German factories to new locations in France (Smart), Brazil (A-Class), and the United States (M-Class). Even new greenfield factories in Germany such as Rastatt (A- and B-Class) were to employ radically new production methods and relationships with suppliers (Der Spiegel 5, 1993). These decisions had already been made before Schrempp succeeded Reuter in 1995. At that time Werner’s strategy was still in the making and it is interesting to note that Schrempp’s main rival inside Mercedes had already approached Chrysler in 1995 about a possible merger or joint venture before the power struggle between Schrempp and Werner broke out (Vlasic and Stertz 2000).

The green colors in Fig. 1 illustrate the extent of Werner’s progress. Particularly the commercial vehicle division had emerged as the world’s largest producer of trucks and buses.

It had acquired America's largest truck maker, Freightliner, in 1981. Under German leadership the company was allowed to continue its North American based strategy. Within the Mercedes commercial vehicles division, new production facilities in Spain and Turkey provided a wide spectrum of vehicles in all competitive price markets. The situation in the passenger car market was less optimistic. In the last year before the Chrysler takeover, the Mercedes brand would sell a record 122,300 vehicles in the USA (Daimler Annual Report 1997). However, this was only about 1,4% of the total US market (U.S.A. National Transportation Statistics Appendix 1.1). Mercedes would also sell more than 40,000 vehicles in Japan for the first time, but that was also only a 1, 3 % share of the market (Daimler Annual Report 1997). Despite these record results Mercedes executives realised that the market for luxury vehicles was limited and the market was becoming harder to dominate alone. Facing increased competition from other German (Audi, BMW, Porsche) and Japanese (Lexus, Infiniti) brands, Mercedes had to change its strategy. In addition, there was no strategy for the emerging markets in India and China in either the area of passenger and commercial vehicles.

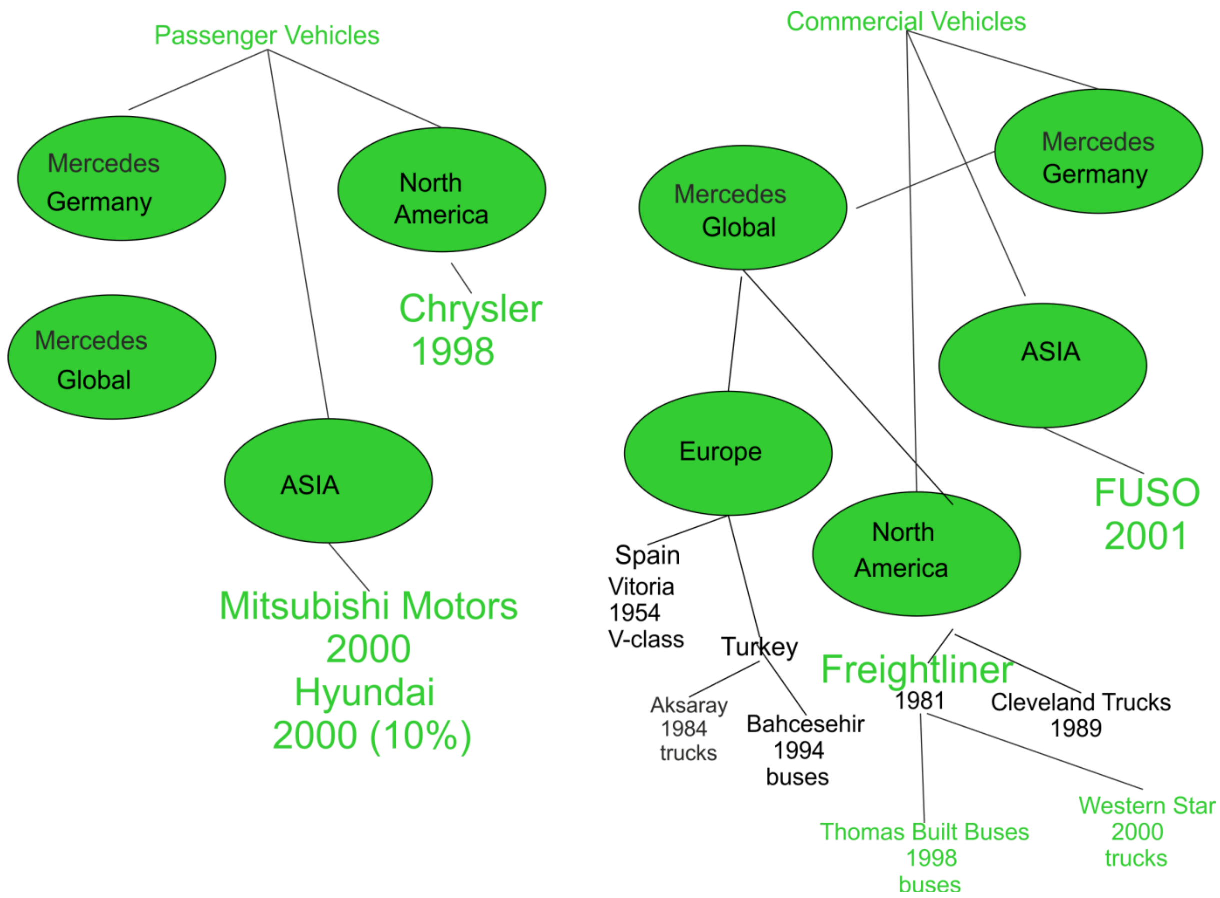
Figure 1: Globalization of Mercedes Facilities before Schrempp's Welt AG



Source: Created by John Riach. DaimlerChrysler AG Figures Appendix 1.1

Facing the absolute collapse of his predecessor's (Edzard Reuter) dream of a Technolgiekonzern (technology consortium), Schrempp embarked in a headlong rush into completing the missing parts of a globalized company in Daimler-Benz's core competences. The strategy to radically globalize and expand even further all fields of passenger and commercial vehicle endeavors under German hegemony became known as the Welt AG (World Inc.) strategy (Fig. 2). That strategy entailed finding partners or taking over companies in North America (NAFTA) and Asia. Daimler-Benz was an Aktiengesellschaft (German publicly listed stock trading company) and so was DaimlerChrysler AG. They were both German companies following German strategies of globalization, albeit with different weightings. DaimlerChrysler AG would attempt to reposition the traditional Daimler-Benz range of products within the passenger and commercial vehicle sectors as the focal point of the company's vision, and complement their presence with strong local brands in NAFTA and Asia. However, one condition was always clear for CEO Schrempp. Any form of cooperation with other companies would be under German leadership (Vlasic and Stertz 2000).

Figure 2: CEO Schrempp's WELT AG Strategy



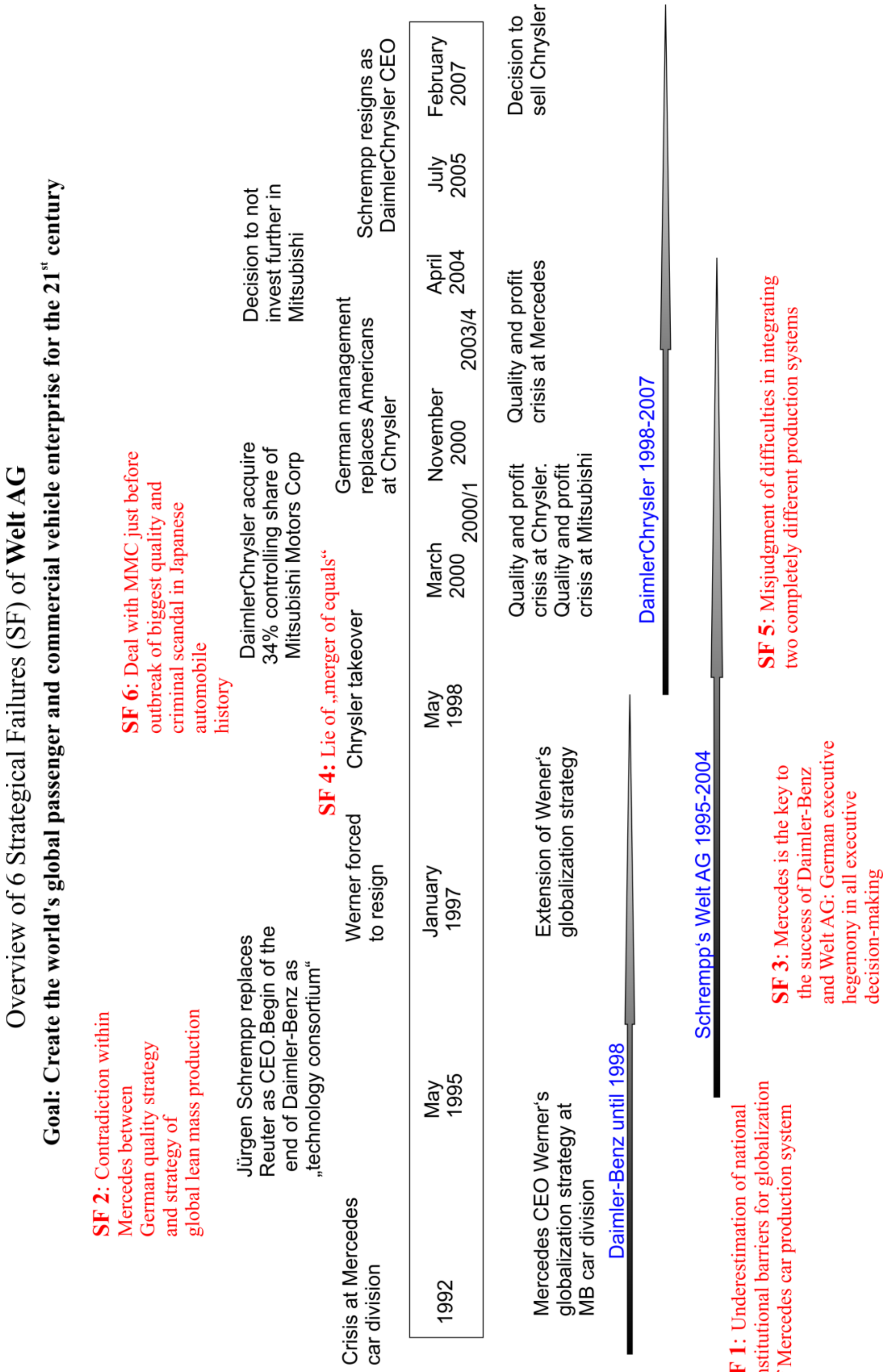
Source: Created by John Riach. DaimlerChrysler AG Figures Appendix 1.2

So while Chrysler was a dramatic first step undertaken by Schrempp in his pursuit of global expansion, it was only meant to be the beginning of his continuation and expansion of Werner's strategy. As Chrysler had almost no presence in Asia, they could not be considered an equal partner. This explains the emergence of the first major dispute between Chrysler members of the Board and Daimler members of the Board in January 1999 (Blaško, Netter and Sinkey 2000). Although the post takeover integration process between Mercedes and Chrysler had just begun, Schrempp switched his focus to buying Nissan. The Board did stop Schrempp at the time, but the strategy was retained as evidenced by Schrempp's partial acquisition of Mitsubishi Motors Corporation (MMC) in the year 2000 (The New York Times March 23rd, 2000; Vlasic and Stertz 2000). Moreover, this strategy of a globalized production system was called "Welt AG" and not "World Inc.", although English was the language for executives at DaimlerChrysler AG. Finally, Eaton's announcement in the very first press conference that he would be resigning within three years leaving Schrempp as sole CEO made it obvious to Chrysler executives and the American press that he had sold out to the Germans (The New York Times May 8th, 1998; Vlasic and Stertz 2000).

Although it would be Daimler who would sell Chrysler in 2007, it would be empirically incorrect to claim that Chrysler was a one-way downward slide from Day 1. True to its history, Chrysler would experience a series of dramatic slumps and equally dramatic recoveries over the next 9 years. Chrysler was certainly the economically more efficient company at the beginning of the takeover and at times between 2003 and 2005 it often appeared that DaimlerChrysler AG needed Chrysler to compensate dramatic losses at Mercedes. The Economist in an article entitled *"DaimlerChrysler: In Tandem (at last)"* could still write as late as April 30th, 2006:

> It has taken eight years, billions of dollars and blood on the carpet, but a big merger is finally starting to work (...) But none of that [the mistakes made by Schrempp: Author] should obscure the vindication of Mr Schrempp's chief insight. Without Daimler, Chrysler would be in liquidation; and without Chrysler, Mercedes would be confined to a limited future of narrowing horizons, as rivals encroached on the luxury market. Strategic mergers may sometimes be necessary, even if they are mighty hard to pull off (The Economist April 30th, 2006).

Figure 3: Overview of 6 Strategical Failures (6) in Welt AG



Source: Created by John Riach. DaimlerChrysler AG Figures Appendix 1.3

Notwithstanding The Economist's optimism, the eventual fate of Chrysler begs the main question. The Welt AG had failed before Chrysler was put up for sale in February 2007. As of July 2005 Jürgen Schrempp was no longer CEO precisely because the Welt AG had failed. This case study will show that this failure had six interconnected strategic flaws (Fig. 3 above). However, to be fair to the architects of these strategic blunders, it must be said that the ramifications of these strategic mistakes were exacerbated and accelerated by weaknesses in the Japanese and American economies during this time (2000-2004) and increased competition for the Mitsubishi, Chrysler and Daimler brands respectively.

Firstly, the takeover of Chrysler must be seen within the context of CEO Schrempp's Welt AG strategy, which continued to pursue and extend former Mercedes CEO Werner's expansion and production globalization of the Mercedes brand. Daimler-Benz underestimated the difficulties involved in trying to introduce Japanese and American production systems within the Mercedes organization. This included a complete underestimation of differences between the commercial and passenger vehicle sectors. Both Werner and later Schrempp believed it was possible to simply copy the strategy, which had been successful in the commercial vehicle division of Mercedes-Benz.

Secondly, the ramifications of the contradiction between global production systems and the Mercedes quality strategy with an emphasis on "Made in Germany" were also underestimated. This approach was a major strategical mistake, which was directly responsible for the dramatic drop in quality at Mercedes during Schrempp's tenure as CEO. Serious launch problems with the Smart, the A-class, the E-class and the M-class between 1996 and 2003 had devastating effects on Mercedes quality and brand image (The New York Times July 10th, 2005). Most studies underestimate the role of Mercedes quality issues, especially in the US market, in the failure of DaimlerChrysler AG. The decision within the Mercedes organization to adopt the paradigms of lean production and globalized mass production (Womack, Jones and Roos 1990) led to the erosion of the most important factor in the hitherto success of the Mercedes brand, quality made in Germany (Boyer and Freyssenet 2000). The national institutional framework of the German coordinated market economy had hitherto enabled the generation and success of the Mercedes quality strategy, as was the case with BMW, Audi and Porsche. The Welt AG strategy was at odds with this German tradition of production. Globalizing and expanding the Mercedes brand represented a major strategic mistake independent of the decisions to takeover Chrysler and acquire a share of Mitsubishi Motors Corporation. The takeover of operations at Chrysler and Mitsubishi Motors

Corporation only impacted this change in Mercedes production strategy indirectly, by draining additional Mercedes manpower, which would have been needed to restore Mercedes quality image sooner. The increasing quality issues at Mercedes increased pressure to abandon the weakest parts of the Welt AG strategy, first Mitsubishi (2005) and then Chrysler (2007).

Thirdly, in order to significantly increase market shares in both the North American and Asian regions this new Mercedes development and production strategy had to be supplemented with strategies involving other car companies. Instead of aiming for strategic alliances, the Welt AG strategy aimed to implement Mercedes decision-making dominance in four critical areas; the two German Supervisory and Management Boards, the senior executive levels in its relations with Chrysler (as of 1998) and finally the senior executive levels at Mitsubishi Motors Corporation (MMC) as of the summer of 2000. Mercedes executive hegemony does not mean that Chrysler and Mitsubishi should be “mercedesized”, but rather refers to the placing of executive decision-making power in the exclusive hands of Mercedes officials. This decision excluded the experience and know-how of both the Chrysler and Mitsubishi organizations.

The mistake of creating German decision-making hegemony was further compounded by the fourth strategic decision mistake, namely the creation the myth of a “merger of equals” as a means of selling the takeover to shareholders and stakeholders alike. This mistake alienated Chrysler executives and triggered an immediate breach of trust (Vlasic and Stertz 2000). The vast majority of executives responsible for Chrysler’s pre-takeover success had all left DaimlerChrysler AG by the year 2000 (Blaško, Netter and Sinkey 2000).Without trust it was impossible to create synergy effects at the operational level. In particular, Chrysler Board member Thomas Stallkamp was frustrated at Mercedes’ rejection of his proposals to merge the Mercedes M-Class and Jeep Grand Cherokee platforms under Chrysler leadership. The Board also rejected his suggestion to create a Chrysler-built modified American version of the Mercedes E-Class (The New York Times November 26th, 2000). He was eventually forced to retire in September 1999 and Chrysler was placed under direct German management a year later when Stallkamp’s successor Holden failed to turn around the company’s fortunes. By the time (late 2001) Chrysler’s new German management under CEO Zetsche and COO Bernhard re-established faith in the company, almost four valuable years had been lost.

The "merger of equals" lie will be examined in chapter 6 from the perspective of issues in organizational culture and the role of trust in developing a new culture for a new firm. One immediate ramification of the lie is important to mention at this stage. In the field of post-merger implementation strategies, the DaimlerChrysler AG takeover was accompanied by the rhetoric of a "best of both" solution, which would have required a transformational integration of cultures, processes and brands in order to achieve "best practices". Mercedes executives completely underestimated the difficulties in merging two completely different production systems. This post integration strategy is at odds with the starkly divergent production strategies. As the case of Renault and Nissan implies, differing production systems and organizational cultures do not necessarily mean that integration is impossible but a "merger of equals" strategy would then be the wrong strategy. Announcing and aiming at a best of both strategy of production system integration is another reason for the takeover failure (Harzing and Van Ruysseveldt 2004).

Daimler and Chrysler had developed production strategies that were historically determined by their varieties of capitalism respectively (Hall and Soskice 2001), in particular the tradition of vocational training in Germany and of taylorism and later innovation/flexibility in the USA (Boyer and Freyssenet 2000; Hall and Soskice 2001). The path dependent nature of the differing production systems renders post-takeover integration a difficult task. As will be shown in the course of the case study, within the framework of the DaimlerChrysler AG very little was done initially to master these problems together, primarily due to Mercedes executives' insistence on a rigid separation of the brands. Although related to the Welt AG strategy, this decision points to the inability of Mercedes managers to seriously attempt to adapt advantages from both Chrysler and Mitsubishi Motors Corporation and draws our attention to the 5th strategical mistake.

Despite this study's focus on the relationship between the Mercedes and Chrysler passenger car organizations, the timeline of the undoing of the Welt AG was primarily determined and triggered by the failed Asian Strategy, which can be considered the 6th strategical failure. Schrempp's attempt to acquire Nissan in early 1999 alienated the American members of the Board of Management, who favored a maximal concentrated effort in implementing the integration of Mercedes and Chrysler combined know-how (Vlasic and Stertz 2000). The self-created pressure to find an Asian partner forced Schrempp into the ill-fated decision to acquire Mitsubishi Motors Corporation (MMC) in the year 2000 and represents a sixth major strategic mistake. Despite the Chrysler division's recovery in 2003 and 2004, it was the failure of the DaimlerChrysler AG takeover of Mitsubishi in 2004 that triggered the series of events leading to the Board decision to fire Schrempp on July 28th, 2005 (Der Spiegel 31, 2005).

From a theoretical perspective, it is difficult to comprehend how such basic strategical mistakes could be made, but some of the reasons are equally simplistic. From the perspective of 1998 both Mercedes and Chrysler had limited options for the future. Furthermore, the radical attempt by Schrempp's predecessor to diversify in other fields had been a major disaster (Der Spiegel 31, 1995). In addition Schrempp did not have a deep knowledge of the operational reality of the Mercedes organization. Tellingly, the authors of the Welt AG strategy and most important support players under Schrempp had mostly no experience and no acceptance within the Mercedes passenger car division in the 1990s. Schrempp came from the aerospace division of Daimler-Benz, DASA. His power struggle with Mercedes CEO Helmut Werner between 1995 and 1997 created a basic situation of mistrust against him and robbed him of the executive most suited to dealing with quality issues arising within the context of the new strategy (Der Spiegel 4, 1997). The organizer of his strategic "war-room", Rüdiger Grube, also came from DASA by way of MBB, the former military division of Daimler-Benz. Rolf Eckrodt was Chairman of ADtranz, the railway division of Daimler-Benz. It would be Eckrodt's poor handling of the Mitsubishi takeover that would jeopardize Schrempp's control of the company (Gill 2012). Manfred Bischoff was CFO at Deutsche Aerospace, serving DASA head Schrempp in the early 1990s. Finally, although Eckhard Cordes did have experience working within the passenger and commercial vehicle divisions of the company, his open criticism of the highly respected Dieter Zetsche alienated him from most Mercedes executives. Cordes' tenure as successor of Jürgen Hubbert as head of the Mercedes Car Group between October 1st 2004 and 31st August 2005 witnessed the largest fall in Mercedes quality ratings in history as a result of cost-cutting and shortened development cycles (The New York times July 10th, 2005). Cordes left DaimlerChrysler AG immediately after Dieter Zetsche was named Schrempp's successor in the summer of 2005. The strategy team of Schrempp's version of the Welt AG strategy failed to realize the basic contradictions between Mercedes' successes as a quality brand made in Germany and the ramifications of globalizing Mercedes production. Furthermore, the strategy of stretching the Mercedes brand and increasing volumes would jeopardize Mercedes' reputation for highest quality, particularly in the critical North American market. Paradoxically the dilution of the Mercedes brand was accompanied by a fear of commonizing development and production platforms with Chrysler and Mitsubishi, which could have produced synergy effects.

Finally, almost all studies mention the role played by difference in national culture in the tradition of Hofstede (1980, 2002) and the GLOBE report (2007). These include Beamer and Varner (2001); Schindler (2000); Finkelstein (2002); Pruett (2003); Wolf (2005); Trajanov (2008); Varner and Beamer (2008). This case study will show that such an approach is on the wrong track and misinterprets the degree of intercultural integration withing the global automobile industry. National cultural animosities increased as things started to go wrong, but national cultural differences merely added fat to the fire. They did not start the fire.

In order to elucidate the complexity of the DaimlerChrysler AG takeover failure the next chapter will outline the order of topics to be covered in this case study.

1.4 The structure of the case study

1.4.1 Goals of the takeover and reasons for optimism

This case study of the DaimlerChrysler AG takeover failure will proceed in the following manner: In chapter 2 the main goals of the takeover will be considered as stated in the first press conference and reiterated in numerous interviews, annual reports and addresses to shareholders (DaimlerChrysler AG Video Appendix 1.1). This will be followed by an overview of the initial optimism surrounding the takeover and the initial successful facts and figures for the first year of the new company (DaimlerChrysler AG Annual Report 1998). This positive reaction will be corroborated with an overview of previous merger/takeover successes at both Daimler-Benz and Chrysler. In addition, the DaimlerChrysler AG takeover will be placed within the context of the paradigm of lean production, globalized mass production and merger frenzy, which characterizes the global automobile industry in the late 1990s (Blaško, Netter and Sinkey 2000; Brady and Lorenz 2000).

Knowing that the takeover failed, but in the face of such overwhelming optimism in May 1998, the second chapter will end by posing 2 central research questions, which the case study attempts to answer:

1. Why did the DaimlerChrysler AG takeover fail?
2. What are the implications of the DaimlerChrysler AG takeover failure for the theory and practice of cross border mergers (Marks and Mirvis 1998)?

1.4.2 Conventional and unconventional approaches

Chapter 3 turns its attention to the academic community and begins with a general overview of the existing literature on the DaimlerChrysler AG takeover failure. The main focus of attention, however, will be directed to Hofstede's (1980, 2002) work on cultural dimensions and secondly, the so-called Varieties of Capitalism (VoC) approach from Hall and Soskice (2001).

As much of the literature (Beamer and Varner 2001; Schindler 200; Finkelstein; 2002 Pruett 2003; Wolf 2005; Trajanov 2008; Varner and Beamer 2008) of the DaimlerChrysler AG takeover failure draws attention to the role of cultural differences between American and German executives in the takeover failure, it is worthwhile to assess the case from the perspective of Hofstede's theory of cultural dimensionality (1980). Although Hofstede's work continues to be one of the most cited sources (Hofstede 2002) and the foundation of the most comprehensive academic research on intercultural studies (GLOBE 2007), this case study will try to show that many aspects of the DaimlerChrysler AG takeover failure point to serious weaknesses in Hofstede's overall approach. Specifically, Hofstede's idea of cultural values as a kind of generic "software of the mind" will be shown to be the result of historically outdated survey results. It will be argued that intercultural differences play a minor role in the failure of DaimlerChrysler AG.

Chapter 3.3 is devoted to Hall and Soskice's Varieties of Capitalism (2001) approach. The DaimlerChrysler AG takeover seems ideally suited for an analysis from the VoC perspective. Companies are the main strategic actors within the VoC approach. Secondly, Daimler and Chrysler are manufacturing companies, the sector analyzed by Hall and Soskice in their initial publication (2001). Furthermore, Daimler is a German company and Chrysler was an American company. In their approach, Hall and Soskice take Germany and America as the most important ideal types of a coordinated market economy (CME) and liberal market economy (LME) respectively. In addition, the 1998 takeover was contemporary with the emergence of the VoC approach. Finally, VoC has a unique approach to explain the "global" behavior of companies embedded within CME and LME national institutions.

This case study will argue that VoC's understanding of the resiliency of national institutions despite the pressure and tension of supra-national (EU and NAFTA) and global institutions, provides us with a suitable framework for positioning the failure of DaimlerChrysler AG within the political and economic context of the first decade of the 21st century. This framework is enhanced when combined with the most comprehensive and accurate assessment of the global automobile industry in the 1990s as elucidated by Boyer and Freyssenet (2000). The VoC approach, despite certain important limitations, helps us to understand the restrictions of the concept of a "truly global company" as a result of the national institutions of differing varieties of capitalism (Hancké, Rhodes and Thatcher 2008).

1.4.3 **Daimler-Benz's Welt AG strategy (1983-1998)**

One of the major shortcomings of hitherto studies is their starting point, the 1998 announcement of the takeover. However, the Chrysler takeover was merely one chapter in the middle of a larger story. At the centre of this story is the role of Daimler-Benz's Welt AG strategy in the failure of the DaimlerChrysler AG takeover failure. Chapter 4 researches the roots of the Welt AG strategy between the early 1980s and 1998. Utilizing categories from the revolutionary MIT study of the automobile industry (Womack, Jones and Roos 1990) the chapter begins by analyzing the continuing shift from "craft" to "mass" production at Mercedes. However, a closer analysis of the situation at both Daimler-Benz and Chrysler in the 1980s and early 1990s reveal serious shortcomings in the MIT approach. Boyer and Freyssenet (2000) provide us with more comprehensive strategy categories (quality versus innovation and flexibility), which are central to understanding the root incompatibility between Mercedes and Chrysler strategies. Moreover, their categories allow us to explain the basic contradiction between the traditional Mercedes quality strategy and the emerging Welt AG strategy.

Chapter 4 also looks at the period of diversification and expansion at Daimler-Benz under the leadership of Schrempp's predecessor Edzard Reuter. An understanding of the extent of the failure of Reuter's vision of Daimler as a technological consortium, producing everything from Alpha Jets to electric toothbrushes, makes clear the seriousness of the challenges Schrempp was facing when he took over as Daimler-Benz CEO in 1995. There was a radical need for Schrempp to quickly change the direction of the company. It would be therefore unfair to place the complete blame for the failure of the Welt AG alone on Jürgen Schrempp's shoulders. Indeed in 1995 he had inherited and was himself not solely responsible for "the greatest destruction of market capitalization in peacetime German history" (Der Spiegel 31, 1995).

The following section looks at the most critical problems facing Schrempp after he took over as CEO in 1995. In order to return Daimler-Benz to profitability he used shareholder value and a Return on Capital Employed (ROCE) rate of 12% as a measurement of sustainability. 13 of 36 business units were disbanded. More importantly, Schrempp had become CEO of Daimler-Benz at a time when the CEO of Mercedes (Helmut Werner) was more powerful than former Daimler-Benz CEO Reuter. Werner was so powerful that he had entered negotiations to merge with Chrysler in 1995 without informing his boss, Daimler-Benz CEO Reuter (Vlasic and Stertz 2000). In a long two year power struggle, Schrempp outmaneuvered Werner by adopting his rival's own strategy and declaring Mercedes to be the central business activity of Daimler-Benz. Schrempp adopted a Welt AG strategy focusing on global expansion in the passenger car and commercial vehicle, which had been initiated originally by Werner. Schrempp's pronouncement of his Welt AG strategy as the main strategic focus for the entire company rendered the previous separation of an overall Daimler-Benz CEO (Reuter) and a Mercedes CEO (Werner) superfluous. Schrempp became Daimler-Benz and Mercedes CEO and forced Werner to resign (Der Spiegel 4, 1997).

Chapter 4 ends with a brief view of the reasons behind Chrysler's decision to sell out to Daimler in 1998 although the previous Q-Star and Lone-Star benchmarking studies in 1995 had come to the conclusion that both companies were completely incompatible (Vlasic and Stertz 2000).

1.4.4 **Measuring the takeover failure**

Chapter 5 concentrates on measuring the DaimlerChrysler AG takeover failure. It looks closely at the three goals outlined by Schrempp and Eaton when they first publicly announced the creation of the new company in May 1998:

1. Increase in shareholder value
2. Implementation of cost-savings by realization of operational synergy effects
3. Increased customer satisfaction through quality enhancement

After reaching a high of \$108 USD in January 1999, DaimlerChrysler shares (DCX) dropped to an all-time low of \$38 USD by November 2000 (The Economist March 30th, 2006). It would stay around that level until the announcement of Schrempp's resignation in the summer of 2005. Ironically, that announcement would trigger one of the largest single-day jumps in the history of DCX. This section of chapter 5 builds on the work of Blaško, Netter and Sinkey (2000), Karoyli (2003) and Stout (2012). It will draw attention to key mistakes in the attempt to establish DCX as the world's first global stock. The pre-issue delisting from S&P's 500 list on October 1st 1998 and the subsequent retreat of American investment and trust funds, which triggered a massive American sellout of DCX shares in 1998 and 1999 (Blaško, Netter and Sinkey 2000). Throughout its history, activity on the New York Stock Exchange (NYSE) accounted for less than 5% of total DCX trading (Karoyli 2003). In addition, Schrempp's attacks on the NYSE and Chrysler's biggest stockholder Kerkorian's legal action against Schrempp augmented the damage to shareholder value (The New York Times December 2nd, 2003).

Chapter 5 also looks at the reasons behind DaimlerChrysler AG's inability to achieve synergy effects. Unlike Chrysler, Mercedes entered the 1998 deal without a standardized approach to production and development processes (Clarke 2005). It would be the year 2000 until the beginnings of a Mercedes Development System (MDS) and Mercedes Production System (MPS) would slowly start to emerge. It was only after Zetsche and Bernhard took over leadership of Chrysler that it became clear that very little was happening in the post takeover integration (PMI) projects designed to ascertain and implement synergy savings at the operational level. This led to the creation at Board level of the so-called Executive Automotive Committee (EAC) in the year 2000 (DaimlerChrysler AG Annual Report 2000 16). This organizational asymmetry was augmented by Mercedes' insistence on a strict separation of the brands. Zetsche's efforts to change the strategy of brand separation as late as 2006, just 6 months before the decision was made to sell Chrysler, as a last attempt to save Chrysler, were short-lived and failed to stimulate sales. His German-American engineering advertising campaign emphasizing the Mercedes contribution to Chrysler group was a failure (The Economist September 21st, 2006).

The final section of chapter 5 is devoted to the role of quality issues at Mercedes, Chrysler and Mitsubishi as contributing factors to the overall failure of the DaimlerChrysler AG. Based on J.D. Power, Consumers Reports and National Highway and Traffic Safety Association (NHTSA) data, the case study will draw attention to the seriousness of quality issues at Mercedes. Although Chrysler and Mitsubishi played no direct role in this measurable drop in quality, the Welt AG strategy was viewed as being responsible for the deterioration. The need to send managers to fix problems at Chrysler, Mitsubishi, and Mercedes plants in France (Smart), the Netherlands (Smart), the USA (M-Class), Brazil (A-Class), and South Africa (C-class) stretched Mercedes resources and depleted development, production planning and production capacity at home. This was confounded with reduced development times and the resulting launch of vehicles, which lacked serial production part and process maturity.

Chapter 5 continues with a brief overview of quality issues at Chrysler, which were augmented with increasing competition as Japanese brands eclipsed the American division's initial competitive edge in the area of innovative marketing.

Chapter 5 concludes by analyzing how the massive quality problems at Mitsubishi Motor Corporation (MCC) triggered the end of the Welt AG. Despite restructuring attempts (Gill 2012). The ensuing recall of millions of vehicles and evidence of criminal activity at the Japanese division resulted in a dramatic loss of market share in Japan and the USA. As was the case with Chrysler, Schrempp was judged to have acquired Mitsubishi at precisely the worst possible moment (The New York Times April 24th, 2004).

1.4.5 The "merger" lie and trust

Whereas Chapter 5 ends with an analysis of the failed Welt AG strategy, Chapter 6 takes a closer look at the sub-strategy pertaining to the relationship between Daimler-Benz and Chrysler and the role of the "merger of equals" lie in the takeover failure. The chapter begins with a look at the semantics of "merger", "acquisition" and "takeover" and reviews the existing strategies for post-merger outcomes (Marks and Mirvis 1998; Harzing and Van Ruysseveldt 2004). The resulting theoretical possibilities are then applied to the global automobile sector to emphasize the difficulties facing any "merger of equal's strategy".

Secondly, chapter 6 considers the question whether diverging organizational cultures were responsible for the DaimlerChrysler AG takeover failure (Kreps 1980; Porter 1980; Weber and Camerer 2003). Despite the obvious differences in organizational culture between Mercedes and Chrysler, the case study will argue that such differences are not sufficient in themselves to explain the negative outcomes. Otherwise almost no merger or takeover would have a chance to succeed. Furthermore there is no comprehensive and conclusive empirical evidence to substantiate that argument. Specifically in the car industry, the spectacular failure of DaimlerChrysler AG has to be contrasted with the equally spectacular although unexpected success of the Renault Nissan Alliance (Gill 2012). Furthermore, there have been a large number of successful acquisitions of American firms by German companies during the last decade (Wübben 2007).

Organizational or corporate culture is not a self-explanatory category for economists (Hermalin 2000) and is often relegated to the "sloppier" realms of sociology (Schein 1980) or political economy (Hall and Soskice 2001). However, building on the work of Porter (1980), Kreps (1980) and Baron and Kreps (1999) a consistent framework will be generated for an analysis of the roles of differing organizational cultures in the success or failure of cross-border mergers from the perspective of economic theory. Specifically, it will be argued that although organizational culture plays a significant role in the fate of a merger, it is not a showstopper in itself. It is rather the case that the greater the cultural differences in a "merger of equals" the more important it becomes to build on the creation of trust in order to both facilitate reciprocal decision-making and enable the possibility of overcoming incomplete and inefficient contracting (Williamson 1981).

In a further step, the next section of chapter 6 will consider the organizational pre-requisites that are necessary for an atmosphere of trust to be created and allowed to exist, to be maintained, and to thrive or to decline. As can be shown from the structure of organizations, any form of reciprocal interaction requires a certain amount of trust and fairness. Therefore in a further step the following section will look specifically at the degree of trust necessary in order to deal with radical changes in organizations such as mergers or takeovers. In order to accomplish this task the section will utilize Cohen and Prusak's concept of "social capital" (2001).

The analysis of social capital will consist of an examination of the functions of the 4 factors Cohen and Prusak consider essential in order to create the high social capital that is necessary to deal with volatile and demanding issues of change management such as a "best of both cross-border mergers". Those factors are trust, networks and communities, space and time to connect, and social talk and storytelling. The four factors will be applied to the DaimlerChrysler AG case to demonstrate how all four actually led to the destruction of whatever levels of social capital were available at the beginning of the takeover within the Daimler and Chrysler organizations respectively. Without this social capital the promise of a merger of equals was over as early as November 2000, when Schrempp's interview publicly documented a clear breach of trust (The Financial Times October 30th, 2000; The New York Times November 26th, 2000).

1.4.6 Lessons learnt

Chapter 7 is the final chapter of the case study and considers lessons learnt. As Yin (1984) points out, case study research is pained to demarcate the boundaries between empirically investigating current phenomena and defining their overall context. Although short, the final chapter will suggest that this case study offers a number of lessons to be learnt, independent of the specificities of the current case (Eisenhardt 1987).

The study will conclude with drawing attention to the important limits of this research. Large cross border takeover are very public events and the subject of daily public scrutiny. Success stories result in allowing the public to peak behind the scenes. Failures, such as DaimlerChrysler AG set off the exact opposite reaction, silence and deception. The final version of the DaimlerChrysler AG takeover failure can only be written with access to all the records and minutes of the history of the company between 1998 and 2007. Two phrases survived the initial press conference from May 1998; “merger of equals” and “marriage made in heaven”. It has already been pointed out that the “merger of equals” lie did not survive the press conference inside the company and began to deteriorate outside the company with the Standard & Poors 500 decision not to list the new DCX stock from October 1st, 1998 (Blaško, Netter and Sinkey 2000). As a result this case study will refer consistently to the DaimlerChrysler AG takeover failure. The marriage metaphor will serve as a barometer of the degree of stakeholder acceptance of the takeover and the following headline from the New York Times made it clear how quickly the perfect match started to fall apart:

Scenes from a Marriage

> The DaimlerChrysler takeover is similar, in many ways, to the wedding of Prince Charles and Lady Diana. An elite, old-line company, Daimler-Benz, had asked for the hand of a beautiful, populist bride, the Chrysler Corporation, and its petition had been accepted. It was a dream match—a “wedding made in heaven,” as Daimler’s C.E.O., Jürgen Schrempp, called it in May 1998. The wedding party—among it, Wall Street and its analysts and even major stockholders like the billionaire Kirk Kerkorian—was enthusiastic. The new company’s shares rose to a dream high of $108.62 a few months after its stock was first traded on Nov. 17, 1998. By this spring, the dream couple had undergone a remarkable transformation. The American bride had apparently vanished; or, to be more precise, she had turned into a German with a bald spot and a mustache. To American ears, the name of the Chrysler division’s new German C.E.O., Dieter Zetsche, sounded more like “Mrs. Thatcher” than like “Princess Di.” Daimler still looked terrific, but Chrysler was all gloom and doom. “We have to face facts,” said Jürgen Schrempp, by then the chairman of DaimlerChrysler AG. “The U.S. situation has taken a serious turn for the worse.” (New York Times August 12th, 2001).

2 THE GOALS AND RATIONALE FOR THE TAKEOVER

1997 was the hitherto most successful year in the history of Daimler-Benz. Having reduced the number of business units by 13 to 23, operating profit rose by 79% to DM 4.3 billion. Setting a goal of return on capital employed at 12% the performance of the business units almost doubled from 5.8% to 10.2% (Daimler-Benz AG Annual Report 1997).

Schrempp confirmed his commitment to raising shareholder value by deciding on an extraordinary payout to shareholders of DM 10.3 billion. In addition, the company's stock option plan was extended to all 1,400 senior executives. In a preview of upcoming events Schrempp emphasized the role of globalization as one of the three core elements of his strategy:

> Daimler-Benz is firmly rooted in Germany with a proud tradition of engineering quality and innovation. But today, we serve customers in more than 200 countries around the world. More than two thirds of our revenues come from outside Germany and more than one third of our stock is held internationally. And the key to further growth is to tap new markets for our products. So we have to be where the markets are. For example, we have said that we aim to increase our group revenues in Asia from 8% in 1997 to between 20 and 25% in 10 years' time. (Daimler-Benz AG Annual Report 1997 4)

The proposed goals for the passenger car division pointed out the importance of emerging markets and a continued radical expansion of production capacity. Sales had risen strongly from 645,000 to 715,000 from 1996 to 1997, but the goal of 1 million units demonstrates the extent to which Schrempp valued high volumes in order to survive the current wave of takeover threats in the automobile industry (Blaško, Netter and Sinkey 2000).

> The newly industrializing countries in Asia, Latin America, and Eastern Europe will probably exhibit the most rapid growth in terms of volume in the coming years. In the industrialized nations, the growth in passenger car demand will primarily be supported by vehicles such as minivans, off-road vehicles, roadsters, and convertibles. The aim of the Passenger Car division is to continue to expand the Company's position in the market for luxury cars worldwide and to open up new markets and market segments. We intend to further improve our earnings by the year 2000 and increase our sales volume to more than one million vehicles. Our new products such as the A-Class, the M-Class, and the Smart will be instrumental in this effort. The new S-Class will

reinforce our leading position in the high-end market segment (Daimler-Benz AG Annual Report 1997 12).

When Schrempp approached Chrysler CEO at the Detroit Auto Show in January 1998, he knew that Ford was interested in acquiring Daimler-Benz as part of their strategy of taking over luxury models. Jaguar, Daimler (Jaguar), Land Rover, Aston Martin and Volvo would all end up in Ford's Premiere Automotive Group (Vlasic and Stertz 2000). Schrempp also knew that Daimler-Benz was the last independent luxury brand without family support to protect it against any hostile takeover attempt. Despite the success of 1997, Daimler-Benz was also a relatively inexpensive takeover object for the likes of Ford or GM. The possibilities of expansion in the luxury car segment were limited and the competition had caught up to Mercedes in terms of quality and innovation (Der Spiegel 18, 1996). In 1998 it was also unclear whether the new A-Class and M-Class would establish themselves as luxury brands in their respective market segments. The realization of Schrempp's Welt AG required a partnership, an alliance, a merger or a takeover. The Chrysler Board was also conscious of continuing consolidation within the automobile industry. In addition, Chrysler executives realized their overdependence on the NAFTA region (93% of sales). Despite high growth rates since 1992, America's third largest automobile manufacturer could not be expected to achieve more than 20% of the American market. In their record performance year Chrysler had managed to attain 16% of the US market in 1997 (Vlasic and Stertz 2000).

In 1995, both Chrysler executives and new Daimler-Benz CEO Jürgen Schrempp had rejected Mercedes CEO Helmut Werner's efforts to bring the two companies together (Vlasic and Stertz 2000). This time it would Schrempp himself who would approach Chrysler CEO Robert Eaton. In 1995 hundreds of specialists had compared up to twelve options for cooperation for almost a year before ending talks. In 1997 fewer than 10 people negotiated the takeover in just a few months and the results were presented to the public on May 7th, 1998.

Figure 4: DaimlerChrysler AG Takeover Timeline 1998

Jan. 12th	Jürgen Schrempp, CEO of Daimler-Benz, suggests "merger" to Chrysler Chairman Robert Eaton while in Detroit for the 1998 North American International Auto Show.
Mid Feb.	Initial discussions on a possible takeover between representatives and consultants.
March 2nd	Eaton and Schrempp meet in Switzerland to discuss organizational structure for takeover
March-April	Teams from both companies work out acquisition.
April –May	Teams negotiate takeover agreement and related documents.
May 6th	Takeover agreement signed in London.
May 7th	"Merger of equals" announced.
May 14th	Daimler-Benz supervisory board approves takeover.
June 18th	Daimler-Benz management team visits Chrysler headquarters in Auburn Hills, Mich.
June 25th	Chrysler management team visits Daimler-Benz headquarters in Stuttgart, Germany.
July 23rd	European Commission approves takeover.
July 31st	Federal Trade Commission approves takeover.
Aug. 6th	Announcement that DaimlerChrysler shares will be traded as Global Registered Shares
Aug. 27th	Management teams meet in USA to discuss post-takeover plans.
Sept. 18th	Chrysler (97.5%) and Daimler-Benz (99.8%) shareholders approve.
Oct. 1st	**Announcement not to include DaimlerChrysler on S&P500 Index**
Nov. 9th	98% of Daimler-Benz stock exchanged for DaimlerChrysler AG shares.
Nov. 17th	DaimlerChrysler stock (DCX) begins trading in Germany and USA

Source: Adapted by John Riach; DaimlerChrysler AG Figures Appendix 2.1

Whereas Chrysler CEO Eaton was left to struggle with the pronunciation of German names as he announced the Members of the Board, it was Schrempp who delivered his vision of the new company at the first press conference on May 7th, 1998:

> The two companies are a perfect fit of two leaders in their respective markets. Both companies have dedicated and skilled workforces and successful products, but in different markets and different parts of the world. By combining and utilizing each other's strengths, we will have a pre-eminent strategic position in the global marketplace for the benefit of our customers. We will be able to exploit new markets, and we will improve return and value for our shareholders. This is a historic merger that will change the face of the automotive industry. This is much more than a merger; today we are creating the world's leading automotive company for the 21st century. We are combining the two most innovative car companies in the world (DaimlerChrysler AG Video Appendix 1.1; also quoted in Blaško, Netter and Sinkey 2000).

At the same press conference Schrempp announced the three main goals of the takeover:

1. Increase shareholder value

2. Achieve operational synergy effects

3. Satisfy customers with high quality

It was the second goal, which appeared particularly contradictory during this first press conference and the subject of a number of questions from the press (DaimlerChrysler AG Video Appendix 1.1). On the one hand both Eaton and Schrempp emphasized the complementary nature of both companies. Daimler-Benz was stronger in high-end and luxury cars whereas Chrysler's strength lay in the market for minivans, jeeps and sport-utility vehicles. With the possible exception of the Jeep Grand Cherokee and Mercedes' new M-Class there was no overlapping. Secondly, Daimler-Benz was strong in Europe (63% of sales) while Chrysler sold over 90% of its vehicle in the NAFTA region (Blaško, Netter and Sinkey 2000). Daimler-Benz's reputation for excellence in engineering was said to complement Chrysler's strengths in speedy product development and product innovation. Although Daimler-Benz had introduced ten new models in the previous three years compared to 3 in the 10 year period prior to that, it was still far away from Chrysler's 24 month development cycle time. For their part, Chrysler could profit from Mercedes' tradition of quality. Although Chrysler had adopted Honda's model of innovation and flexibility in the 1990s, the company continued to be plagued with quality issues (Boyer and Freyssenet 2000; Vlasic and Stertz 2000). As a result of their complementary relationship Schrempp stressed the importance of brand demarcation, especially conscious of the risk to the Mercedes brand. However, it was completely unclear to industry insiders, where synergy effects could be realized. No plants were to be closed and both CEOs expected an increase in the number of employees. The promise of initial synergy benefits of $1.4 billion and annual benefits of $ 3 billion within 3 to 5 years seemed unrealistic without a major integration of shared technologies, purchasing power and the use of common parts, processes and platforms. Such a degree of integration would exactly thrEaton the brand demarcation that Mercedes executives adamant on retaining.

2.1 Reasons for optimism

In the face of the takeover's failure it is easy to forget the economic excitement, confidence and optimism that were triggered by the announcement of the takeover on May 7th, 1998 in London.

> On paper, the deal would provide both companies with big advantages: Chrysler, which sells more than 90 percent of its vehicles in North America, would have a formidable new base in Europe. Daimler, by contrast, would secure a huge presence in the United States, the world's biggest market, as well as a way to expand into middle-priced cars without tarnishing the prestigious Mercedes brand name (New York Times May 8th, 1998)

The reaction of the otherwise industry critical German weekly magazine Der Spiegel (20 1998) was even more euphoric at the time:

> Mit DaimlerChrysler entsteht die erste Welt AG unter deutscher Führung – die neue globale Wirtschaftswelt wird Wirklichkeit. Die Fusion verändert nicht nur den deutschen Vorzeigekonzern – der gesamten Wirtschaft des Landes steht ein Umbruch bevor. (Author translation: The creation of DaimlerChrysler AG is the first global company under German leadership – the new global economy is becoming reality. The merger not only transforms Germany's showpiece corporation, the merger also signals the coming of a radical revolution of the country's complete economy).

The next section will look at the public reactions of the stock market, the Boards, the shareholders, the unions, industry experts, the press, and the politicians in order to illustrate the degree of overwhelmingly popular optimism for the takeover in May 1998.

The most salient stakeholders have been left out of this list of optimists, namely the more than 400,000 employees of the newly founded DaimlerChrysler AG. The reasons for this exclusion at this point in our analysis are twofold. Firstly, there is no reliable empirical evidence to document any claims. Secondly, a lot of the publicly recorded interviews appear “politically correct” and misrepresentative of the actors’ real thoughts. One prominent example suffices as evidence. Robert Lutz, the second most powerful man inside the Chrysler Corporation at the time of the deal, had opposed a merger with Daimler in 1995 (Vlasic and Stertz 2000). For this reason he was excluded from the secret talks between the two companies 3 years later (*Ibid*). Notwithstanding the fact that Lutz was the only Chrysler top executive who spoke German and had working experience in Germany at BMW, Opel and Ford, both Schrempp and Eaton saw him as a threat to the deal. Upon being informed that he would not be a member of the Board and would have no role to play in the new company, Lutz resigned within 14 days after the announcement of the takeover. The case and circumstances are well-known and amply documented (Vlasic and Stertz 2000). However, Lutz published his autobiography of his life at Chrysler just a few months later (Lutz 1998). The last chapter, devoted to the future of DaimlerChrysler AG, was clearly the price Lutz had to pay to gain permission from DaimlerChrysler AG to publish the book. The last chapter expresses diametrically opposed opinions to the ones, which had led to his forced resignation just a few months earlier. The Lutz example shows the unreliability of information about the employees inside the company, especially the most important executives. This was especially the case in the DaimlerChrysler AG takeover, which involved only a handful of people in the negotiation phase. The first reaction was surprise and shock. It would take months for people to figure out the ramifications for their jobs. And even today, more than 10 years later, the vast majority of Daimler employees who were addressed by the author refused to be interviewed.

2.1.1 Initial DaimlerChrysler AG facts and figures

One of the main reasons for the optimism at the beginning of the takeover was the sheer size of the deal. In terms of turnover, it was the largest industrial takeover in history. Before the sale, Chrysler was 15th and Daimler-Benz 8th in the rankings of the world’s largest industrial companies. After the agreement DaimlerChrysler AG skyrocketed to 3rd position, ahead of giants such as Royal Dutch/Shell, Exxon, Toyota, General Electric and IBM (Der Spiegel 20, 1998). Only Ford and General Motors were bigger. Experts rationalized that the sheer size of the new firm would allow them to better steer through the cyclical volatility of the car business, chronically prone to recession in both the luxury (Daimler) and economical

(Chrysler) market segments. More importantly, DaimlerChrysler AG had more cash reserves than all of its rivals in the industry, including Ford and Toyota. This would enable the new company to find the Asian partner, preferably Nissan, needed to round-up CEO Schrempp's vision of the Welt AG. The cash reserves would also ensure that the company could continue to invest in new technologies and facilities. Innovation was at the center of Daimler-Benz's success in the automobile sector and Chrysler would profit from this. In 1997 Daimler-Benz had spent DM 9.8 billion in research and applied for 5,700 patents (Daimler-Benz AG Annual Report 1997). At the same time Chrysler was considered an industry leader in the area of economically efficient manufacturing, one of the most serious issues facing the Mercedes passenger car division (Clarke 2005). Another positive figure is the relationship between car sales and earnings. DaimlerChrysler AG was earning $6.5 billion dollars on sales of 4 million cars. In comparison, General Motors sales of 7.5 million vehicles were matched by only $2.8 billion dollars in earnings. Although DaimlerChrysler AG was only in fifth position in terms of the number of cars sold, this was seen as a positive aspect due to their comparatively high earnings. Sales volume was paradoxical in the car business in 1998. A certain minimum volume (1 million vehicles) was considered a necessary pre-requisite for survival, but in an industry plagued by dramatic production overcapacity and market volatility, increasing car sales was less important than maintaining sales levels. This was seen as one of the major strengths of DaimlerChrysler AG, Volkswagen and Toyota whereas industry leaders in 1998, General Motors and Ford, were regarded as weak in this regard as the following table illustrates:

Table 2: Global Automobile Industry 1998 (Condensed)

Largest Carmakers 1998	Earnings	Revenue	Car sales	Cash
General Motors	$ 2.8 bn	$ 140 bn	7.5 million	$ 16.6 bn
Ford Motor	$ 6.7 bn	$ 118 bn	6.8 million	$ 23.0 bn
DaimlerChrysler	**$ 6.5 bn**	**$ 147 bn**	**4.0 million**	**$ 25.0 bn**
Volkswagen	$ 1.3 bn	$ 75 bn	4.6 million	$ 12.4 bn
Toyota Motor Co.	$ 4.0 bn	$ 106 bn	4.5 million	$ 23.0 bn
Honda Motor Co.	$ 2.4 bn	$ 54 bn	2.3 million	$ 3.0 bn

Source: Adapted by John Riach; DaimlerChrysler AG Tables Appendix 2.1

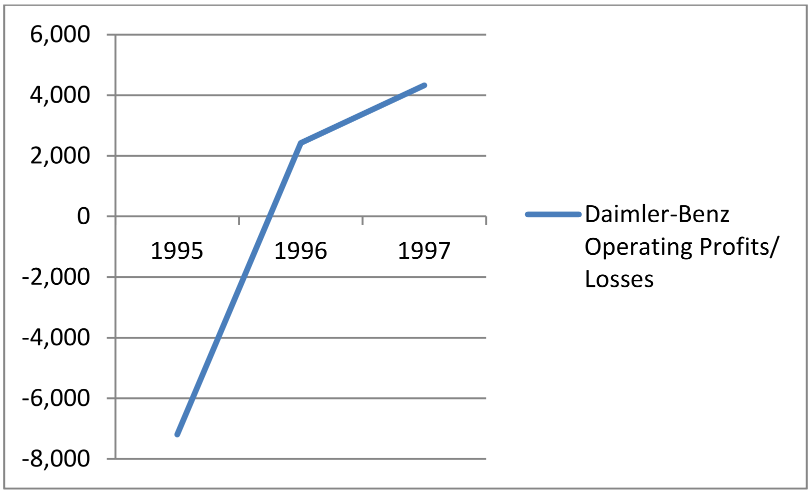
The only numbers, which could be interpreted as questionable, were the number of employees in each company. With its 121,000 workers Chrysler was considered more efficient as an organization in terms of costs and time per vehicle than Daimler-Benz with over 300,000 employees. But even that figure is relativized if one takes into account the fact that only around 95,000 people worked in the Mercedes-Benz passenger car division (Daimler-Benz AG Annual Report 1997). At the time of the Chrysler takeover Daimler-Benz was still highly diversified in prducts and services as divergent as airplanes, satellites, rail vehicls, financial services and commercial vehicles.

The numbers for the first 6 months of DaimlerChrysler support the optimism at the beginning of the takeover. The first DaimlerChrysler AG Annual Report for 1998 sees a continuing upward trend for all key numbers. Revenues leaped ahead by 12% to $146.5 billion dollars. Operating profits even soared by 38% to reach almost $10 billion dollars. The company sold 4, 4 million vehicles. As a result of this excellent performance an additional 19,000 jobs were created. DaimlerChrysler AG also delivered good figures in terms of shareholder value. Earnings per share exploded by 30% to reach $6.55 and the dividend of € 2.35 was a strong statement on shareholder value, especially directed to European shareholders who were now expecting a higher return on their investment than in 1997 (Daimler-Chrysler Annual Report 1998). DaimlerChrysler AG did indeed seem to be moving very fast. It had introduced the first “global share”, DCX, trading on 21 stock exchanges worldwide without the need for depository receipts and even the Annual Report was ahead of its time. DaimlerChrysler AG was one of the first companies ever to report in Euro (DaimlerChrysler Video Appendix 1.1).

2.1.2 **Initial stock market reaction**

The most successful phase of the takeover was definitely the first 8 months until the end of 1998 and was the clear result of the speed, secrecy and dynamism of the major actors on both sides of the company, but in particular DaimlerChrysler CEO, Jürgen Schrempp. At a time when Mercedes’ executives were trying to fend off approaches from Ford, Schrempp had hammered out a deal with Chrysler CEO Bob Eaton in less than 4 months. Fewer than 10 people had worked on the details of a takeover, which joined together 400,000 employees (Vlasic and Stertz 2000; DaimlerChrysler AG Annual Report 1998). In his short time as Daimler-Benz CEO, Schrempp had turned around the fortunes of the German company by implementing a radical “Americanized” cure to the ailing empire he had inherited from his predecessor Reuter. Focusing on a return on capital employed (ROCE) targeted at 12% and preaching the virtues of “shareholder value”, Schrempp reduced the number of business units at Daimler from 36 to 23 and had turned record losses into record profits within a period of two years.

Figure 5: Daimler-Benz Operating Profits/ Losses 1995-97



Source: Created by John Riach. DaimlerChrysler AG Figures Appendix 2.2

In 1997 Daimler-Benz AG was the largest industrial group in Germany with revenues of DM 124 billion ($68.9 billion). Schrempp's decision to takeover Chrysler was immediately rewarded. The stock market, especially in the USA, greeted the news of the takeover enthusiastically. Chrysler's stocks gained 18.7% and 10.5% on May 6-7 for a combined gain of over 30% (Blaško, Netter and Sinkey 2000). The reaction of the German stock exchange, DAX, was less euphoric, but Daimler shares still gained 4.57% over the same two-day period. According to the Wall Street Journal, the combined market capitalization of the two companies jumped from $84.9 billion to $95.2 billion within 48 hours. Wall Street and Frankfurt had accepted the DaimlerChrysler AG storyline. As Blaško, Netter and Sinkey (2000) have calculated, the abnormal increase in the combined value of the two companies corresponded to the announced expected benefits in the upcoming 5 years. However, the honeymoon between Daimler-Benz, Chrysler and the markets would last only a few months after the first official day of trading of the new combined DCX stock on November 17th, 1998. Its highest level would be over $108 dollars in January 1999.

This early enthusiasm for DaimlerChrysler AG's stocks was critical for Schrempp for a number of reasons. One of his explicitly stated goals for merging was to increase shareholder value and the jump in market capitalization provided reason for optimism. Secondly, the initial stock market success temporarily silenced critics still doubting the wisdom of abandoning the coordinated national institutions (Hall and Soskice 2001) of Deutschland AG to take on the full risks of open world markets.

2.1.3 The reaction of the respective boards

The Chrysler Board approved the takeover unanimously. Their approval was outlined in the Chrysler Corporation proxy statement for the special meeting of Chrysler shareholders in September 1998 to accept the terms of the deal. The main reasons for the Board's approval of the takeover were due to:

1. the likelihood that the automotive industry will undergo significant consolidation, resulting in a smaller number of larger companies surviving as effective global competitors;
2. the two companies' complementary strengths: Daimler-Benz is stronger in luxury and high end cars, and Chrysler is stronger in sport-utility vehicles and minivans; Daimler is stronger in Europe, Chrysler in North America; Daimler's reputation for engineering complements Chrysler's reputation for product development;
3. the opportunities for significant synergies afforded by a combination based not on plant closings or layoffs, but on such factors as shared technologies, distribution, purchasing, and know-how; and expected benefits of $1.4 billion in the first year of merged operations, and annual benefits of $3 billion within 3 to 5 years (Blaško, Netter and Sinkey 2000 82-83).

The unanimous approval of the takeover by the Daimler-Benz Board of Management took into account factors such as:

1. Daimler's strengthened competitive position through an immediate expansion of its automotive product range and through a geographic expansion in the U.S., and thus reducing the risk associated with the dependency on the premium segment of the automobile market;
2. Enhanced liquidity for Daimler's stockholders by creating the third largest automotive company in the world in terms of revenues, market capitalization, and earnings; and potential short-term synergies in purchasing, distribution, and research and development, and the potential long-term synergies in the development and growth of markets (Blaško, Netter and Sinkey 2000 83-84).

Although both Boards of Management approved the takeover unanimously, the Chrysler Board did voice some potential dangers in the takeover (Vlasic and Stertz 2000; Blaško, Netter and Sinkey 2000). They included the issues involved in integrating two large corporations incorporating such widely geographically isolated operations and also the risk that the proposed synergies and benefits might not be implementable (Vlasic and Stertz 2000; Blaško, Netter and Sinkey 2000).

2.1.4 The reaction of the unions

The unions in both Germany and America had been among the losers in the transformation of the car industry in the 1990s. Both at Chrysler and Daimler-Benz, production facilities were being established outside of their traditional territories. Suppliers were also relocating in Mexico with the new possibilities under the NAFTA agreement. In Europe, the fall of the Iron Curtain had encouraged German suppliers, whose members were also in the union, to establish factories in cheap eastern European countries such as Bulgaria and Rumania. In addition, retiring blue-collar workers were not being replaced. Technological innovation and the sinking costs of industrial robots led to increased production capacity and a dramatic reduction of jobs in areas of unskilled and semi-skilled labor. At the largest Mercedes assembly plant in Sindelfingen the number of workers employed in production dropped from 52,000 at the beginning of the 1990s down to around 34,000 in 1998 (Daimler-Benz AG Annual Reports 1990-1997). Areas of production such as the press shop, the body shop and the paint shop had rates of semi- and fully-automated operations at over 90%. Given this background it is surprising to learn that unionized workers at Chrysler and Daimler applauded the deal (New York Times, May 8th, 1998). From all written accounts (Vlasic and Stertz 2000) and from numerous personal conversations with both labor and human resources managers, it seems that the unions were surprised and overwhelmed by the complex international dimensions of the takeover. Each side focused on their immediate own goals, namely preserving and creating jobs at Chrysler and Daimler respectively. The promise of a takeover of complementarities served to placate fears of job losses on both sides of the Atlantic. It was to be a Jeep meets Mercedes venture and not a Jeep vs. Mercedes clash of interests. In actual fact, DaimlerChrysler AG reported the creation of 19,000 in 1998 (DaimlerChrysler AG Annual Report 1998).

In his first press conference after the takeover was announced, United Auto Workers (UAW) president, Yokich, commented; “I don’t believe it weakens us, not at all” (Vlasic and Stertz

2000). However, the UAW had no experience outside of the NAFTA region and no understanding of the German system of co-determination and the respective roles in Germany's two-tier system of corporate governance. It is not surprising then, that the politics of the German labor movement and the power of the unions at different facilities within the passenger car and commercial units at Mercedes resulted in the UAW gaining only one of the 10 seats reserved for labor representatives on the Supervisory Board (Blaško, Netter and Sinkey 2000).

More positive for the UAW was the presence of the non-unionized Mercedes production facility in Alabama. The strength of the UAW had been weakened since the mid 1980s with the shift of production from UAW-controlled states such as Michigan to the non-unionized mid-western, south-western and southern U.S. states as well as to Mexico. In addition, Japanese hybrid factories had established non-union facilities in North America, which were now being copied by German firms such as BMW and Mercedes. Daimler's takeover would now provide the UAW with the opportunity to negotiate directly with DaimlerChrysler AG management to acquire the right to unionize the Tuscaloosa facility (Chicago Tribune May 8th, 1998). In actual fact, this was one of the major points of dissension in the first contract negotiations between DaimlerChrysler AG and the UAW.

The most salient reason for UAW acceptance of the deal was much simpler, money. In both the crisis of 1980 and 1992 the UAW had been forced to make painful concessions in order to stave off bankruptcy at Chrysler. The union was aware of the boom to bust cyclical nature of the U.S. car industry and the fact that the bust years hurt the smallest member of the Big 3 hardest. Chrysler had been booming for 5 years now, but no one expected that to last forever. The addition of Daimler-Benz's $60 billion value in market capitalization provided security for the UAW's biggest fear, again being left like in 1992 with a non-funded multi-billion dollar pension plan (Vlasic and Stertz 2000)

On the German side, Walter Riester, vice-chairman of the IG-Metall and member of the Supervisory Board at Daimler-Benz welcomed the deal (Der Spiegel 20, 1998). Schrempp had learnt that his initial Rambo style of management could not function without the cooperation of the unions and he had been careful to inform them in advance of his plans. The German unions were particularly pleased that DaimlerChrysler AG would be a German legal entity and the continuation of the German system of corporate governance was assured, including the principles of co-determination and the guarantee of labor representation on the Supervisory Board.

However, there was also a general lack of knowledge of the role of the UAW at Chrysler on the German side of the company. In the late 1980s the German unions had been embarrassed with their pro-German worker stance against the expansion of the Mercedes East London facilities in South Africa. At a critical time in the fight against Apartheid, Mercedes management appeared to be politically more progressive than the labor leaders from IG Metall. Globalization was a *de facto* threat for the German labor movement, due to the high costs of production and the above-average wages and social benefits of German workers, especially in the car industry and especially at Daimler-Benz. As such, the issue was approached with great caution. They did however grasp the possible advantages of having the UAW unionize their American facility in Alabama, as a means of better aligning the working conditions and compensation systems within the Mercedes organization.

2.1.5 **The reaction of the financial analysts**

Wall Street had been an enemy of Chrysler Corporation going back to the late 1970s and Chrysler's efforts to achieve financial help from the U.S. government (Hyde 2003). CEO Iacocca had fought a two-year battle concerning the merits of government intervention, free market ideology, Japanese protectionism, American jobs and other values central to the American understanding and self-perception of their liberal market economy. Many bankers and financial experts saw the billion-dollar package in January 1980 as a major sellout of market-driven economics and continued to view the ups and downs in Chrysler's fate with tremendous suspicion. The comeback in the late 1980s was followed by the financial crisis at Chrysler in the early 1990s. Some experts were therefore surprised at the almost unanimous support for the takeover on Wall Street. But in actual fact relationships between Chrysler and Wall Street had been improving. The banks had been heavily involved in majority shareholder Kirk Kerkorian's attempted leverage buyout of the company in 1995 and had sided with the Detroit executives, led by Eaton (Vlasic and Stertz 2000). At the time of the takeover, Chrysler was one of America's highest performing corporations. Chrysler had earned a record $1.03 billion in the first quarter of 1997 and its profits per vehicle were more than double the profits of Ford and General Motors (Vlasic and Stertz, 2000). Daimler's financial liquidity seemed to provide Chrysler with the protective volume of capital it would need in a global future.

The highest praise for the takeover came from the financial analysts who supported Daimler and Chrysler respectively in unraveling the myriad of financial, legal, accounting and taxation issues involved in a cross border takeover between a German and American firm. Chrysler made use of the services Credit Suisse First Boston (CSFB) and Daimler-Benz engaged the support of Goldman Sachs. Interesting for our later discussion of takeover strategies, an integral part of the financial analysis and predictions involved a study of twelve previous "merger of equals" deals (Blaško, Netter and Sinkey 2000 89).

In their official analyst ratings at the time of the takeover, Goldman Sachs Investment repeated Schrempp's intention of creating a company "prepared for the 21st century" (Blaško, Netter and Sinkey 2000). They see DaimlerChrysler AG as a "global powerhouse", with "complementary strengths in terms of product, geography and organizational skills"

Credit Suisse First Boston went even further in their praise for the deal:

> We believe that the merger of Chrysler Corporation and Daimler-Benz has created the world's most formidable competitor in the automotive industry. In our view, DaimlerChrysler AG represents an attractive investment opportunity, with a superior industry position, a very strong balance sheet and significant cost savings potential. We are introducing a price target of US$ 101, representing 15% upside potential from the current price. (Blaško, Netter and Sinkey 2000 83)

2.1.6 The reaction of the politicians

In their first coverage of the DaimlerChrysler AG takeover in May 1998 Der Spiegel (20 1998) reported of the unique and curious agreement amongst all political parties. Everyone was in favor and even enthusiastic about the creation of a German dominated Welt AG. Schrempp had been a controversial critic of the Deutschland AG, which was regarded as one of the main cornerstones of the German economic miracle (Wirtschaftswunder) after World War II. But in the late 1990's the German system appeared in radical need for reform and this need was having an impact on political reality. For the first time in decades it seemed there could be political and economic reforms. SPD-chancellor candidate Schröder, himself a member of the Board at Volkswagen as head of the state government of Lower Saxony, praised the takeover as "eine reife unternehmerische Leistung" (Author translation: a mature entrepreneurial achievement). The SPD's economic expert, Siegmar Mosdorf, went even further:

> Zum ersten Mal steigt eine erste Adresse aus Deutschland in die globale Champions League auf. Das ist ein Hammer (Der Spiegel 20, 1998). (Author translation: For the first time a first class German company has made the jump into the global Champions League. That is absolutely amazing).

The ruling CDU federal government, anxious to profit from any positive signal from the economic front, gave its unequivocal approval. Their expert on economic affairs, Friedhelm Ost commented on the deal; “nur positive” (Author translation: only good news). Even the economic expert for the anti-globalist Green party, Margareta Wolf, said something positive about the deal: “Besser so, als wenn General Motors Daimler geschluckt hätte” (Der Spiegel 20, 1998). (Author translation: Well, it’s better than if General Motors had taken over Daimler.) Little did she know how true her comment could have been. The intention of the President and CEO of the Ford Motor Company to expand his buying spree of luxury brands to include the Mercedes label had only been blocked by the intervention of the majority stockholding Ford family (Vlasic and Stertz 2000).

On the American side political reaction to the deal was quieter. Washington Chrysler lobbyist, Robert Liberatore, made sure that all the members of both the House and the Senate were assured that no American jobs had been sacrificed (Vlasic and Stertz 2000). For most politicians, the future of DaimlerChrysler AG even as a German AG (publicly trading stock company) seemed brighter than the fate of a smaller Chrysler Corporation. The political issue of nationalism and trade protectionism in the American car industry had always been against the Japanese, who were producing the same kinds of cars as GM, Ford and Chrysler. German companies were renowned and indeed revered for their track record in manufacturing luxury vehicles.

2.1.7 The reaction of the shareholders

DaimlerChrysler AG was truly global in one important aspect at the time of the takeover in May 1998, namely in the structure of their global ownership. Stock ownership was equal between American and European shareholders at 44% (Blaško, Netter and Sinkey 2000). German stockholders held 37% of DaimlerChrysler AG shares. The remaining 12% were held by investors mainly in the Middle East, such as the Emirate of Kuwait (6.5%). This was an investment going back to the Quandt’s family decision in the 1970s to sell off their Daimler holdings in order to support BMW (Grunow-Osswald 2006). In the years of the oil crisis, the Emirate of Kuwait had been keen to diversify their investments. Together with Deutsche

Bank and the Las Vegas billionaire, Kirk Kerkorian, the Emirate of Kuwait constituted a core of stockholders controlling 27% of DaimlerChrysler AG's outstanding stock. A further 17,000 institutional investors possessed 49% of the company. 1.3 million retail investors owned 24% of stock. The remaining 3% of DC shares were controlled by "insiders" (Blaško, Netter and Sinkey 2000). These insiders were executives at both Daimler and Chrysler. On September 18th, 1998 97.5% of Chrysler shareholders approved the merger. On the same day 99.9 % of Daimler shareholders voted their support for the takeover.

Based on the Annual Reports for 1997 from Daimler-Benz and Chrysler the three largest stockholders were Deutsche Bank, the Emirate of Kuwait and Kirk Kerkorian, owner of the Las Vegas gambling investment firm, Tracinda Corporation. Before the takeover Deutsche Bank had had 23% and the Emirate of Kuwait about 12-13% of ordinary shares from Daimler-Benz. Kerkorian had 11% of Chrysler stock. Despite the fact that he would have diminished power in the new company, the Los Vegas billionaire was attracted by Schrempp's focus on shareholder value and return on investment. Eaton's refusal to increase shareholder dividends had triggered his aggressive insider takeover attempt back in 1995 (Vlasic and Stertz 2000). The first months after the takeover seem to have verified this estimation of the new ownership and he agreed to vote all his shares for the creation of the new company (Vlasic and Stertz 2000).

The positive attitude towards the emerging Welt AG from the Deutsche Bank is interesting because the bank had been one of the most prominent members of the Deutschland AG, using their power on the Supervisory Boards and Boards of Management within the "coordinated" (Hall and Soskice 2001) network of Germany's most important financial, industrial and political players. The bank had more than once in its history intervened to nudge Daimler in a particular direction (Grunow-Osswald 2006). In the late 1980s Board Member Herrhausen had brought in an outsider, Helmut Werner; to restructure Mercedes. In the creation of the Welt AG current member of the Board, Kopper, was a prominent supporter of Schrempp's "Americanization" of the firm and the shift of focus to shareholder value. The Deutsche Bank underlined this intention with the decision in December 1998 to sell off all of its industrial holdings, including DaimlerChrysler AG. A new investment unit, DB Investor, was to be created to manage each block of shares (Blaško, Netter and Sinkey 2000). Later, Deutsche Bank would radicalize this shift of paradigm even more dramatically by announcing it would no longer seek membership in the Boards of Germany's DAX 30 companies, including DaimlerChrysler AG. Not coincidently, and this time under Swiss leadership, Deutsche Bank would announce the sell-off of DB Investors last shares in DaimlerChrysler one day before Schrempp was forced to resign in July 2005 (The New York Times July 29th, 2005).

On November 17th 1998 trading started for the newly created DCX share in Frankfurt and New York. As Karoyli (2003) has analyzed, DCX was the first attempt to become the world's first truly global share.

2.1.8 The reaction of industry experts

The announcement of the takeover in 1998 shocked the automobile world. After decades of Japanese domination of the industry, the Germans appeared to be making a comeback. The New York Times article on the takeover mirrored this feeling within the industry: "Daimler-Benz Takes Over Chrysler as VW Acquires Rolls-Royce: Fast Lane for German Firms" (New York Times May 8th 1998)

Volkswagen had expanded its collection of brands extensively with the acquisition of Skoda, Seat and other firms. Even tiny BMW had taken over the Rover Group with its powerful Mini-Cooper and Land Rover brands. But somehow the dimension and sheer size of the DaimlerChrysler AG deal caused some industry experts to agree with Schrempp's promise to create **the** car company for the 21st century. The praise of industry insiders was primarily based on perceived cost-efficient synergy possibilities and in general pointed in the direction that Chrysler had been practicing in the 1990s. Andrew Card, president of the American Automobile Manufacturers Association compared the takeover to the fall of the Berlin Wall (Vlasic and Stertz 2000). He hoped mega-mergers would generate economies of scale and drive down the prices for cars and trucks for consumers. And although platforms had been developed successfully for luxury models such as Lexus together with Toyota, their success was quite controversial in the German market. VW had been accused of eclipsing their own market share when Skodas and Seats using Polo (Fox), Golf and Passat technical platforms started selling very well in the German market. The issue of brand identity will be expanded on in later chapters. At this point of the analysis the focus is on the initial optimism, which greeted the takeover. In terms of the reaction of industry experts, the enthusiasm focused on the size of the new company:

> It comes down to economies of scale. This kind of merger (DaimlerChrysler AG) allows manufacturers to cut costs and fund the lower car prices needed to survive (Garel Rhys, Cardiff Business School quoted in Vlasic and Stertz 2000).

At the time of the takeover Daimler-Benz was Germany's largest industrial company, whose activities included building trains, planes and commercial vehicles. Mercedes-Benz was, however, one of only three remaining independent builders of luxury cars. The other two were Porsche and BMW, who unlike Daimler were both protected as a result of either family ownership or *de facto* control. In the merger frenzy of the 1990s it seemed only a matter of time before someone bought Daimler. The enthusiasm from industry experts stemmed for their admiration of Schrempp, who had struck first and acquired Chrysler. The combined revenue of Chrysler and Daimler at the time of the takeover was almost double the turnover of Volkswagen.

Table 3: DaimlerChrysler vs. Volkswagen 1998

1998	Earnings	Revenue	Car sales	Cash
DaimlerChrysler	**$ 6.5 bn**	**$ 147 bn**	4.0 million	**$ 25.0 bn**
Volkswagen	$ 1.3 bn	$ 75 bn	4.6 million	$ 12.4 bn

Source: DaimlerChrysler AG Tables Appendix 2.2

2.1.9 The reaction of the press

The press played an important role in the DaimlerChrysler AG takeover in terms of documenting the most important events as well as having an influence on the new company's stockholders and shareholders, especially concerning the anti-Germanism of the American press as early as 1998 (Golitsinski 2000). However, limiting our focus to major actors such as Jürgen Schrempp risks oversimplifying the reasons behind the failure of the takeover and must be counterbalanced by taking other factors into consideration. Nevertheless, at the beginning of the takeover, the press on both sides of the Atlantic was one of the most important spreaders of confidence and optimism. The DaimlerChrysler AG was a very public event, especially in Germany. Schrempp had originally had a rough time with the German press. Until he was chosen as the new head of DASA (German Aerospace Unit of Daimler-Benz) and elevated to the Management Board, Schrempp had spent the majority of his Daimler career in relative seclusion in South Africa. His arrival at DASA coincided with the period of CEO Reuters' attempt to transform Daimler into a "Technolgiekonzern" (technology consortium), when everything started to go wrong. Schrempp was judged to be one of the main culprits in this madness, a perception culminating with his catastrophic acquisition of the Dutch airplane builder, Fokker (Der Spiegel 36, 1994). However, he publicly admitted his mistakes and became one of Reuter's clear critics and cleverly aligned key players, such as Deutsche Bank representative Kopper on the Board, in order to force

Reuter out. His methods were criticized in Germany as more appropriate for Hollywood "Rambos" rather than conservative corporate Germany. This seemed to be confirmed when he ousted popular Mercedes chief, Helmut Werner, in 1997 (Der Spiegel 4, 1997). Schrempp's focus on shareholder value and return of investment saw the press dub him the "American" of German business. But success forced a change of opinion in the German press. He took apart Reuter's technology concern disaster within two years and brought the company back from record losses to record profits. The press and public perceived the conservativeness of corporate German to be an integral part of the "German illness" and Schrempp appeared as the tough surgeon, willing to operate and cut out the bad parts in order to save the patient. With the announcement of the world's largest industrial takeover, Schrempp had the German press from the political left to right wings lying at his feet. He was the creator of the world's first Welt AG and a symbol of hope for Germany's chances for survival in a globalized future (Der Spiegel 20, 1998).

On the American side the press was more critical, although the American stock markets had reacted more positively than their conservative German counterparts. Especially in the case of The New York Times it was clear from the very beginning that the Daimler-Benz AG and Chrysler Corporation deal had been a sellout and not a "merger of equals" (The New York Times May 8th, 1998). The article would be the beginning of a very exact scrutiny of CEO Schrempp's promises and actions until his resignation in July 2005 (The New York Times July 29th, 2005).

2.2 Historical merger and takeover precedents at Daimler and Chrysler

A further reason for optimism at the beginning of the DaimlerChrysler AG takeover was the merger and acquisition track records of both companies. One of the reasons for the failure of Ford's 1999 acquisition of Volvo was the simple lack of experience with mergers, acquisitions and takeovers (Bruner and Spekman 1998; Bruner 1999). Ford is perhaps unique in the car industry because of its historically monolithic history. General Motors expanded globally by acquiring but preserving foreign firms such as Opel (Germany), Vauxhall (Great Britain) and Holden (Australia). Ford has always been Ford. Its 1931 Cologne factory is a clone of its American facilities and the Mondeo brand is meant to be a global car. Both Chrysler and Daimler are different.

The 1998 takeover was reminiscent of the wave of mergers that had swept the industry in the 1920s and witnessed the 1926 merger of Benz Cie. and Daimler, but also the global buyout of the largest German manufacturer Opel by the American company General Motors in 1929 (Grunow-Osswald 2006). Walter P. Chrysler was a child of this era and had made a reputation for himself as a man able to save car companies and divisions from bankruptcy (Abodaher 1982; Hyde 2003). Taking over the Buick factory in 1912 he turned it into General Motors' most profitable brand within 4 years. He was offered $1 million dollars in the early 1920s to save Willys-Overland. Walter Chrysler was again successful and the same group of bankers brought him in to save the ailing Maxwell car company. It was here that he built the first "Chrysler" and bought out Maxwell to create his own company in 1926. Chrysler realized that he would have to expand production capacity in order to compete with Ford and GM. Not having the money to invest in new facilities the only answer was to merge or takeover another company. His acquisition of the Dodge Company in 1928 was one of his most important achievements, making Chrysler the third largest car manufacturer in the USA. In the 1930s Chrysler would even surpass Ford and occupy the number 2 position behind General Motors (Abodaher 1982; Hyde 2003). Chrysler did experience merger failures. In the 1960s and 70s they failed to gain entry in the European market with their acquisition of French manufacturer Simca in 1963 (Hyde 2003). That was followed by the purchase of the British Rootes Group in 1968. Both international ventures failed and Simca was sold to Peugeot in 1978 as part of the company's efforts to prevent bankruptcy at the end of the 1970s (Abodaher 1982; Hyde 2003).

After new CEO Lee Iacocca had brought Chrysler back into profitability, the company acquired the fourth largest car manufacturer in the USA, American Motors Corporation, in 1987 from its French parent company Renault (Abodaher 1982; Hyde 2003). AMC's Jeep brand was successfully assimilated into the Chrysler portfolio of brands and gave them valuable merger and takeover experience in maintaining strong brand identity under new ownership. It was exactly the type of multi-brand company that DaimlerChrysler AG should become. Furthermore, Chrysler had also proven that it could profit from acquired companies. The head of AMC engineering, a Frenchman originally from Renault, was made head of Chrysler engineering and together with Vice Chairman Bob Lutz they implemented a "Honda" approach to the company (Lutz 1998). The move led to internal fights and eventually the removal of Iacocca as President, but it was the start of the prosperity Chrysler had been experiencing since 1993 and continuing into the 1998 takeover from Daimler. These positive experiences with mergers, acquisitions and takeovers helped fuel some optimism.

On the German side, Daimler-Benz was also no stranger to merger activity and global cooperation. Although Benz invented the first automobile, it was Daimler who perfected the art of engine building. Daimler Motoren Gesellschaft became famous for supplying engines for cars, trucks, zeppelins, airplanes and ships around the world. The company's three start logo symbolized this dominance on land, in the air and at sea (Grunow-Osswald 2006). The first racing cars in the 1890s were handcrafted in Paris, France but ran on Daimler engines. Similarly, the first British car manufacturer was called the Daimler Car Company, because of the patented German engines, which were produced under a licensing agreement in 1895 (Montagu and Burgess-Wise 1995): Indeed the name "Daimler" would survive in the Anglo-Saxon world as a brand of Jaguar and later Ford. Daimler was global from the very beginning because of the high costs of their products. Whereas the American car industry was aiming to build cars affordable for everyone, Daimler's philosophy of "the best or nothing" aimed at a customer base of the extravagantly superrich. It was the disappearance of this international customer base after World War I and the introduction of luxury taxes that eventually forced Daimler to merge with its biggest rival Benz in 1926 (Grunow-Osswald 2006). And although workers in Stuttgart still say they work for "Daimler" whereas their counterparts in Mannheim work for "Benz", the merger has been successful because of the company's ability to preserve the legend of the Mercedes Brand. The exclusive nature of the Mercedes brand was partially the reason why the acquisition of Audi in 1958 only lasted 4 years (Grunow-Osswald 2006). However, in other areas the company has been successful with mergers. In particular the 1981 acquisition of America's largest producer of commercial vehicles, Freightliner, serves as proof that a German company can successfully acquire and manage an American icon (Grunow-Osswald 2006). The same is true of the acquisition of Sterling in the USA, makers of trucks and buses. Indeed with a series of international acquisitions and excellent multi-branding production and marketing, Daimler-Benz had advanced in the 1990s to become the world's largest manufacturer of commercial vehicles. More importantly the commercial vehicle division had broken into difficult markets such as Africa and South America, where German and American car manufacturers have traditionally failed. The truck makers had found a way of penetrating the complete spectrum of the commercial vehicle price market. In Europe, for example, the luxury models coming out of the German facility in Worth have been successfully supplemented with the more economical platforms produced in Turkey. Under the leadership of Helmut Werner, Mercedes was confident that this strategy could be applied to the passenger vehicle division (Grunow-Osswald 2006). Daimler's plans to build a "sister plant" in Brazil to partner with the new A-Class production facility in Rastatt were proof of this emerging global “confidence” within the Mercedes passenger car division. In addition, the new M-Class facility in Alabama, a hybrid offspring of Toyota’s American production methods, were evidence that the brand was so powerful that the famous motto “Made in Germany” could be replaced with “Made by Mercedes” (Grunow-Osswald 2006).

Historical precedents at both Chrysler and Daimler provided executives on both sides of the Atlantic with justifiable optimism that a globally present multi-brand company could shape the industry in the 21st century, but the next chapter will reveal the first weaknesses.

2.3 The car industry in the 1990s: lean production and merger frenzy

An overview of the car industry in general in the mid 1990s, and the situation at Daimler-Benz and Chrysler in particular, makes the 1998 takeover look more like a self-inflicted shotgun wedding than a “marriage made in heaven”.

By the mid 1990s a surprisingly common consensus and industry-wide mindset had emerged. The comprehensive and revolutionary MIT study on the industry had come to the conclusion that a car is a car is a car (Womack, Jones and Roos 1990). More specifically the report came to the conclusion was that there was a simple equation for predicting the success **any company** would have to adhere to in order to survive the upcoming decade:

Car designing /building/marketing = Japanese approach = Toyota = lean production = elimination of waste = lower production costs = success

As we will see later in our critical analysis of the MIT study this formula was inaccurate, but *prima facie The Machine that Changed the World* (Womack, Jones and Roos 1990) seemed to provide a *bona fide* explanation for the consistent decline of the American automobile industry since the 1960s and the parallel meteoric rise of the Japanese car industry. Most worrying for the Americans was the success the Japanese had had in their own domestic stronghold, despite protectionist help from the American government (Lutz 1998). Ironically these restrictive measures had induced Japanese automakers to establish assembly plants in the States which not only produced better cars but with the aid of non-unionized workers, thus adding more woe to Detroit’s dilemma. Even innovative leaps such as Chrysler’s introduction of the minivan in the mid 1980s were being countered by the methodical consistent “fast follower” Toyota approach, in which the Japanese company was able to duplicate styling and function while eliminating the mistakes in the original American model in order to sell a more practical overall product at a lower cost.

Moreover, the MIT study seemed convincing in terms of the amount of empirical data that had been assembled. The list of active supporters and participants of the project reads like a Who's Who list of the industry between 1985 and 1990. In addition MIT had gathered together an impressive army of scholars and analyzed more than 50% of all car production facilities in the world, including those at Daimler-Benz and Chrysler (Womack, Jones and Roos 1990).

The results corroborated the generally perceived consensus of the American consumer that the Japanese had just become faster, cheaper and simply better at building cars. The academic conclusions of one of America's most prestigious universities were dovetailing elegantly with the "man on the street, Joe Six-pack" gut feeling, a feeling that was also captured in American popular culture. Symbolically this changed reality was presented microscopically in American John Updike's successful "Rabbit" trilogy, in which the protagonist's downhill life in a small Pennsylvania town itself mired in the economic decline of the American automobile industry is miraculously saved by him opening up the town's first Toyota dealership. Ron Howard's film Gung Ho (1987) equally brought to the screen the mixture of fear, hope and intercultural comic-tragic contradictions, which characterized the dilemma of the situation. The seemingly unavoidable meltdown of the American car industry in the 1980s was a major shock to the nation's psyche.

Even before the study MIT appeared, companies like GM and Chrysler were starting to admit that they had something to learn from their Japanese counterparts, as the NUMMI, AMC-Honda and Chrysler-Mitsubishi Diamond Star projects testify (Lutz 1998). It was not surprising that the study ascertained lean production methods to be superior to something they called "mass production" as their exemplary analysis of the derelict GM assembly plant in Framingham, Massachusetts illustrated (Womack, Jones and Roos 1990). The 1947 plant was a child of GM's heydays and the Sloanist approach, which had been in decline since the early 1960s.

However, more surprising and indeed shocking for European companies like Daimler-Benz, was the MIT conclusion that the "craftsmanship" associated with luxury automobiles had *de facto* ceased to exist with the introduction of the assembly line at Ford in 1914. Daimler produced 1,404 vehicles in that year compared to 1,747 from rival Benz (Grunow-Osswald 2006). Meanwhile, Ford had increased production from around 170,000 to over 300,000 vehicles between 1913 and 1914 (Banham 2002). In the eyes of the MIT scholars, there were no significant differences between building a Toyota or building a Chrysler or building a Mercedes. The added time and rework they had witnessed at plants such as the Mercedes facility in Sindelfingen were not the results of "Meister" quality made in Germany, but rather documented proof of outdated, poorly organized, overly expensive and wasteful production processes. The MIT study correctly predicted that the Japanese would soon be in a position to build luxury cars, which exceeded European quality standards at lower prices. In a chilling four pages they even announced the end of European luxury carmakers if they refused to adopt the superior approach of their Japanese counterparts. This result was threatening for Mercedes because it cut deeply into their brand identity, marketing philosophy and manufacturing approach. Only a few years earlier Mercedes executives had confidently proclaimed that it would take the Japanese "generations" until they could build luxury cars comparable to the S-Class (Spiegel 38 1985).

For our current considerations, however, the important result was that the whole industry accepted the equation; Car A = Car B = Toyota = Chrysler = Mercedes.

That meant all production facilities could be compared quantitatively for each and every facet of production. Downtime equals downtime and it doesn't matter whether the tool and die change is happening at a Mercedes or a Fiat plant. Industry-wide benchmarks such as the Harbour Report would become, albeit painfully for companies like Daimler, universal standards. In these annual exercises in benchmarking, manufacturing facilities were compared and measured in terms of the hours per vehicle required to produce automobiles. Similarly quality studies such as J.D. Power would focus on mistakes per vehicle as industry measurements of quality. Although the German luxury carmaker would do its best to deny this reductionist approach even after the DaimlerChrysler AG takeover in 1998, the study had significant repercussions for Mercedes head Helmut Werner's restructuring of the company during the 1992 crisis at Daimler and in the creation of his new 1990s production philosophy.

Even Mercedes could not ignore all of the "facts" the MIT study had gathered about the industry and to a certain extent it did indeed mirror the industry's reality between its origins in 1886 and 1990. To its credit the MIT study also provided companies like Chrysler with "well-founded academic evidence" to justify taking the risk of deviating from long-standing and unquestioned American marketing and manufacturing axioms in order to learn from the Japanese. Companies like Daimler, however, were thrown into a schizophrenic dilemma. From a production perspective they had to reduce waste and "learn" from the Japanese and seriously restructure everything from development to production planning to assembly. From a brand perspective, however, it would be almost suicidal to admit that building a Mercedes was basically the same as building a Toyota or even to suggest that building a Mercedes C-class was basically no different from designing, engineering and producing an S-Class.

A second characteristic of the automobile industry in the 1990s embodied a further diabolical paradox of conflicting perceptions. Firstly, the industry was perceived to be suffering from chronic overcapacity. With world production hovering around the 50 million vehicles per year mark in the early to mid 1990s, experts estimated that overcapacity was somewhere between 7 and 22 million units (Meyer *et al.* 2002). Chrysler CEO Eaton estimated overcapacity in 1997 at over 18 million vehicles (Der Spiegel 41, 1998). The range in these estimates is in itself an excellent barometer of the industry's panic-driven uncertainty. Developing cars and creating the facilities to build those takes years and the expert's predictions of demand were hazy at best. This was confounded by increased productive capacity. Progress in rationalization had definitely increased factory capacities in existing brown-field facilities and had dramatically and simultaneously led to massive reductions of manpower in press shops, body shops and paint shops as the precision of low cost robot and other fully-automated technologies flooded into car factories worldwide. Jobs seemed safe temporarily only in the area of final assembly, which still required a high amount of manual and semi-manual labor. But even here the introduction of semi-aided devices was decreasing the need for highly trained workers.

At the same time, experts were expecting a dramatic increase in demand and seeking green-field solutions in low cost countries to meet this demand cost-effectively. In fact demand did rise worldwide from 46 million units in 1993 to reach 52 million units in 1997 (Meyer et al. 2002). Furthermore, the fall of the Iron Curtain opened up eastern European markets. The American economy started to rebound at the start of the Clinton administration. The prospects of the emerging NAFTA agreement promised hope for more prosperity and demand in the complete American hemisphere. The Asian "tigers" were stimulating demand in Asia, and somewhere along the road experts were hoping for new markets in India and China. Although the latter was still some time away, the common perception was that the future lay in producing an outstanding amount of cheap, small, fuel-efficient compact cars. This news was bad news for both Chrysler and Daimler. Chrysler had almost no presence outside of North

America. Daimler had no small cars and very little to offer in terms of fuel efficiency. Moreover, their presence in Asia was restricted to the extreme wealthy in cities such as Tokyo, Singapore and Hong Kong.

In addition the expectations for increased demand unfortunately were superseded throughout the 1990s by the industry's creation of even more overcapacity. Korean models joined the exodus to an already crowded North American production scene. The Big 3's shift to Mexico became a shift to South America, which also had radical implications for the design and engineering of new models. When Daimler planned to create a South American version of the new A-Class at a Brazilian facility the model had to be downgraded from German customer standards in order to attempt to bridge the gaps between overseas production realities, customer buying power in South America and standards associated with the Mercedes brand.

The contradiction of overcapacity and expected increasing demand led to a further complication of the industry's self-perception. The 1990s are often referred to as "the urge to merge" (Meyer *et al.* 2002) or "merger frenzy" (Blaško, Netter and Sinkey 2000). The consolidation of the automotive industry had been dramatic. From the 42 manufacturers in 1960 only 20 remained in 1997 (Meyer *et al.* 2002). The situation was even more dramatic in the world of suppliers as economies of scale and investment demand for new technologies overwhelmed many smaller companies, such as the clustered "Mittelstand" (medium-sized companies) in Baden Württemberg. The demand from local companies like Mercedes or Audi or even BMW was too low, as was their own capitalization to expand. At the same time their innovative know-how made them attractive targets for "cherry-picking" by larger first-tier non-German suppliers like Oxford, TRW, Johnson Controls and Magna. It was beginning to appear that the future of the automobile industry would be staged by a handful of automakers managing mega platform strategies and dependent on a handful of first-tier global suppliers.

The emerging common perception of the industry was almost unanimous. In order to survive a car company had not only to implement lean production methods, it would also have to generate high volumes. In the mid 1990s the magic number was 1 million units (Daimler-Benz AG Annual Report 1997), later that number would be raised to 1.5 million. That was threatening news to companies like BMW and Daimler, whose numbers were around 400,000 to 500,000 units in the early 1990s. This led BMW to acquire the British Rover Group, a disastrous project which would end up costing the company an estimated 5 billion Deutsche Marks (Brady and Lorenz 2000).

Mercedes boss Helmut Werner and Daimler-Benz AG adapted a different strategy. They decided to expand their production spectrum to both small compact cars and other evolving segments such as SUVs. The emerging A-Class was to produce 300,000 units per year. In addition it was decided to develop a SUV for the North American market. The M-Class should add another 60,000 units to the total. Furthermore it was planned to upgrade the CKD facility in East London, South Africa to a full assembly facility in order to handle demand for right-hand drive vehicles and create more capacity at the existing assembly facilities in Sindelfingen and Bremen in Germany. Mercedes believed the strategy could work if it were possible to create the premium market product in each segment. However, the development of this strategy took place in a period of extreme uncertainty within the company. This frenzied modal expansion was a reaction to one of Mercedes biggest crisis in 1992 (Der Spiegel 8, 1992). The new S-Class model had been a flop both in the USA and Germany, something that had never happened before in the history of the company. The car was stylistically unappealing to Americans and its size was no longer compatible with European customer demand. Furthermore the otherwise premium marque of the luxury Mercedes brand contained serious engineering blunders. Some engine models were so heavy that the vehicle could only legally transport 3 adults. The image damage was so extensive that the head of the development department, Wolfgang Peter, was relieved of his position (Der Spiegel 8, 1992).

The million-unit target had a further impact on the complete industry as the BMW example shows. It triggered a wave of mergers and takeovers (see Table 4) reminiscent of the industry’s early phases such as the formation of GM or Chrysler’s acquisition of Dodge and the Daimler-Benz merger in the late 1920s. The industry became a buzz of rumors and fear and very quickly the proviso emerged, “eat or be eaten”. According to estimates by PriceWaterhouse, the automotive industry combined to tally up 750 mergers, acquisitions and alliances between 1990 and 1997 (Meyer *et al.* 2002). This situation was very precarious for Daimler. Together with BMW and Porsche they formed the last independent luxury carmakers in the mid 1990s. However both BMW and Porsche had powerful family ownership, which could block any unfriendly takeover attempts. This was not the situation at Daimler.

Table 4: Overview of Rumored Takeovers in 1998

Largest Carmakers	*Rumured partners*
General Motors	Isuzi, Suzuki, Daewoo
Ford Motor	Volvo, Honda, BMW
DaimlerChrysler	**Nissan, Fiat**
Volkswagen	BMW, Fiat
Toyota Motor Co.	Daihatsu, Hino
Honda Motor Co.	BMW

Source: DaimlerChrysler AG Tables Appendix 2.3

The target of building one million units (Brady and Lorenz 2000) had further implications. Increasing production volume only made sense if companies could achieve economies of scale. In order to do this, companies had to develop common parts which could be shared across brands and models. Very quickly developers start to distinguish between “appearance” and “non-appearance” parts as a means of bridging the gap between manufacturing reality and customer perception, depending on the value of the brand. For companies like Chrysler it was no major problem to admit that their Chrysler model and the Mitsubishi Galant were produced in the same factory on the same lines and for the same price (Lutz 1998). The cars were even presented together in American car magazines. The Mitsubishi-Chrysler Illinois facility in Normal was proof that Chrysler had learned from their meticulous study of Japanese production methods. As Chrysler head Bob Lutz points out in his autobiography (1998) the extended Chrysler production platforms dovetailing stylists – designers – engineers – production people – suppliers actually gave them an innovative advantage and allowed them to regain high volumes. For other companies platforms presented more challenging threats to established brands. The extension of the VW Passat platform to the Skoda Octavia seemed to make sense in the hopes of an expanding eastern European market. But when German customers started to buy the cheaper looking but VW-equipped technically sound Skoda, brand experts sounded the alarm bell. The fear of brand dilution was nowhere more evident than at Mercedes, even long before the Chrysler takeover. The creation of an alternative to the S-Class in the mid 1960s was already an issue of contention between engineers and managers (Grunow-Osswald 2006). The same discussion was repeated in the early 1980s with the creation of the Baby Benz. And in the 1990s executives still feared the consequences if C-class vehicles started looking like or sharing parts with S-Class vehicles more than 3 to 4 times more expensive. As such the platform issue only compounded Daimler’s dilemma (Grunow-Osswald 2006).

2.4 Conclusions

The second chapter serves to offset the false impression that the DaimlerChrysler AG takeover was perceived by everyone to be doomed to failure from the very beginning. Daimler-Benz CEO Schrempp certainly surprised the world on May 7th, 1998. *Prima facie* there appeared to be many reasons for appraising the takeover positively.Within the framework of the successes at Daimler-Benz and Chrysler in the time immediately before the deal, most commentators were optimistic about the emergence of a global automaker for the 21st century. This included a wide range of stakeholder, shareholders and industry experts. The mega-deal seemed suited to the mindset of the late 1990s in the automobile industry. Despite this initial optimism two key questions will guide the remainder of the case study:

1. Why did the DaimlerChrysler AG takeover fail?
2. What are the implications of the DaimlerChrysler AG takeover failure for the theory and practice of cross border mergers (Marks and Mirvis 1998)?

The overview of the literature on DaimlerChrysler in chapter 3 will illustrate how this initial optimism began to disappear within the first year following the May 1998 deal.

3 CONVENTIONAL AND UNCONVENTIONAL EXPLANATIONS

Chapter 3.1 will begin with an overview of the literature on the DaimlerChrysler AG takeover failure, which spans a wide-variety of micro- and macro-economic issues. In addition, the influence of the most influential papers for this case study will be explained. These papers will provide the support material for the argumentation in chapters 4-7. As there is no single factor explanation for the failure of the takeover it is necessary to analyze the unfolding of events from a number of perspectives.

Chapter 3.2 focuses on critically examining one of the most conventional and common explanations of the DaimlerChrysler AG takeover failure, intercultural differences between Americans and Germans. The DaimlerChrysler AG case study provides us with the opportunity of critically examining Hofstede's theory of cultural dimensions (1980), which is the most cited approach in the field of intercultural studies (Hofstede 2002). This case study will claim that DaimlerChrysler AG is at odds with major parts of Hofstede's approach. Processes of globalization and transnationalisation (Lange 2010) within the automobile sector illustrate the out datedness of the data, which form the backbone of Hofstede's categories of cultural dimensionality.

Chapter 3.3 is more unconventional. Working from the perspective of the Varieties of Capitalism (VoC) approach (Hall and Soskice 2001), this chapter will apply their ideas on comparative national institutions and complementarities in order to explain the takeover failure. The eventual failure of DaimlerChrysler does provide evidence of the resiliency of the respective varieties of capitalism as described by Hall and Soskice (2001) and the role of nationally embedded institutionalism for profit strategies in the automobile industry as described by Boyer and Freyssenet (2000).

3.1 The literature on the DaimlerChrysler AG takeover

The DaimlerChrysler AG takeover failure provided the academic community with a wide array of topics ranging from cross-border mergers, intercultural and interorganizational conflicts, shareholder value, and changes in German and American national institutions. Moreover, the unfolding of this major economic failure in global business was the subject of close media scrutiny. This media scrutiny provides insight into facets of the takeover failure, which are not easily accessible to the academic community, but which help enhance the quality of this case study.

When it became clear as early as 1998 (Blaško, Netter and Sinkey 2000) that the DaimlerChrysler AG takeover was facing severe challenges, analytic efforts to explain the reasons for the difficulties began appearing in rapid succession. Bruner *et al.* (1998) documented the negotiations between Daimler-Benz and Chrysler. Neubauer *et al.* (2000) published a case study analyzing the role of the boards in the deal. Blaško, Netter and Sinkey (2000) documented the developments in the first year of the takeover. They focused on the issues impeding the creation of value, including the delisting of the new DaimlerChysler stock (DCX) from the Standard & Poors 500, the resignation of American executives from Chrysler and the negative impact of Schrempp's plans to acquire Nissan in January 1999. Their paper stands out as perhaps the first comprehensive academic paper revealing the major strategical failings of the DaimlerChrysler AG takeover and will be referred to extensively in this case study.

In a further paper concentrating on shareholder value, Karoyli (2003) provides a comprehensive overview of DCX, the world's first global share. His study monitors the dramatic fall in shareholder value starting in 1999 and the lack of stock market trading activity on the New York Stock Exchange (NYSE). These results are corroborated by Murphy (2003). Both studies document the advantages and disadvantages of Global Registered Stocks (GRS) and American Deposit Receipts (ADR). Jürgens *et al.* (2000) scrutinize shareholder value within the German economy. This was followed by a more specific look at shareholder value within the context of the European automobile industry (Jürgens *et al.* 2002). Goutas and Lane (2009) compare shareholder value at DaimlerChrysler and Volkswagen AG, arguing that the ideology of shareholder value has changed both companies less than previously assumed. Indeed, they see the adaption processes at both companies as proof of the resiliency of national economic institutions (Hall and Soskice 2001). Related to the issue of shareholder value, Ball (2004) looks at the impact of a shift from stakeholder to shareholder value on corporate governance and financial reporting at Daimler-Benz (as of 1993) and DaimlerChrysler (as of 1998). Gilbert's study (2005) concentrates on the contradictions in the field of corporate governance between German and American institutions resulting from the DaimlerChrysler takeover.

In the field of tax law Rowe (2005) contrasts the Alcatel-Lucent merger with the DaimlerChrysler AG takeover to show how German corporate law did not actually allow Daimler-Benz to own its American subsidiary. In a similar vein, Gebhardt (2009) uses the DaimlerChrysler AG case to examine emerging global standards in accounting practices.

Huizinga and Voget (2009) point out the role of international double taxation in cross-border mergers and acquisitions in the decision to locate the parent company in Germany in the case of DaimlerChrysler.

All of these papers focus on specific technical issues related to issues of corporate governance, tax laws, global shares and shareholder value within the framework of cross-border mergers and acquisitions. It is however also important to consider more general issues surrounding global M&A activity. Stahl *et al.* (1998) point out that a “merger of equals” is the most complicated post-merger outcome strategy to implement. Specifically, they predict the DaimlerChrysler case as highly unlikely to succeed. Their work will be salient for this case study’s examination of the undoing of the “merger of equals” in chapter 6.

The general issue of globalization in the automotive industry is the subject of Balestini’s work (2000). His paper appeared at the height of the global merger frenzy in the sector and mirrors the atmosphere of the era. Boyer and Freyssenet (2000) provide a comprehensive study of strategies within the global automotive industry and deliver a fundamental critique of the 1990 MIT study of the industry (Womack, Jones and Roos 1990). Specifically, they draw attention to the oversimplifications of the MIT study and illustrate why lean production was not able to establish itself as the sole global strategy in the 1990s. They also point out the ramifications of the different profit strategies at Daimler-Benz and Chrysler respectively in terms of takeover failures. This case study will use their paper to supplement Hall and Soskice’s Varieties of Capitalism (VoC) approach in chapter 3.3 below.

The success of Renault-Nissan in contrast to DaimlerChrysler’s failure to integrate Mitsubishi Motors Corporation (MMC) has also led to a number of comparative academic articles. Froese and Jintae (2010) compare Renault, General Motors and DaimlerChrysler in Japan and South Korea based on interviews with Asian managers. Froese and Goeritz (2007) focus on Renault-Nissan and DaimlerChrysler in a further study in order to make a link between human integration and organization integration in Japanese cross-border mergers and acquisitions. Gill (2012) relies extensively on Hofstede’s (1980) theory of cultural dimensions to highlight DaimlerChrysler’s cultural insensitivity at Mitsubishi. Bremner and Thorton’s (1999) journalistic overview of the Mitsubishi’s financial difficulties provides invaluable information regarding DaimlerChrysler’s strategical mistakes in this area. Their assessment is substantiated by Begley and Donnelly (2011). They view DaimlerChrysler’s decision to takeover Mitsubishi as a wrong time wrong firm mistake, which place an additional drain on Mercedes management capacity:

> It could, however, be argued, nevertheless, that the decision to enter partnership with an ailing Mitsubishi in 2000, a group whose management culture stood in sharp contrast to that of Daimler was a serious error of judgment in terms of timing due to the long running recession in the Japanese economy. Had Daimler to deal solely with an underperforming Chrysler, the haemorrhaging of capital and managerial talent from Daimler-Benz to its partners may not have proven so serious as the German managerial resource base became seriously overstretched. The dual challenge of both a troubled US operation in conjunction with a failing Mitsubishi Motors Corporation proved too much. In essence it is legitimate to ask whether or not a full evaluation of Mitsubishi had been carried out prior to the merger to establish its strengths and weaknesses (Begley and Donnelly 2011 46)

A large amount of literature focuses on the combined effects of differing national and differing organizational cultures on the takeover failure. Badrtalei and Bates (2007) trace strategical mistakes and organizational issues during the negotiations, transition management and post merger cultural issues. Similarly, Epstein (2004) investigates the organizational factors behind the failure of the DaimlerChrysler AG takeover. Most business case studies also attempt to combine an analysis of German-American intercultural and Daimler-Benz / Chrysler interorganizational conflicts (Meyer *et al.* 2002; Finkelstein 2002: Dermidoff 2004; Bartel and Guadalupe 2008; Gill 2012). Some studies concentrate more on intercultural factors in the tradition of Hofstede (1980; 2002) and GLOBE (2007). These include Schindler (2000); Finkelstein (2002); Pruett (2003); Wolf (2005); Trajanov (2008); Varner and Beamer (2008); Gill (2012). Dermidoff's monograph (2004) focuses on communication issues related to culture and post-merger change processes. The sheer number of papers focusing on intercultural conflicts between German Daimler and American Chrysler justifies a closer examination of the major theory in the field, Hofstede's theory of cultural dimensionality (1980), which this case study will undertake in the next chapter.

A number of non-academic accounts also appeared around the takeover both in German (Appel and Hein 1998; Grässlin 2000) and English (Lutz 1998; Vlasic and Stertz 2000; Waller 2001). Former Chrysler President Lutz provides us with valuable information about the revolutionary changes in Chrysler's production system in the 1990s. Vlasic and Stertz (2000) publication is the best researched and most realistic account of the events leading up to the takeover and will be quoted extensively in this case study. Their account is heavily cited in U.S. billionaire Kirk Kerkorian's suit against DaimlerChrysler in November 2000. All of these publications help to fill in the voids left by comprehensive histories of Daimler-Benz (Grunow-Osswald 2006), which end their research with the beginning of the takeover. Grunow-Osswald provides a well-documented and comprehensive history of the internationalization of Daimler-Benz from 1886 until 1997. In order to supplement this information, it is necessary to draw on sources outside the academic community. This case study will rely extensively on articles from Der Spiegel, The New York Times, The Wall Street Journal and the Economist to achieve this goal.

Chapter 3.3 of this case study involves the implementation of an unconventional approach to explaining the DaimlerChrysler takeover failure. No academic paper has hitherto explicitly used the Varieties of Capitalism (VoC) approach to examine the deal (Hall and Soskice 2001). In this chapter it will be argued that the framework, despite its limitations, is well-suited to analyzing corporate cross-border merger strategy.

The next chapter, however, will first address the question whether intercultural differences as understood by Hofstede's theory of cultural dimensionality (Hofstede 1980) can explain the DaimlerChrysler AG takeover failure. The case study will limit itself to explaining why Hofstede's approach cannot explain the takeover failure but stops short of a comprehensive critique of his theory of cultural dimensionality.

3.2 Can intercultural differences explain the takeover failure?

Expanding on Meyers (1976) comment that "Mergers are tricky; the benefits and costs of proposed deals are not always obvious," Blaško, Netter and Sinkey (2000) conclude at the end of their critical study on value creation in the early phase of the DaimlerChrysler AG takeover that "**International** mergers are even trickier; the benefits and hidden costs of these combinations are even less obvious" (Blaško, Netter and Sinkey 2000 100). Indeed the spectacular nature and ensuing failure of the world's largest industrial takeover in history cast a long shadow on the evaluation of **all** cross-border mergers. Weber and Camerer (2003) use the DaimlerChrysler AG takeover to provide further evidence that "a majority of corporate mergers fail" and draw attention to comprehensive empirical studies carried out by Ravenscraft and Scherer (1987, 1989) using extensive data from the Federal Trade Commission to compare pre and post-merger performance. Similarly Lucks (2005) points to DaimlerChrysler AG's demise as providing sufficient evidence that "large-scale transatlantic M&A projects have a particularly low success rate, destroying vast assets within national economies in their wake" (Lucks 2005 11). The existence of inherent *a priori* reasons for cross-border merger failure would indeed pose a serious threat to cross-border globalization strategies currently being pursued in most countries and economic sectors. If the idea of a "Welt AG" were proved implausible *per se*, due to necessarily conflicting intercultural factors such as the dimensions described by Hofstede (1980; 2002), global strategists would have to rethink their practices.

Nevertheless, this study is not primarily concerned with all cross-border mergers in general, but with one failed German-American takeover in particular. Comparing the DC failure to other German-American mergers allows us, however, to relativize the comprehensive tenor of the previously noted pessimistic assessments. A survey by Bassen, Schiereck, and Wübben (2010) investigates 78 German acquisitions in the United States of America between 1990 and 2004 and confirms "the previous finding that cross-border Mergers and Acquisitions activity yields on average wealth gains for shareholders of the acquiring companies". The authors draw specific attention to the DaimlerChrysler AG failure as a misrepresentation of German-American merger reality during this period. Deutsche Telekom's acquisition of VoiceStream in 2000 and Fresenius Medical Care AG's capture of Renal care Group (2006) had been, at the time of writing, successful expansions and provide examples of German companies being able to position themselves in the NAFTA trade region as part of their global strategies (Bassen, Schiereck, and Wübben 2010; Wübben 2007). It would thus be misleading and erroneous to claim that all mergers and takeovers fail and all German-American takeovers must fail. As such, more than a quantum of skepticism is permitted when we now examine possible national cultural differences as a sufficient and necessary condition for the DC takeover's failure. This skepticism does not contradict, of course, the fact that the American popular business magazines (i.e. Business Week) and, in particular, the Detroit area press (*e.g.* The Detroit Free Press) became increasingly disillusioned with the takeover during the course of 1999/2000, climaxing in an extremely negative anti-Teutonic reaction to the official German takeover of Chrysler management in November 2000 and the firing of 23,000 Chrysler employees in January 2001 (Golitsinski 2000). Closer scrutiny of this antipathy reveals that much of the venom was directed not against Germans in general, but understandably towards the cultural insensitivity, condescending arrogance and plain rudeness of CEO Jürgen Schrempp in particular. Schrempp was equally unpopular on the German side of the company (Der Spiegel 31, 1995). Indeed, an extreme dislike for DaimlerChrysler AG's CEO was one of the few things employees on both sides of the Atlantic shared in common. One highly-publicized example suffices as evidence. In the USA the increasing defection of Chrysler managers to competitors Ford and GM and first tier suppliers such as Magna was arrogantly brushed aside by Schrempp upon questioning from the American press in an aggressive tone, “We don’t need their (Chrysler’s) know-how, you can quote me” (Blaško, Netter and Sinkey 2000). Paradoxically, the very same American press was full of praise for a job well-done, when then Chrysler CEO and German Zetsche left Chrysler to become Schrempp’s successor in 2005 (Fast Company Sept. 1st, 2005). Therefore it seems to be less an issue of Germans vs. Americans but rather a question of the ramifications and repercussions of good vs. poor management. That was not, however, obvious at the time. Gill (2012) draws attention to a similar situation with German DaimlerChrysler CEO Eckrodt at Mitsubishi Motors Corporation (MMC).

Due to the high media presence of the problems at Chrysler the academic community’s reflection for the reasons behind the failure of the DaimlerChrysler AG takeover has therefore partially focused understandably on the role of German-American cultural conflict (Wolf 2005; Finkelstein 2002; Varner and Beamer 2008). The takeover exhibited a very publicly perceived increasing Germanization of Chrysler as of September 2000 culminating in the installation of a German CEO (Zetsche) and COO (Bernhard) in late 2000 and the immediate firing of about 25% of the Chrysler workforce in January 2001. *Prima facie* this provides reason enough to look at the exact nature of German-American cultural conflict in the case study. Before turning to Hofstede, however, it is necessary to clarify the exact meaning of Daimler-Benz as “typically German” and Chrysler as “typically American” within the context of the global automobile industry.

3.2.1 The car industry: A global and national phenomenon

Although the automobile industry has been global in nature since its very inception, e.g. 71% of the production of Daimler (DMG) and Benz & Cie in 1908 was for foreign markets (Grunow-Osswald 2006), it is possible to define a German, American, British, French, Italian, Japanese and Korean car industry, each embodying unique national strategies and practices respectfully. And although different strategies can exist within different national frameworks, each strategy is connected to the institutional framework of the respective societies (Boyer and Freyssenet 2000). But when we look at the “Germanness” of Mercedes or the “Americaness” of Chrysler it will be important to reflect critically, whether these two company cultures correspond to the attribute of cultural dimensionality as described by Hofstede (1980; 2002; 2006).

Both Daimler-Benz and the Chrysler companies have been iconic firms for a substantial period of their respective national histories within the automobile industry. Carl Benz had invented and patented the automobile with a combustible engine in 1886 before the company was later taken over by Daimler during the period of hyper-inflation in the Weimar Republic in 1926 to form Daimler-Benz (Thieme 2004; Grunow and Osswald 2006). The Daimler side of the firm, founded in 1890, was a fierce competitor of Benz and famous for the quality of its high-performance engines and innovative engineering. As of 1900 Daimler was best known as the builder of the Mercedes brand, the very epitome of quality and manufacturing in German automotive design and engineering (Grunow-Osswald 2006). The company's conscious decision to focus on the needs of the very rich is diametrically opposed to the democratizing role the automobile played between 1900 and 1929 in American society, and underlines the role of luxury and quality in the German trademarks Mercedes, Porsche, Audi and BMW. By comparison, over 15 million Tin Lizzies, for example, were produced up to 1928 in America (Banham 2002; Wiedt 2006). Chrysler was the number four producer of automobiles in 1927, turning out about 200,000 vehicles per annum (Hyde 2003). By contrast, Daimler-Benz produced 7,918 cars in 1927 (Thieme 2004). Paul Daimler, the son of the company's founder expressed the philosophy of Daimler in the following quote:

> "Nur das Beste kann für die Erzeugung gut genug sein! So weit wie in Amerika, wo jeder Kommis sein Automobil hat, sind wir noch lange nicht. Bei uns ist das Automobil zum größten Teil das Fahrzeug bessersituierter Klassen" (quoted in Thieme 2004). (Author translation: Only the best can be good enough for our production. We have not yet reached a point like in America, in which every John Doe can afford a car. For us cars are for the most part reserved for the upper class).

This quote mirrors the famous brevity and succinctness of the very first Rahmenheft (technical specifications) of the very first Mercedes in 1900: "The Best or Nothing!" (Grunow-Osswald 2006; Lengert and Dreher 2010).

On the other side of the Atlantic, and despite the fact that Chrysler appeared on the scene much later than Ford and General Motors in 1926, the spirit of Chrysler seems to personify commonly perceived aspects of the American spirit. Whereas Ford with its Taylorism/Fordism approach to production had already established a cloned plant in Cologne, Germany in 1931 and GM's philosophy of glocalization led it to acquire Opel in 1929, Chrysler has always remained rooted in North America (Abodaher 1982; Hyde 2003; Weiss 2003). At the end of the 1920s Chrysler was rapidly challenging Ford and General Motors as one of the Big Three, with an unfolding history of highly individualistic, charismatic, but often blindly power-hungry CEO's (Weiss 2003). Chrysler's roller coaster history of extraordinary success and abysmal failure, as Hyde's comprehensive chronology documents, would accompany the American people for most of the 20th century and even resulted in the United States government passing the Chrysler Corporation Loan Guarantee Act of 1979, the first time the federal government ever bailed out a private corporation (Bickley 2008; Hyde 2003). Characteristically a maverick leader, Lee Iacocca, once again brought Chrysler back from the brink of bankruptcy by creating new innovative markets with the minivan and he even managed to repay the government loan, before later embarking on a path of irrational dictatorship, which led to a new downturn in the company's fortunes and resulted in his ouster in the early 1990s (Lutz 1998; Hyde 2003; Iacocca 1986).

Even at the time of the Daimler takeover in 1998, more than 95% of Chrysler's market was on NAFTA soil and its range of products from sporty Dodges to soccer moms' vans mirrored the American psyche and style of the 1990s (DaimlerChrysler AG Video Appendix 3.1). Their success was characterized as the result of the "creative collection of industry renegades" (Golitsinski 2000) leading the company. Fighting again back from near bankruptcy and failing shareholder value in 1992, Bob Eaton and Bob Lutz had turned Chrysler into the "hottest company in America" by the second half of the 90s (Lutz 1998; Hyde 2003). Indeed when things started to go wrong after the takeover CEO Schrempp lamented: "What happened to the dynamic, can-do cowboy culture I bought" (Sueddeutsche Zeitung July 12th, 2001; Finkelstein 2002).

On the one hand, therefore, both Daimler and Chrysler seem to clearly represent important aspects of German and American culture respectively. There is an argument for claiming that both companies are "typically" German and "typically" American respectively. On the other hand the automobile industry has been global from its very infancy and its history has been riddled with takeovers, acquisitions, mergers, alliances, joint ventures and cooperative projects. Despite failures such as Daimler and Chrysler or Fiat and Chrysler or Renault and Chrysler (American Motors Company), a number of mergers and acquisitions have been international and successful. GM successfully took over Opel in 1929 and flourished for decades to come (Grunow-Osswald 2006). VW has been able to integrate numerous foreign brands into its global platform strategy. Daimler itself successfully took over America's largest truck producer, Freightliner in 1980. Germans can seemingly work with non-Germans both within and beyond the national borders of the German car and truck industry. In its early years Daimler engines were built into coaches at the prestigious Panhard et Levassor manufacturer in Paris and F.R. Simms Coventry-based Daimler model’s dating back to 1895 provide early evidence of a successful German-British partnership (Grunow-Osswald 2006). But this globalism is not only restricted to Germany. Most recently and most spectacularly (1998) has been Renault’s successful takeover and restructuring of Nissan, a deal which many predicted to fail due to the radical differences between French and Japanese culture (Gill 2012) and conflicting profit strategies (Boyer and Freyssenet 2000).

Furthermore, the automobile industry has always been a history of comparing, benchmarking and adapting across national borders. The reasons are partially grounded in the fact that the two dominating but diametrically opposing design, manufacturing and marketing strategies in the early phase of mass production were both American. Ford’s success was based on economies of scale as symbolized in the famous Model T. This strategy was cloned by Ford worldwide and is still in operation today as exemplified in the Mondeo brand. In Europe this approach was most closely copied by Citroen (Thieme 2004) On the other hand, at General Motors Pierre du Pont introduced a strategy of economies of scope, striving to satisfy “every purse and purpose”. This strategy was enhanced and perfected by Alfred P. Sloan, the creator of the modern corporation and one of the father’s of professional management training, which he brought to MIT in 1930 (Farber 2002). By bundling brands such as Chevrolet and Pontiac or Buick and Oldsmobile to cut production costs but widen the scope of the market, GM was able to overcome Ford’s initial domination of the world car market. Sloan standardized tools and parts but changed the external appearances of vehicles to stimulate changing consumer tastes. Ford’s dictum that you can have any color “as long as it is black” was suddenly very outdated. Chrysler followed the GM strategy, which allowed the new company to bite into Ford’s share of the market (Abodaher 1982; Hyde 2003).

All other car manufacturers worldwide had to look at both Ford and GM in order to rationalize their own systems. Although Daimler-Benz followed its own strategy, it consciously compared its possibilities to the existing American models. This can be seen in the following marketing publication dating from 1925:

> In den Mercedeswerken der Daimler Motoren Gesellschaft, die nach alter Tradition auch heute noch auf höchste Qualitätsarbeit Wert legt, ist eine bis ins Äußerste gehende Arbeitsteilung nach amerikanischem Muster nicht durchgeführt, da darunter die Zuverlässigkeit und Präzision der Bearbeitung leiden würden. Man kann also nur bedingt von amerikanischen Fabrikationsmethoden sprechen. Die heute in den

> Daimlerwerken angewendeten Produktionsmethoden sind eine glückliche Vereinigung von Zeit-, Arbeit- und Kosten-sparendem maschinellem Betrieb und höchste Qualität garantierender handwerksmässiger Bearbeitung (Thieme 2004). (Author translation: In the Mercedes plants of the Daimler Motors Corporation, which even today places great value in achieving the highest quality, there is no implementation in the slightest of the division of labor following American approaches. Both the reliability and precision of our manufacturing would suffer. As such one can only speak of a very limited application of American production methods. The applied production methods in Daimler plants are a happy combination of time, work and cost saving machinery joined together with a degree of craftsmanship, which guarantees the highest quality).

This sense of uniqueness and success was shared by management and workers alike. But it is a uniqueness shared among luxury car builders such as Daimler, BMW and Jaguar, and not a specifically German uniqueness. Volkswagen and Opel both followed completely different strategies. Daimler was always different. Already in 1924 a representative of the works council (Betriebsrat) at the Benz Mannheim plant described American workmanship as "billig aber schlecht" (Author translation: cheap but poor) (Thieme 2004). This consensus between workers and management in their rejection of Ford and GM philosophies was important for Daimler's success. One of the major arguments of the proponents of Fordism was that it improved the standard of living dramatically for normal workers with Henry Ford's "5 dollars a day" promise in 1914 (Banham 2002). Daimler has always countered this philosophy by offering wages, benefits and conditions much better than the official tariff agreements. This attitude and practice would continue right on to the mid 1980s. In a cover article celebrating Daimler's domination of the car industry in 1985 from the German news magazine, Der Spiegel, the authors describe how Ford and Fiat, Toyota and GM were being forced to work together. Only Daimler they claim was beyond that necessity and as such "sind die Daimler-Manager auf Hilfe von ausserhalb nicht angewiesen." (Author translation: Daimler managers do not need to rely on help from outsiders).

> "Solche Hilfe wäre eher schädlich. Der Mythos der Marke wäre dahin, wenn ein Mercedes nicht mehr reinrassig wäre, wenn der Motor aus Wolfsburg oder die Vorderachse aus Detroit zuliefert wurde" (Der Spiegel 37, 1985). (Author translation: Such help would be damaging. The myth of the Mercedes brand would be ruined if it were no longer purebred, if the engine came from Wolfsburg or the front axle was supplied by Detroit).

At the same time, Mercedes production head Niefer would point to the upcoming 100th anniversary of the firm as proof that there was still a place for traditional craftsmanship. For him the idea of robots putting together a car without the aid of skilled laborers and Meister was unthinkable. This 1985 Mercedes attitude stands in stark contrast to Ford's rationalizations, which reduced the average task cycle time per worker from 514 to 2.3 minutes between 1908 and 1913 and this without the aid of moving assembly belts (Womack, Jones and Roos 1990; Banham 2002).

> Die menschenleere Roboterfabrik ist für Niefer "völlig ungeeignet einen Mercedes zu bauen" (Der Spiegel 37, 1985). (Author translation: A factory just filled with robots and without any people is completely unsuitable for building a Mercedes according to Niefer).

This haughty stance and aura of invincibility at Daimler would soon be forced to change. Despite Daimler's attempt to distance themselves from the Americans, the pressure inside the industry after 1985 forced all companies to compare, imitate and enhance production methods. Most famously Toyota had adopted the American Deming's ideas on quality management to evolve their own Japanese version of "just in time" delivery and lean method production. Having already penetrated the U.S market the Japanese invaded Europe in the 1980s at a time when the industry was already suffering from chronic overcapacity and saturated markets. The MIT study documenting this worldwide success story, *The Machine that Changed the World* (Womack, James and Roos 1991), would become a publication that even Daimler could no longer afford to ignore in the way they did back at the time of Fordism and GM, especially when things started to go wrong in the early 1990s. Writing in a special Spiegel edition on important new books in 1991, German management consultant Roland Berger would reiterate the warning to Germany luxury automakers (Berger 1991).

Although Daimler-Benz AG had its unique identity, which is also connected to its German roots, it will be argued below that their philosophy radically deviates from stereotype descriptions of German culture as defined by national cultural theorist Hofstede (1980; 2002). The evolution of both Daimler's and Chrysler's respective company cultures are the result of a mixture of the historical development of the automobile industry influenced by both national and trans-national contexts, as Lange has argued for the bio-tech industry (Lange 2009).

In this regard Chrysler is no different than Daimler. At the time of the takeover it is possible to pose the question; How “American” was Chrysler anyway? The man behind Chrysler’s profit-bringing platform strategy in the 1990s was a Frenchman, Francois Castaing, who started working for Renault and came to America during the years of the alliance between Renault and the America Motor Company (Lutz, 1998). When AMC was acquired by Chrysler in 1987, Castaing stayed on with Chrysler. His manufacturing strategy was based on a Chrysler study of Honda, the Japanese car maker. His boss, Robert Lutz, a further key player in Chrysler’s success in the 1990’s was a Swiss-American with extensive experience working for BMW, Opel and Ford in Germany.

Chrysler’s longstanding “gutsy” (Lutz 1998) reputation for being able to fight back from the brink of bankruptcy and other disasters is nothing exclusively “American”. Indeed their company values of leanness, quickness and guts are in part derived from a self-image that wants consciously to differentiate itself from the behemoth cultures of the other Detroit members of the Big 3, General Motors and Ford. Nonetheless they also are “American” companies. These considerations have to be blended with the “cowboy” image, which equally forms a central moment in the company’s self-perception.

So this brief overview of the global car industry presents us with a heterogeneous picture. It is somehow both global and national at the same time. But these findings are incomplete and inconclusive from an academic perspective. What is “national culture” and how important is it in a globalized world? If differences in national culture are so critical and impeding, how can any cross-border deals ever actually prosper and thrive and how could a global industry evolve? Therefore it is important to critically examine theories of national culture in terms of possible ramifications for this case study.

3.2.2 Hofstede’s theory of cultural dimensions

Any consideration of national cultural differences has to take into account the pioneering work of Geert Hofstede (1980). Hofstede was the first scholar on the topic of “culture”, who provided comprehensive quantified empirical evidence to support his theories. Hofstede refers to culture as a “collective programming of the mind” and compares his theoretical conceptual construction to the concept of “forces” in physics (Hofstede 1980). Hofstede assumes the *a priori* existence of national cultural entities in much the same manner as Newton and Kant assumed *a priori* fixed coordinates of time and space. In a revealing and abrasive response (Hofstede 2002) to an equally abrasive criticism from Brendan McSweeney (2002) of his work, Hofstede proudly points out how his 1980 study led to a revolutionary multi-disciplined paradigm shift in the field of intercultural studies. Over 20 years later he can draw attention to an astronomical number of citations in a wide variety of journals and publications. Moreover he claims some 400 significant and independent correlations of his results (Hofstede 2002). In the meantime he himself considers his theory of cultural dimensions to be the paradigm of the field intercultural studies for “normal science” in Thomas Kuhn’s sense of the concept (Kuhn 1962). In his own eyes, he is the scientific community (Hofstede 2002). Certainly Hofstede’s use of questionnaires and the sheer size of his data base brought about a quantum leap in terms of quantitative research in the field of cultural studies, which has certainly been one of the reasons for his success and recognition amongst other members of the scientific community (Nakata 2009). Even in 2012 it is impossible to consider intercultural issues without taking Hofstede into account, even if it eventually means pointing out ways to go beyond his pioneer achievements.

In his theory of dimensions of culture Hofstede differentiates between “values” and “practices”. Values have “centuries-old roots” and are “hardly changeable” or if they change it is not the result of “anybody’s intentions” (Hofstede 2002). “Practices” on the other hand are the tools, which allow international companies to function despite intercultural differences. The hypothesized universal values provide the framework for interpreting the data amassed, and enable him to construct culture dimension indexes.

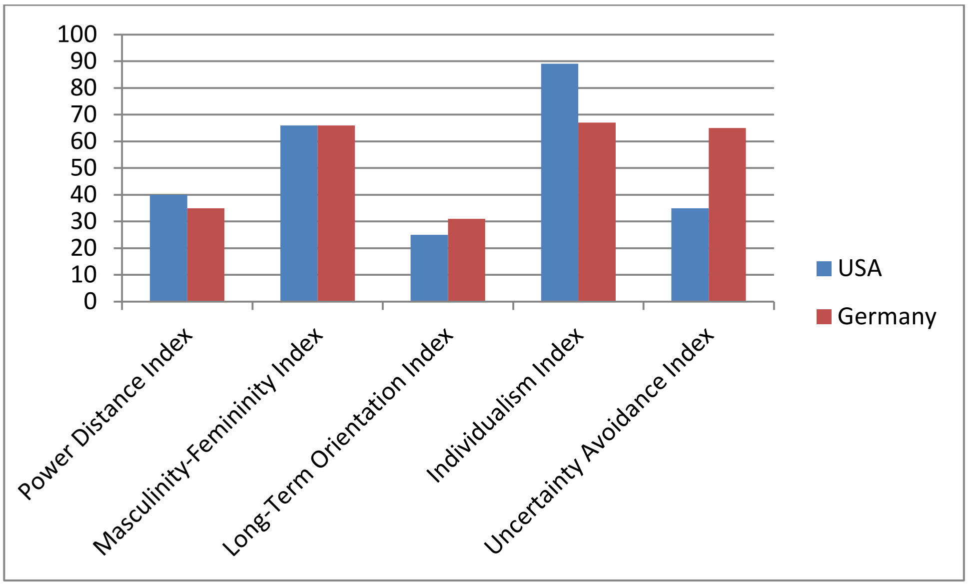
Hofstede’s (1980) image of culture as a kind of collective “programming of the mind” is obviously rhetorical , but as McCloskey (1983) has argued, the use of rhetorical imagery may not be unavoidable. In Hofstede’s early work (1980) his use of the “software of the mind” image approaches a kind of deterministic generic “programming”, in which both family and school socialization also involves inevitable cultural value determination. In his later work (2010) the reader feels that the “programming” can be modified and updated and seems more malleable to the interference of company practices, although one would expect family and school socialization to be more determinant. The genesis of his thinking reflects both critical reception of his work over the years and increasing awareness of the role of company culture in cross-border business activity within the scientific community, resulting subsequently in Hofstede’s attempts to incorporate this factor into the corpus of his thought (Nakata 2009).

Culture, according to Hofstede, can be measured using 4 universal cultural dimension indexes; power distance, masculinity/femininity, individualism/collectivism and risk avoidance. A fifth dimension, long/short term orientation, was added in a later study (Hofstede & Bond 1988) as a reaction to criticism of the overly westernized perspective of the original study, and was initially referred to as “Confucian Dynamism” (Fang 2003). Although the number of conducted interviews by Hofstede (116,000) is impressive, closer scrutiny of the 32 factored questions reveal a questionable correlation between the categories of behavior, cultural dimensionality and national culture. The original strength of his work, a survey of 116,000 people all working for the same company at the same period of time, can be shown to be the approach’s greatest weakness. The theoretical assumption that international differences in one single company in one single industry in the 1970s can be generalized to support an a priori hypothesis about the role of cultural differences in all companies is highly questionable. IBM, Microsoft, Sun Systems, Apple, Cisco, HP are all American companies within one sector, but their leadership, business styles and indeed cultural values in Hofstede’s sense of the concept differ radically from one another. Some of them take more risks; some of them have strong authoritarian structures, others more democratic; some of them are more feminine *etc.* But all of them are American. Furthermore, the national and company cultures of all of these firms have changed and evolved over time and been subject to increasing glocalization, the adopting of an international company’s culture to local business environment conditions. The same critique can be applied within the context of the global automobile industry if one takes into account the existence of differing transnational strategy differences (Boyer and Freyssenet 2000; Lange 2010).

3.2.3 **Hofstede applied to the takeover failure**

In terms of the specific focus of this case study on the German-American DaimlerChrysler AG takeover, it is perhaps interesting to note that in 3 of the 5 cultural dimensions from Hofstede there are no real significant differences between the USA and (West) Germany, remembering that at the time of his publication (1980) only data from the Bundesrepublik Deutschland (Federal Republic of Germany) had been assessed. In the Power Distance Index (Germany 35; USA 40), Masculinity Index (Germany 66; USA 66), and Long Term Orientation Index (Germany 31; USA 25) the results are surprisingly comparable (Figure 5 below). However, significant differences can be ascertained in the Individualism Index (Germany 67; USA 89) and the Uncertainty Avoidance Index (Germany 65; USA 35). The key question is whether these assumed differences in cultural dimensionality can be applied to the DaimlerChrysler AG takeover.

Figure 6: Hofstede Cultural Dimensions (USA vs Germany)

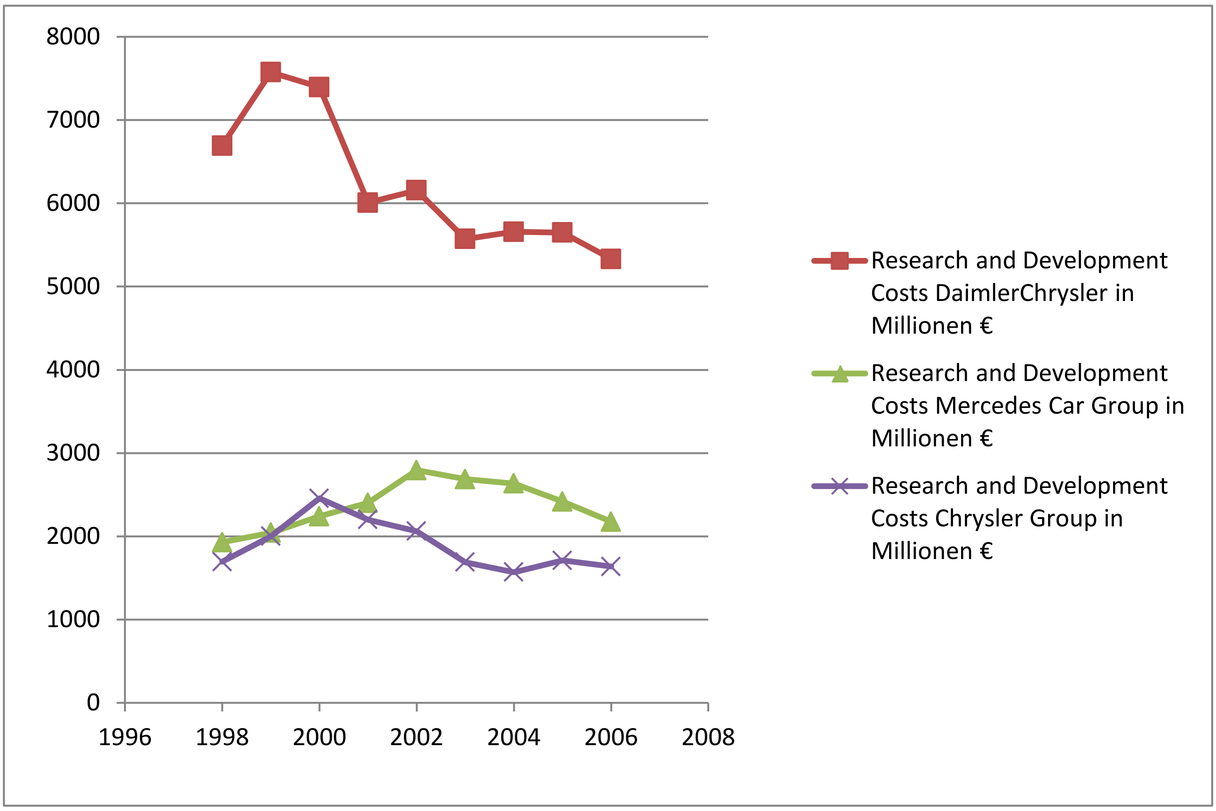


Source: John Riach adapted from Hofstede (1980). DaimlerChrysler AG Figures Appendix 3.1

The USA scores very high on the individualism index. Hofstede characterizes collectivist societies as ones in which "people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty." (Hofstede 2001 225) This definition of collectivism captures, however, very much the underlying spirit of the United Auto Workers in the American car industry. Combining both the function of the German "Gewerkschaft" (union) and the German "Betriebsrat" (works council), this organization is one of the most "collectivist" institutions in any variety of capitalism. This conflicts with the admittedly highly "individualistic" nature of much of Chrysler's management decision-making. The whole history of the company is dominanted by sudden unprecedented CEO intervention and radical changes in strategies (Hyde 2003). The point, however, is that Chrysler exhibits both extremely highly "individualistic" and "collectivistic" behavior within the confines of one American cooperation.

Similar reservations can be raised when considering the issue of risk avoidance. The GLOBE study (2007), following in Hofstede's tradition points to high risk avoidance as a major societal cultural practice related to Germany's long history of division, traumatic historical events (Bauernkrieg) and describes traditional Prussian state orientation as a tool for reducing uncertainty and other factors. On the other hand taking risks is at the very heart of the innovative Mercedes approach to engineering. The first Benz only completed its first drive with the aid of Berta Benz's hat pin and garter. And Mrs. Benz did not inform her husband that she was taking the car on the long trip from Mannheim to Pforzheim for fear he would not allow her (Lengert and Dreher 2010). This living story and legend underlines a more comprehensive point. The whole history of Daimler-Benz is the history of innovation in the car industry. Risk is intimately connected to innovation. The luxury segment of the German car industry in general and Mercedes in particular thrive on being "first to market" and looks down at the Japanese tradition of "imitation" and "fast followers". This attitude towards risk and innovation is substantiated by Daimler-Benz's (DaimlerChrysler) commitment to research and development. Figure 6 illustrates spending differences on research and development from 1998 until 2007. It is interesting to note that dramatic increases to Chrysler's research and development funding were effected after the German side took control of top management in 2000 (DaimlerChrysler AG Annual Report 2000).

Figure 7: Research and Development Costs at Mercedes and Chrysler (1998-2006)



Source: Compiled by John Riach. DaimlerChrysler AG Figures Appendix 3.2

As the Mercedes "best or nothing" TV commercial puts it; Mercedes is built on "the promise to build the world's first automobile and the promise to never stop reinventing it" (DaimlerChrysler Video Appendix 3.2). Leading engineer Wilhelm Bauer was killed in one of the very first Mercedes in 1900 during the Nice- La Turbie mountain race (Grunow-Osswald 2006). The reaction to the accident reveals both the risk taking and risk avoiding conflict at the centre of innovational strategies within an engineering context;

> Cannstatt's first reaction was to make excessive engine outputs responsible for the accident and to stay away from any speed events in future. However, Emil Jellinek convinced Wilhelm Maybach – Gottlieb Daimler had died shortly before, in early March – that the car's high centre of gravity was responsible for the accident: "Victories bring world fame. People buy the winning brand, and will always buy it. It would be commercial suicide to abstain from racing," Jellinek argued. "What we need is a new vehicle of completely different design." DMG yielded to Jellinek's urging, and on 2 April 1900 Jellinek ordered the development of a new kind of car: it was to have an output of at least 26 kW, a lightweight engine, a lower centre of gravity – in short, it had to be light, well-proportioned and fast. Jellinek proposed that the new model series be named "Daimler-Mercedes", and so in 1900 "Mercedes" appeared for the first time as a brand name in its own right and not as a designation for an individual car or driver." (DaimlerChrysler AG Internet Appendix 3.1)

This high risk approach causes managers to launch products even if their product maturity has not reached serial production standards. It was true in 1900 and it was true in the late 1990s with the launch of a number of quality-plagued models, including the A-, M and E-Classes. CEO Schrempp boasted in the 1998 Annual report that Daimler-Benz had developed ten new models in less than 3 years and 80% of revenues were derived from products, which had been developed in the last 5 years (DaimlerChrysler AG Annual Report 1998 6). However, the ramifications for serial production stability were significant. According to the Financial Times Deutschland Mercedes warranty costs exploded by more than 340 % between 1998 and 2000 to 3.4 billion Euros (The Financial Times May 7th, 2001). This became an even more critical issue when the radical increase of the number of electronic functions in high end luxury vehicles in the 1990s overwhelmed brands such as Mercedes, whose chief decision makers were exclusively mechanical engineers. Interestingly enough, the company nevertheless pushed ahead with market introductions, although the ensuing warranty and good will costs for recall actions were astronomical (The Financial Times May 7th, 2001). This covers both manufacturing processes and automotive engineering and development. There is ample evidence to support this claim if one looks closer at the kinds of patents being taken out by the German car industry and if one look at the time line of feature introduction of innovative technology to the market. Innovation is perhaps the German car industry's key competitive edge against both Japanese and American manufacturers. Company sources report that Daimler and Benz have taken out over 80,000 patents in their 125 year history (Lengert and Dreher 2010). This zeal for innovation became increasingly interdisciplinary during the 1980s and 90s as mechanical systems were merged with electronic, pneumatic and hydraulics. The Mercedes brand also made significant contributions in the area of new materials such as aluminum and carbon fibers. This can be documented by examining the number and nature of new patents and production implementations. Even in 2009, a year of economic recovery, Daimler AG still registered more than 2,000 patents (DaimlerChrysler AG Internet Appendix 3.2). Such an approach radically contradicts the claims of Hofstede (1980) and GLOBE (2007). But the impressive empirical research conducted in the GLOBE report was taken from the food, finance and telecommunications sectors and as such not necessarily reflective of the role of "risk taking" in the German car sector.

Risk taking is not only limited to technological strategies but also applies to management strategy. As Thieme (2004) points out, the behavior of Daimler management contradicts the Chandler (1990) theory of German "cooperative managerial capitalism". The basic strategy of Schrempp's "Welt AG" reflects a radically innovative and high-risk approach to shaping the automobile world for the 21st century. This initiative stemmed from the German and not the American side of the takeover. Chrysler had always been reluctant to venture outside North America. It was also Chrysler management which voted against Schrempp's plans to takeover Nissan in 1999 (Vlasic and Stertz 2000)

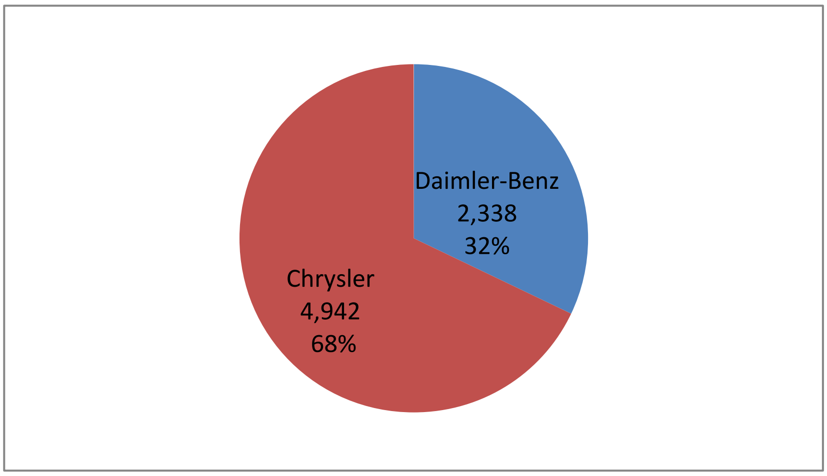
Furthermore, Schrempp was not the first risk-taker at Daimler. Reuter had equally ambitious and high-risk plans for the shift to diversification which characterized Daimler in the mid 1980s. The venture into fields of activity where the company had no know-how was at first celebrated by the press and the stock markets as a brilliant chess move for the future and a brilliant answer to the growing uncertainties of the global car business. This strain of risk taking can be further traced back to Alfred von Kaulla, who successfully resisted Benz's attempts to cooperate in 1919 and his insistence on fighting the advice of the banks and all economic evidence to change Daimler's strategy after World War 1 (Thieme 2004; Grunow-Osswald 2006). Indeed, we again have diametrically competing values within one company. At Daimler, the banks and specifically Deutsche Bank have often been at loggerheads with Daimler's managers during the whole history of their company. Deutsche Bank's decision in the first years of the 21st century to dispose of their 28.5% stake in the firm was indication that they were no longer to bear the risk of Schrempp's vision of creating a "Welt AG".

On the whole, Hofstede's cultural dimensions are unable to capture similarities and differences between the American and German car industries. As Nakata (2009) argues, Hofstede's world is still a world where nations are "fairly bound, stable and intact". In her opinion that is precisely one of the reasons why it is now time to "go beyond Hofstede".

> In this age of globalization, cultures are transversing national borders, co-mingling, hybridizing, morphing, and clashing through media, migration, telecommunications, international trade, information technology, supranational organizations, and unfortunately terrorism. (Nakata 2009 4)

In the case of the DaimlerChrysler AG takeover, intercultural misunderstandings and clashes certainly contributed to and deepened existing difficulties in the takeover, but it would be superficial and erroneous to turn them into German-American main events. Neither Daimler nor Chrysler is particularly well-suited for the intercultural analytical concepts provided by Hofstede (1980) or the GLOBE report (2007). The differences between Americans and Germans tended to merely worsen inter-organizational cultural conflict, once the radically different company cultures made the takeover difficult to consummate. At the beginning of the takeover, for example, many Chrysler managers and executives likened Daimler to Ford or GM in terms of their approach to making decisions, as well as designing, engineering and building cars. The focus was on differences in organizational processes rather than focus on Daimler's "Germanness". Indeed, at the time of the takeover with Chrysler, A "lean" Chrysler organization was producing more than 3 times as many vehicles combined with operating profits more than double those of Daimler-Benz (DaimlerChrysler AG Annual Report 1998 27 and 30). The efficiency of Chrysler was impressive, despite the fact that the American division had 32% more employees (123,000) than the Mercedes passenger car division (93,000).

Figure 8: **DC Operating Profits 1998 ($ Million)**



Source: Created by John Riach. DaimlerChrysler AG Figures Appendix 3.3

Table 5: **Passenger Vehicle Production 1998**

Daimler-Benz AG	922,795
Chrysler Corporation	3,093,716

Source: DaimlerChrysler AG Tables Appendix 3.1

"Germanness" did not play a determining role at the outset of the takeover. The Germans had already executed an economically efficient takeover of an American giant some 20 years earlier. Daimler had successfully integrated America's largest truck maker, Freightliner, into its worldwide commercial vehicle strategy. So, at least on *prima facie* evidence, there was no obvious reason in 1998 to believe that Germans cannot work with Americans. Whether or not this achievement was the result of successfully blending American and German attributes or other factors specific to the world of commercial vehicles is indeed difficult to analyze, but in the case of Daimler and Freightliner it has worked. Of course, people on both sides of the DaimlerChrysler AG takeover perceived themselves as being "German" and "American" respectively, but these differences in nationality played a smaller role than the radical differences between the two companies' respective approaches to developing and building cars. The national differences added fat to the fire, they didn't start the fire.

A good example of this "adding fat to the fire" point of view can be seen in an incident within the IT division of DaimlerChrysler AG, which was headed by an American. Few employees in any company of any nationality like the idea of having to change or update software. IT departments in large corporations are about as popular as Human Resource departments. So when DaimlerChrysler AG decided to replace Daimler's use of Outlook with Chrysler's Lotus Notes as their email tool most people at Mercedes were unhappy, especially when the plan ran into major data migration issues. In the midst of this frustration criticism of the "stupid Americans" of course surfaced, but the reaction had more to do with Lotus Notes than Americans per say. Furthermore, although it was clear those German managers had more power in the new organization, German employees complained loudly about the unfairness of having to speak English in departments, such as IT, which were headed by Americans (The New York Times March 24th, 1999; DaimlerChrysler AG Internet Appendix 3.3; Vlasic and Stertz 2000).

A more beneficial examination of the framework of national cultures is possible if one analyzes the concrete political and social institutions which have evolved within these frameworks. The existence of the so-called "Duales Bildungssystem" (dual educational system) and the training of "Meister" (certified master) as compared to the American practice of employing semi-skilled and unskilled workers "learning on the job" do point to radical differences between German and American workers in the automobile sector. The "Meister" or the "FH" (Fachhochschule / Poytechnical) engineer are something unique to German culture, easily identifiable, but hard to translate into Hofstede's cultural dimensions. The varieties of capitalism approach seem more promising in this respect and will be at the centre of our attention in the next section (Hall and Soskice 2001).

3.3 Was the takeover a conflict between Varieties of Capitalism (VoC)?

National cultural and institutional environments differ, and these differences may hamper a successful integration after cross-border mergers and acquisitions. More particularly, Aguilera/Denker (2004) argued that it may be especially difficult to integrate HRM policies when mergers and acquisitions involve companies from opposing varieties of capitalism. They frequently referred to the case of the failed DaimlerChrysler AG (DC) takeover. In their influential varieties of capitalism (VoC) approach Hall/Soskice (2001) discussed Germany and the USA as the chief exemplars of a coordinated market economy (CME) and of a liberal market economy (LME), respectively.

This section will examine the DaimlerChrysler AG takeover from the VoC perspective, shedding light both on the reasons for the failed takeover and on the strengths and weaknesses of the VoC perspective on firm-level strategies and behavior. No study has hitherto applied the varieties of capitalism (VoC) approach systematically to understand whether institutional differences may help explain the failure of DaimlerChrysler AG. That is rather surprising as the DaimlerChrysler AG takeover was at that time the largest industrial takeover in history involving companies from the manufacturing sector, the sector that was the main focus of Hall and Soskice's initial publication (Hall and Soskice 2001). The 1998 takeover was also executed at the same time as the Varieties of Capitalism (VoC) approach was evolving. The DaimlerChrysler AG case, therefore, renders a unique opportunity to examine the extent to which mergers and acquisitions across the CME-LME distinction may be influenced by differing institutional environments.

In the literature related to this section the VoC approach has served as an important theoretical point of departure for examining at the firm level how competitive advantage and corporate change are influenced by institutional environments, for example in telecommunications, the airline, clothing and biotechnology industry (Lange 2009; Doellgast 2008; Lehrer 2000; Lane and Probert 1997; Batt and Darbishire 1997). In line with that literature, the VoC approach provides a useful theoretical framework, despite its weaknesses. Even critiques of the VoC approach (Hancké *et al.* 2007) agree on the useful core of the VoC approach, namely the notion of "institutional complementarities", an alignment of company strategies and institutional frameworks, and the idea that global forces will trigger different responses from firms in different types of capitalism. That core renders the approach attractive to company case studies in general and the DaimlerChrysler AG case in particular.

The VoC approach shifts the focus of attention away from single institutional differences. VoC concentrates rather on how configurations of institutions interact to embed companies in an environment that shapes their strategies and capabilities. VoC also shifts the focus from simple, single-level explanations to a story that is based on the complex interplay of institutional frameworks with company strategies, industry-specific factors, and globalization. This chapter will argue that the failure of the DaimlerChrysler AG takeover cannot be assigned to a single cause, and the strategies of Daimler and Chrysler, as well as the difficulties in the post-takeover phase, cannot be understood unless the complex varieties of institutional comparative advantage provided by differing national economies are taken into account. Moreover, as DaimlerChrysler AG strove to become the world's first "truly global company", the case allows us to scrutinize how the VoC approach understands and attempts to predict globalization strategies. The VoC approach, ultimately, can account for the fact that both companies in a path-dependent way were locked into their strategies (Hancké, Rhodes and Thatcher (2008). The lock-in is the main reason why synergies envisaged by Daimler and Chrysler did not materialize, in turn explaining the takeover failure.

The following section will then analyze the takeover itself and argue that the VoC approach helps to identify two important reasons for the takeover failure: First, the country-specific institutional environment set each company on a path-dependent strategy track which hindered a successful integration at the operational level. Second, it that seems the institutional differences that VoC focuses on have influenced – as stereotypes – the image among the actors involved in the takeover, thus deepening the misunderstandings.

Hall and Soskice (2001) took Germany and the USA as the two real types of the CME and LME variety of capitalism, respectively. Each type of capitalism is characterized by a configuration of mutually reinforcing, complementary institutions. Institutional complementarities imply that the institutional set will remain relatively stable, and that each type of capitalism is consistent, in the sense that it affords companies resources that may be leveraged into specific competitive advantages. In particular, the more arms-length, flexible relationships that characterize the US economy supposedly facilitate radical (rather than incremental) innovation processes. Conversely, the more long-term relationships that characterize the German economy supposedly facilitate firm-specific learning and more cumulative, incremental innovation processes.

The particular institutional differences between CMEs and LMEs extend to four institutional "spheres": the labor market system, the occupational/educational training system, inter-firm relations and the financial system. In these spheres, Germany and the USA differed markedly prior to the takeover (and still do). In particular, the German in comparison to the US labor market is characterized by stricter employment protection regulation, more long-term employment contracts and a much broad coverage of workers by collective agreements (labor contracts). In Germany, the training system (Berufsausbildung) involving instruction in schools and practical work has been an important institution in German manufacturing, which is almost absent in the USA. Inter-firm relations are more collaborative and of a network-type in Germany, but more arms-length in the USA. Finally, the financial system in Germany is dominated by large banks holding stocks of large companies or maintaining long-term lender relationships with firms, while in the USA the stock market and dispersed ownership of shares are much more important in providing financial capital to firms and controlling management.

There is also evidence that institutional differences between CMEs and LMEs produce marked differences in important economic outcomes. In particular, wage inequality was much higher in the USA than in Germany in 1995 (Rueda and Pontussen 2000). Furthermore, the USA (and LMEs in general) revealed comparative advantages (measured in terms of export performance) in the high-tech sector such as computers or biotech. Conversely, Germany (and CMEs in general) show comparative advantages (measured in terms of export performance) in the medium high-tech sector (Schneider, Schulze-Bentrop and Paunescu 2010; Schneider and Paunescu 2012).

3.3.1 How VoC helps to understand the takeover failure

The LME-CME distinction helps understand why the takeover, as it was conceived, was most likely to fail. One of the main arguments in VoC's interpretation of globalization is that LME and CME differences will continue to exist and have an impact on decision-making. The creation of DaimlerChrysler AG as a German AG is a case in point. It is impossible for any foreign company to execute certain "global" strategies within the economic institutions of the USA. The most damaging institutional restriction, which impacted the takeover initially, was Standard and Poors' decision not to list the DaimlerChrysler AG share, DCX, on their S&P's 500 list. This had significantly negative repercussions for the fate of the stock, as institutional trust fund investors sold their shares within the first 6 months after DCX's November launch on the New York Stock Exchange. The initial equal German-American distribution of shareholders was destroyed, as American participation dipped from 44% to under 25% (Blaško 2000; Karoyli 2003). This made it very difficult to reach one of the most important goals of the takeover, namely an increase in shareholder value. After reaching a record high of $108 in January 1999, within a year that value had dropped to below $40 (Karoyli 2003). The situation would be further exacerbated due to the facts that around 7% of the remaining 25% of American shares were controlled by one person, Kirk Kerkorian; His major focus was on shareholder value. He would end up suing Schrempp and DaimlerChrysler AG for misleading shareholders (New York Times November 28, 2000). Although DaimlerChrysler AG would win the lawsuit, the whole proceedings severely damaged both DaimlerChrysler AG's image and cast a very public shadow on Schrempp's leadership abilities. VoC predicts both a tendency of firms located in CME economies to try and exploit the comparative advantages such as markets in LME environments and also the ability of existing national institutions to absorb the impact of external intervention. DaimlerChrysler AG completely misread how the NYSE, S&P's and their own American shareholders would react. The attempt to establish DCX as the first global share, allowing investors to sidestep the Wall Street practice of issuing American Deposit Receipts for foreign investors, failed miserably, with only about 3% of the share's activity being handled in the US (Karoyli 2003).

A further official goal in the takeover was to achieve synergies in an industry with excess capacity and a perceived need both to contain costs and to market the full range of cars. The announced strategy of integration to achieve the synergies was a "best of both" in which both companies are seen as having to change considerably (Marks and Mirvis 1998; Stahl 2004). For synergies in such a "cultural integration" to materialize, it would have been necessary to integrate the key production strategies. This strategy, however, was at radical odds with the institutionally-dependent strategies at both Daimler and Chrysler. In this situation the work of Boyer and Freyssenet (2000) helps to supplement the basic tenets of the Varieties of Capitalism approach. Although this case study will analyze their work when it looks at the shortcomings of the MIT analysis of the automobile industry it suffices here to draw attention to how Boyer and Freyssenet tie strategies in the automobile industry into national institutions of production. Daimler pursued a strategy of "diversified quality production" during the 1980s and the 1990s (Streeck 1991; Boyer and Freyssenet 2000). That is, their main goal was to produce luxury cars with superior quality for which price competition was weak. The goal was to produce such cars in as many market segments as possible. Daimler and other German companies were able to maintain diversified quality production because of the institutional configuration that constitutes a CME. Perhaps most importantly, the German system of occupational training for young workers (duale Berufsausbildung) secures a highly skilled workforce that is able to perform non-production tasks, for example maintenance and continuous improvements. The occupational training system is expensive and hinges on a more long-term approach. Here, the block holding at Daimler provides a good example of the more patient capital that does not focus on short-term shareholder value (Dore 2000). And as Boyer and Freyssenet (2000) have pointed out, the "quality" strategy has the most stable market permanence because almost all societies have a very wealthy class of people who are willing to pay lots of money as a means of defining their wealth to the rest of the world. That seemed to be threatened in the late 1990s and first decade of the 21st century, when all models started to look the same and everyone was copying everyone else and the really rich started buying yachts instead of Maybachs or S-Classes that were increasingly being imitated by the

Japanese competition (The Economist January 6, 2005). In the mid 1990s Daimler was convinced it would only survive if it could find a way into Asia with small, fuel-efficient cars. But that idea was as unrealistic as the decision at Daimler back in the 1920s to build bicycles and typewriters in case the luxury car market failed (Grunow-Osswald 2006). The current (2012-3) success of the company has been its ability to attract the wide base of rich people in China and India, who are buying E- and S-Class cars, not the Smart (Daimler Zwischenbericht Q1 2011). This success reinforces Boyer and Freyssenet's (2000) analysis of the automobile industry.

In contrast, Chrysler's production system's deviation from classical "American" models in the 1990s renders a more complex explanation in terms of a firm's activities within an LME environment. Chrysler clearly showed the marks of the lessons they learned from Honda. In their study of profit strategies within the automobile sector Boyer and Freyssenet (2000) point out that Honda's philosophy of "innovation and flexibility" was able to thrive at Honda and Chrysler because of the emerging economic prosperity in the mid 1990s, which was especially true during the years of the Clinton administration in the United States where Chrysler sells more than 90% of their vehicles. The bottom line for success within an LME environment is short-term market performance. Copying Honda's approach to manufacturing and combining it with their own traditional strengths in the area of styling and design allowed Chrysler to quickly get products to a market of people defining their individuality in terms of the innovative new models they were driving. Quality was not the main issue as can be seen in the success of the PT Cruiser retro-model. Built in Mexico, the Cruiser was both a styling and commercial success. Unfortunately the vehicle was plagued with a number of quality issues which lead to recalls by American authorities.The revolution at Chrysler was primarily in the area of marketing innovation and it meshed perfectly with the economic prosperity and customer expectations in the NAFTA region being experienced through the late 1990s. Chrysler's strategy was distinct from Fordism or GM's Sloanism to be sure, but for our purposes it is important to remark that all three could thrive at various points in history in an LME environment. The main feature of the Chrysler/Honda approach was its short-term targeting of an enthusiastic market and a customer base willing to try something different quickly. That can be best implemented in a LME environment and explains the enormous short-term success Chrysler had at the time in North America. Their vehicles were more appealing than Toyota, Ford and GM. However, quality was neither a perceived nor attainable goal within the framework of Chrysler's profit strategy (Vlasic and Stertz 2000, Boyer and Freyssenet 2000). Chrysler products stopped being appealing when quality issues started to crop up and when the Japanese had once again imitated Chrysler's innovative designs, but at even lower costs and providing more technical reliability. Daimler seems to have taken over Chrysler at exactly the worst time, at the height of its success and shortly before another radical plummet (New York Times May 14, 2007).

Although global technological and market changes have triggered changes in all production systems since the 1990s (Jürgens 2004), it is remarkable how stable the main differences between Daimler and Chrysler have been, reflecting those between the German and the US industry in general. The stability suggests that the wider institutional context, encompassing different varieties of capitalism, has locked the two companies into their respective production system, mirroring strong inertia and path-dependency at the societal level. Efforts by the Mercedes organization to break out of their traditional national production contexts have resulted in radical threats to the brand's overall quality profit strategy (A-Class, M-Class, Smart).

In fact, a closer analysis of the Daimler production system, to be exact the production system at the Mercedes brands, would have shown that an integration leading to synergies within DaimlerChrysler AG was extremely difficult to implement. A clear characteristic of the Daimler production system is its fragmentation as a result of the institutionally driven high degree of uniqueness for each model line. Within Mercedes at the time, even in one factory, Chinese walls were erected between the development and production of the main brands; C-, E- and S-Class Mercedes (Clarke 2005). In other words, the possibility of synergies was systematically impossible within Mercedes, reflecting diversified quality production even within Mercedes. It was not until the late 1990s that Mercedes realized this and attempted to develop a unified integrated Mercedes Production System (MPS). This attempt would radically contradict the hitherto national institutional framework, which had helped guarantee its success as a quality brand.

In their comprehensive study of the history of the automobile industry in the 1990s Boyer and Freyssenet (2000) come up with six different profit strategies including the "quality" (Daimler) and "innovation and flexibility" (Chrysler) approaches. They view the DaimlerChrysler AG takeover as "cumulating all sorts of risks and challenges simultaneously" and argue that no two profit strategies have ever been able to successfully exist in one automobile company at the same time. Boyer and Freyssenet (2000) supplement the VoC approach and both provide good reasons for explaining why both Daimler and

Chrysler were able to thrive within their unique institutional environments and why it would be almost impossible to combine the two strategies. Their analysis will play a central role in our examination of Mercedes' efforts to implement the MIT study ramifications for lean production.

3.4 Conclusions

This chapter has shown that Hofstede's approach to cultural dimensions as framework for leadership decision-making does not account for the DaimlerChrysler AG takeover failure. Chapter 3.3 focused instead on the role of national institutions, particularly in the determination of production systems. Hall and Soskice (2001) view their Varieties of Capitalism approach as a historical reaction to the economic problems of the 1990s and as such is *prima facie* of interest when studying the reasons behind the failure of the 1998 DaimlerChrysler AG takeover. Companies are considered to be the main actors within their national economic institutions. The VoC approach helps understand a main reason for the failure of Daimler to integrate Chrysler – the grossly differing production strategies stood in the way of any attempt at complete integration with the realization of synergy effects. The different production strategies, in turn, need to be understood against the institutional frameworks that the German and the US varieties of capitalism confronting the two companies. The approach serves to explain the activities of companies, which calibrate "embeddedness" within relatively stable institutions of LME and CME environments at Chrysler and Daimler respectively. In addition and perhaps surprisingly the VoC approach helps to explain some of the behavior of both companies in cross border situations (i.e. Chrysler in Austria and Daimler in Alabama). The approach quite correctly dues justice to the fact that the advent of globalization is not homogenous across borders and that institutions of varying types of economy do not disappear overnight.

At the same time the DaimlerChrysler AG case reveals a number of serious weaknesses in the VoC approach. There is a reductionist tendency to overinterpret companies as representatives of their respective national economies and thus underestimate both the internationalism and heterogeneous character of the global / national automobile sector. Although part of a CME environment, Daimler was more at risk of takeover than BMW or Porsche in 1998. Although part of a LME environment, Chrysler could not survive by using the same tactics with their suppliers to leverage economies of scale as Ford and GM. However, taking into considerations the more specific analysis of the global automobile sector from Boyer and

Freyssenet (2000) allows us to maintain our focus on the embedded nature of corporate strategies within the framework of national institutions and varieties of capitalism.

Still, Hall and Soskice perceive their theory as “work in progress” and their attempt to interface political economy with micro-economic theory is a remarkable leap of faith, which should be further scrutinized in the future. In many ways DaimlerChrysler AG can be viewed as a vision, which was ahead of the time and which underestimated the resiliency of the political and economic institutions described by the VoC approach. The failure of the Welt AG vision remains the tale of two firms very much lost in the translation of the global car industry. CEO Schrempp’s infamous battle cry of “speed, speed, speed” is reminiscent of the Titantic’s full speed ahead in an ocean of icebergs (Der Spiegel 24, 1999). The company of the 21st century, like the ill-fated ship, never survived its infancy. The next chapter will analyze the emergence of this Welt AG strategy and show how it fundamentally contradicted the core promises and strategies of the Daimler-Benz takeover of Chrysler Corporation.

4 EMERGENCE OF DB'S WELT AG STRATEGY (1983-1998)

As we have seen, much of the literature attributes the DaimlerChrysler AG failure to cross-cultural national differences. Following Hall/Soskice (2001) and Boyer/Freyssenet (2000) this case study has argued that it is more convincing to link the emergence of specific production systems to historical institutional roots, which enable the development of economically calibrated organizational cultures. Mergers and takeovers are often difficult because of mutually incompatible organizational cultures. This is certainly true of the differences between Mercedes and Chrysler passenger car divisions. The DaimlerChrysler AG takeover failure was exacerbated by Mercedes efforts to redefine its own approach to production both before and after the takeover. This created contradictions and fissures within Mercedes own organizational culture, which rendered the chances for a successful integration of Chrysler into its new Welt AG strategy even more unlikely.

In order to understand any post merger industrial strategy it is necessary to trace the origins of the current situations at both companies involved. Within the context of the manufacturing realities of an automobile company in the 1990s, "recent" means the previous 5-10 years. These origins are more instructive than the analysis of last year's balance sheets. In his study of value destructive in the proposed merger between Volvo and Renault, Bruner (1999) points out the need to look at management decision strategies, which had been implemented much earlier than the actual announcement of the merger. Earlier decisions by executives in both the acquiring and acquired company shape and constrain the decisions they will make in the future. He hypothesizes that an analysis of this "path dependence" can help explain why sound judgment in the past can help predict the fortunes of a good deal and that bad decision-making in the past will probably converge with bad decision-making in the future. Daimler-Benz's obvious misjudgment of the economic viability of AEG and other acquisitions in the 1980s and early 1990s, for example, is cause for consternation considering their analysis of Chrysler in the 1990s.

The DaimlerChrysler AG takeover was the clear product of Daimler CEO Jürgen Schrempp's extension of the Welt AG strategy as initiated by former Mercedes CEO Werner's attempt to expand and globalize the Mercedes production system within the passenger car division by imitating the success of the commercial vehicle division. As such it is necessary to monitor the origins and emergence of Schrempp's vision for the future of the new company. The purpose of this chapter is not to provide a comprehensive historical examination of both companies and their respective production systems, such as (Grunow-Osswald 2006) does in her comprehensive economic history of globalism at Daimler-Benz since 1886. Instead, the intention in chapter 4 is to briefly review the most important changes in the years leading up to the announcement of the DaimlerChrysler AG 1998 takeover in order to enhance an understanding of industrial acquisition strategies in general and the failure of the DaimlerChrysler AG takeover in particular. Specifically, the focus will be on monitoring the emergence of Daimler-Benz and CEO Jürgen Schrempp's Welt AG strategy on the one hand and the willingness of Chrysler to accept the takeover in 1998 with the very partner that had been rejected during mutual and amicable negotiations 3 years earlier (Vlasic and Stertz 2000).

In terms of the emergence of the Welt AG strategy, chapter 4 will examine critical changes at Daimler starting in the early 1980s, which would eventually force Daimler to radically revolutionize its 100-year old strategy for making cars. In its fight to avoid itself being taken over by Ford or GM, these changes would eventually trigger the decision to takeover Chrysler in 1998. However, the new Daimler-Benz strategy had a significant disadvantage. Despite higher volumes and a broader spectrum of products, the marketing success of the Mercedes brand remained dependent on its original reputation for craftsmanship quality (Boyer and Freyssenet 2000). The faster the company expanded, the more difficult it became to sustain this basic brand truth. Critical incongruencies would start to emerge in the 1980s and 1990s and have an impact on the rationale and logic of the decision to takeover Chrysler. The growing pressure to expand even further, despite the growing accumulation of brand identity contradictions and paradoxes in Daimler-Benz's situation from the 1980s into the mid 1990s, make the 1998 Chrysler takeover appear as a forced marriage of desperation, rather than the promised model global firm for the 21st century. This development was intensified under Schrempp's tenure of leadership. Whereas observers could argue that Werner's Smart, A-Class and M-Class were not really Mercedes vehicles, the increasing pressure to commonize parts across model lines, reduce development times and reduce vertical integration under Schrempp would erode even quicker the complete quality strategy of the Mercedes brand. On the Chrysler side, the American company's complete inability to expand beyond the NAFTA region, coupled with increasingly limited possibilities of increasing its 15-20% share of the US market, rendered it susceptible to any proposal from a foreign automaker. In addition, its adoption of a Honda approach to production was unable to free the company from its hitherto historical production path as a cyclically dependent roller-coaster enterprise (Hyde 2003).

This chapter consists of 5 sub-sections, four of which are related to developments at Daimler-Benz between 1985 and 1997. The last section will look at the situation at Chrysler in the years leading up to the 1998 takeover. First we will look at the evolution of Daimler from a craftsman manufacturer of a small number luxury vehicles to its emergence as a player of mass production in the mid 1980s. This development is symbolized by the success of the W 201, the 190er or the so-called “Baby Benz”. The precursor of the current C-class, the W 201 was the first middle class car produced by Daimler. 1.8 million Baby Benzes were sold between the end of 1982 and 1993. That did not turn Daimler into a big player, but it was clear that for the first time in 100 years they were competing in the same market as VW, Opel (GM) and Ford in Germany. Ford was already making 2 million cars a year in 1923 (Banham 2002), but the production numbers for baby Benz were a quantum leap in capacity compared to such famous models as the 1954 Mercedes 300SL gull-wing masterpiece, which had a total production of 3,258 cars (Grunow-Osswald 2006). In the early 1980s, the Baby Benz was viewed as an example of successful product spread as it competed against BMW’s 3 series. And its commercial success suggested that the Mercedes brand could also compete in non-luxury markets, when their car sales in Germany even overtook those of massproducer Ford Germany (Grunow-Osswald, 2006).

The second section of this chapter’s analysis will show how the long-term success of the Mercedes brand would be questioned at the pinnacle of its commercial success, namely with the appearance of the MIT global study of the automobile industry (1990). The MIT study would destroy the “myth” of the existence of any “craftsmanship” in the modern automobile world, including brands such as Mercedes, BMW, and Jaguar *etc*. In the eyes of the MIT social scientists, Mercedes was comparable to any other mass producer of vehicles in the world (Womack, Jones and Roos 1990). The very success of the Baby Benz would now come back to haunt Daimler. The fact that the company had doubled its production during the 1980s was less significant than the study’s findings that Daimler was one of the least efficient and wasteful automakers on the planet. MIT ripped away Mercedes’ protective veil of “craftsmanship”. The study’s findings would actually predict both Daimler-Benz and Mercedes slide towards bankruptcy in 1992 amid increasing competition from Asian luxury car models such as Lexus (Toyota), Acura (Honda) and Infiniti (Nissan).

The combined results of the first two sections will help to facilitate an understanding of the radical transformation of strategy at Daimler during the mid 1980s, which is the focus of section 3. Although outwardly the company appeared to be well-equipped for the future, the

Board of Management and in particular Chief Financial Officer Edward Reuter realized the precarious nature of the company's situation. In the third section, therefore, we will be looking at Reuter's attempts, starting in 1985, to diversify Daimler and reduce the company's dependence on the car industry. The result would be the exact opposite of Reuter's intention and jeopardize the very existence of Daimler-Benz in the mid 1990s. Reuter's catastrophic strategy would leave his successor Jürgen Schrempp very few options. Due to Reuter's creation of a mega-holding technology consortium (Technologiekonzern), the former primary status of Mercedes passenger car unit within Daimler-Benz was reduced. However, at the same time, the automotive division would become increasingly responsible for providing additional revenue to support Daimler-Benz's costly misadventures into the world of technology. This was the beginning of a decade of dissension between the management of the Mercedes passenger car division and the overall strategy of the Daimler-Benz Board of Management, which would culminate in the open conflict situation between CEO Schrempp and Mercedes chief, Helmut Werner in 1995-96. When Jürgen Schrempp took over from Reuter after a year of record losses in 1994 he had to solve the paradox of the dependence of the company on the success of the Mercedes brand and the parallel alienation of the Mercedes brand's management executives from overall company strategy. His solution was the Mercedes-led Welt AG strategy, a vision of worldwide expansion within the automotive sector, a vision already partially realized by Daimler's worldwide success in the commercial vehicle sector in North and South America, Europe and Africa.

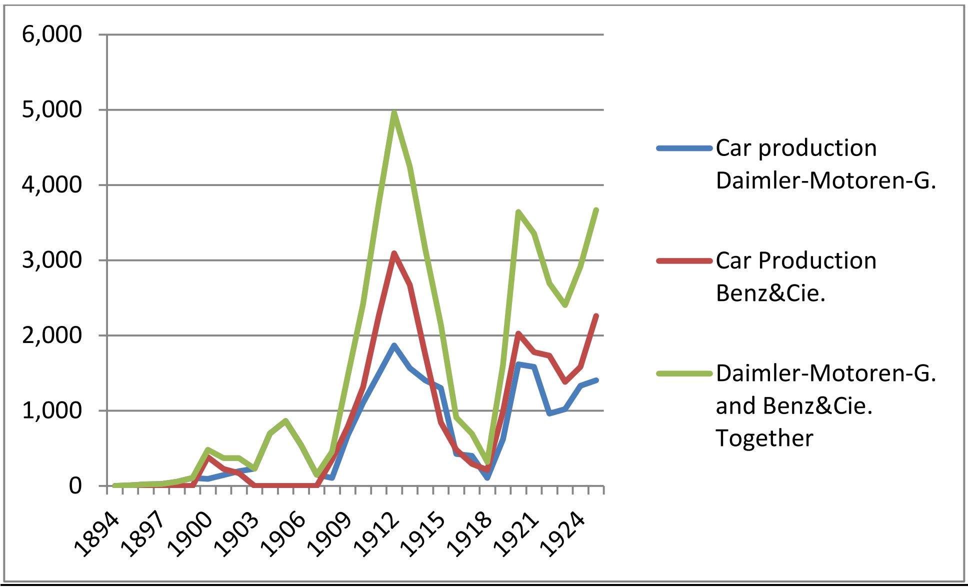
The emergence of Daimler's new Welt AG strategy as of 1995 was the vision, which guided the takeover of Chrysler Corporation. This strategy, however, was paradoxical within the Daimler-Benz organization. On the one hand, Schrempp was rightfully judged as the man who rejected his predecessor's irresponsible misadventures into technology fields, in which Daimler-Benz had no resource-based core competencies or no competitive products or was facing disappearing markets (i.e. military equipment). His downsizing of the firm from 36 to 23 business units and his rediscovery of the core competence in the automotive field seemed like a solid historical "back to the roots" strategic decision. On the other hand, in order to consolidate his own executive power, Schrempp had forced the resignation of the key person within the Mercedes passenger car division, Helmut Werner, who had been responsible for returning the division to profitability after the crisis of 1992 (Spiegel 27 1996). It is crucial to document this development in order to understand that there was no united Daimler front on the German side going into the "merger of equals" with Chrysler. By 1998 the Mercedes passenger car group was an almost anarchistic collection of individual and isolated model lines and locations in the critical areas of engineering, production planning and production. None of these operations were particularly aligned to the strategic vision of the Board of Management. The ideas of a commonized Mercedes Production System or a commonized Mercedes Development System across all production facilities and model lines were still unrealized utopias at the time of the takeover (Clarke 2005).

In the final section of chapter 4, the focus will switch to developments at Chrysler, which led to the American company’s willingness to accept the Daimler-Benz buyout offer. Specifically, the most important consideration will be to ascertain the reasons why Chrysler accepted a takeover during a period of unequalled economic success in 1997-8, whereas 3 years previously it had rejected any kind of cooperation with Daimler, despite being under takeover attack from its major shareholder (Vlasic and Stertz 2000).

4.1 Shift from craft to mass production

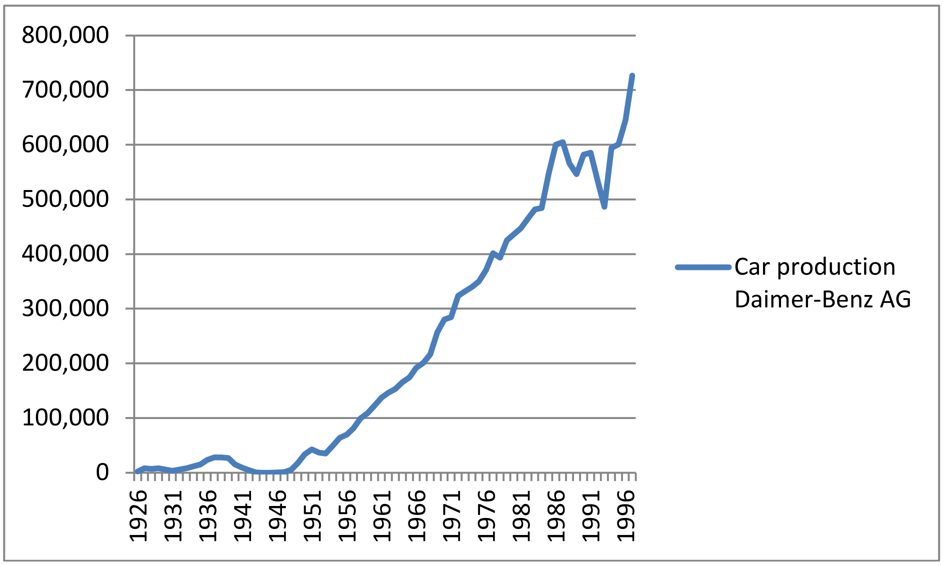
Daimler resisted pressure to move to mass production for an extraordinarily long time, given the revolutionary impact and success of Ford’s innovations as early as 1903 (Banham 2002). The total serial production numbers for most Mercedes-Benz models up till the 1960s were lower than the number of cars being turned out by Ford in a single day in 1913. Figures 8 and 9 are significant in terms of the differences in scales of reference. Leading up to the merger between Daimler and Benz Cie in 1926 it is sufficient to compare production numbers below 10,000 vehicles per year. Comparisons with Ford at the time would have been absurd. Daimler-Benz did not reach the 100,000 annual production mark until the late 1950s. However, since there Mercedes models have increasingly approached numbers expected from mass producers, thus indirectly verifying many of the claims of the MIT study, which will be examined in detail further below.

Figure 9: Car production DMG (Daimler), Benz&Cie. and combined 1894-1925



Source: Compiled by John Riach. DaimlerChrysler AG Figures Appendix 4.1.

Figure 10: Car production Daimler-Benz AG from 1926-1997



Source: Compiled by John Riach. DaimlerChrysler AG Figures Appendix 4.2

Indeed the whole image of the Mercedes brand is that of a handcrafted vehicle with the highest standards in innovation and engineering, corresponding more or less to the production numbers until the late 1950s. That image is still used in the company's marketing today, despite the disappearance of craftsmanship from almost all of the production process (DaimlerChrysler VideoAppendix 4.1). The paradoxes and dilemmas of the shift from craft to mass production at Mercedes-Benz help to understand the central role of the multi-brand strategy at the heart of the DaimlerChrysler AG takeover.

The vehicle described in the first chapter of the MIT study on lean production is a vehicle built by Panhard & Levassor, the Parisian “constructeurs mécanciens” at the end of the 19th century and the car was destined to become the first car ever driven in Great Britain (Womack, Jones and Roos 1990). The MIT authors do not comment that this “French” car had a German engine in it, built by the Daimler engine company in Stuttgart (Grunow-Osswald 2006). The French company, which managed to survive until the early 1960s, was famous for its individually produced luxury vehicles. A similar vehicle had won the first-ever automobile race from Paris to Rouen in 1894 (Grunow-Osswald 2006) and helped established Daimler’s reputation with its German-built engine. In 1901 Daimler was producing only 144 vehicles per year but was about to become world famous with the emergence of the company’s own vehicle with an even more powerful Daimler engine at the 1901 Nizza racing meeting. Daimler completely dominated the competition, forcing Panhard & Levassor and others to retire from the event (Grunow-Osswald 2006).

The success in racing encouraged one of the Daimler drivers, Emile Jellinek, to commission a new line of luxury vehicles for the commercial market (Grunow-Osswald 2006). The line was to be branded “Mercedes”, named after his daughter. The famous first technical specifications demanded that Daimler engineers simply create the best car, regardless of the costs. Each car was a unique construction and the price tag for a 1905 28 HP Mercedes at 23,000 Mark could be compared with 68.6 % of the population of Prussia, whose income was not higher than 972 Mark per annum (Grunow-Osswald 2006). Indeed the Daimler Museum’s calculation that the first 36 vehicles cost about 3.5 million dollars in 2005 money compares roughly to the cost of a contemporary S-Class and confirms the continuity of the brand in its luxury segment of products (Lengert and Dreher 2010).

Racing events, international exhibitions and well-situated people in Europe’s high society were the early keys to Daimler’s success. This success was thanks to the continuing role played by Emile Jellinek, who individually represented Daimler in the Austria-Hungarian Empire, France, Belgium, Italy, Great Britain and the USA. His links insured a steady but limited flow of international customers. His success however, was also a limit to mass expansion and created a problem, which would accompany the company throughout its history, namely its inability to keep up with demand for its products. This tension between demand, supply, quality and price can be exemplified by a brief overview of Mercedes’ market position in the 1950s in America. The dramatic rise in exports to the USA from 13 units in 1950 to 6,031 in 1957 (Grunow-Osswald 2006) was due to the good reputation of

Mercedes from before the war and its innovative design and technology in comparison to American cars in the 1950s. Models such as the 300 SL and their rich owners from film stars to politicians to industrial magnets all contributed to Mercedes success (Lengert and Dreher 2010). However, Daimler's inability to create a distributive network limited further expansion. Daimler-Benz had a partnership with the engine maker Curtiss-Wright, who also represented Studebaker-Packard vehicles. The organization had a very poor network of dealerships, and the dealerships that did exist were faced with competing loyalties. Their agents were used to selling much cheaper cars and could not approach the elite of American society. More often than not it was the customer who came looking for a Mercedes rather than being attracted by a dealer. It would take decades for Mercedes to establish their own network of dealerships in the States. The fear of brand dilution and confusion, which Daimler experienced in the cooperative with Curtiss-Wright, remained in the consciousness of the Board of Management (Grunow-Osswald 2006).

The story was repeated again when major shareholder Friedrich Flick (37.9% of Daimler shares in 1957) tried to catapult Daimler into the world of mass production by forcing Daimler's Board of Management to acquire Auto Union (Audi) in 1958 (Grunow-Osswald 2006). This move was extremely unpopular with Daimler executives, who rejected the notion of deviating from their one modal line strategy with a large number of customized design and engine variants all in the high price range market. The acquisition failed and Auto Union was quickly sold in 1964 to VW. Daimler executives did, however, recognize the opportunities presented by middle and upper middle class cars and decided to create a second model line in 1965, which fuelled a rapid expansion of production, the precursor of the modern E-Class. However, even this increased supply still remained below customer demand. Although Daimler's car production jumped from 99,209 in 1958 to 256,713 in 1969, it was still insignificant compared to the over 10 million vehicles being produced in the USA in the same year (Grunow-Osswald 2006).

It would be 1979 until the Daimler Board would decide again to expand its production to a third model line. It was a dramatic move, which would lead to more than a doubling of production between 1970 and 1985 to 550,000 vehicles (Fig. 3.2). The decision was heavily debated within the company. Mercedes purists viewed the shift as a radical breach with the principles of maintaining a 1:1 ratio of producing only cars, which had already been ordered. This philosophy of actively manipulating the market demand and supply of luxury cars had spared the company of the boom to bust cyclical volatility being experienced by the rest of the industry, especially in the 1960s and 1970s. Despite producing cars that consumed the highest amount of gas industry-wide, the company made record profits even during the Oil Crisis of 1973/4 (Grunow-Osswald 2006). Daimler continued to expand slowly but steadily, based on its conservative “let the customer wait” philosophy. In the 1970s the company was busy filling orders, which had been placed years earlier, before the oil crisis.

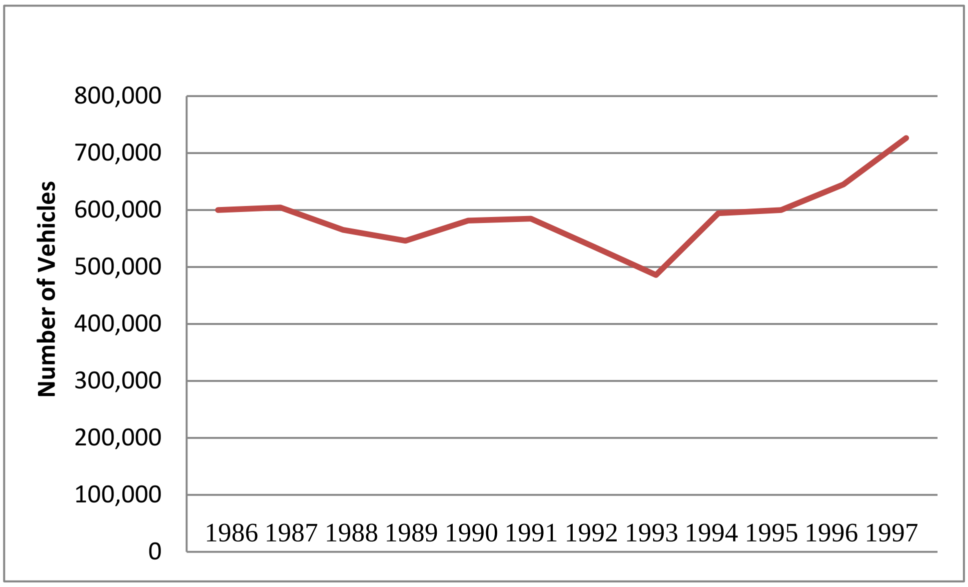
In addition, there were also fears in the company to expand production outside of Germany because part of the mystique of the brand centered on the fact that all Mercedes cars were “made in Germany”. The philosophy of the company was to provide expensive **German** cars, distinguished by their flawless German quality and offering the best in innovation, safety features and driving comfort, customized exclusively to each buyer’s personal wishes. Well into the 90’s engineers would boast that no two cars were identical, a boast which was a nightmare to a newly arrived generation of controllers, trying to reduce development and production costs. Mercedes quality strategy provided the individuality that its rich and powerful customer base demanded. Still in the 1980s an otherwise critical Der Spiegel magazine would sing a praise of Mercedes achievements and the mystique of the brand in the USA:

> Das höchste Ansehen unter den deutschen Autofirmen genießt die Marke Mercedes. Der „Washington Post“ ist ein Mercedes „Symbol für einen geschmackvollem Konsum“. Dem „Wall Street Journal“ erscheint die Aura, die Mercedes Fahrzeuge umgibt, als „fast religiös“. Wer in New York, Dallas oder Los Angelas Mercedes fährt, zeigt damit, dass er es geschafft hat, zur Elite der Gesellschaft zu gehören (Der Spiegel 35 1985 131). (Author translation: Mercedes enjoys the highest degree of reputation of all German carmakers ((in America)). For the Washington Post a Mercedes is a “symbol of tasteful consumption”. The Wall Street Journal describes the aura surrounding a Mercedes vehicle as almost “religious”. Whoever drives a Mercedes in New York, Dallas or Los Angeles is making a statement that he has succeeded in joining the elite of American society).

Although the mid 1970s oil crisis did not directly slow down Mercedes’ continued growth in this period, the economical fallout in the USA would ultimately push Daimler into the decision to again expand production. The volatility of currency markets following the oil crisis and resulting recession in America made it increasingly difficult for Daimler to control its own destiny. In addition, the American government passed The Energy Conservation Act in 1978, which tried to force the automobile industry to produce smaller, lighter and more fuel-efficient vehicles. It would be impossible for the existing Mercedes fleet to comply with these measures. The big winners were the Japanese manufacturers, who saw their export share jump from 1.087 million vehicles to over 6.7 million cars in the years 1970 to 1985 (Grunow-Osswald 2006). In the same time framework Germany's totals rose from 2.1 to 2.7 million cars. At this stage of a radical shift in the global car business, it was the existing mass producers who suffered first against increased competition from the Japanese. VW saw its American exports drop from 580,000 to around 200,000 in just 6 years. Although the Japanese brands posed no threat to the luxury market in the 1970's and early 1980's, Mercedes inability to cover demand did allow fellow German competitor BMW and Sweden's Volvo become serious contenders. BMW's decision in 1975 to develop a Model 3 line below their Model 5 line put Daimler under increasing pressure to react, despite concerns within the company of damage to their luxury car image (Grunow-Osswald 2006).

Finally the decision was made by the Board in 1979 to introduce a compact class, the W201 (Baby Benz) with a capacity of 240,000 vehicles per year. This would compare dramatically to the existing capacity of 240,000 for middle class and 60,000 for premium class vehicles. Despite this jump, Mercedes still saw itself as a non mass production carmaker. In a Spiegel magazine interview in 1985, Daimler production boss Niefer could still claim that robots would never replace the handcrafting skills of his workers and that this was the key to the brand's quality (Der Spiegel 37, 1985 46-47). The company's fears about brand dilution seemed unnecessary in the early phase of the Baby Benz's introduction. It was voted "World Car of the Year" in 1984 and Daimler's market share rocketed in Germany from 6.9 % in 1970 to 11.5 % in 1985 (Grunow-Osswald, 2006 326). Spiegel Magazine referred to the Baby Benz as the "Volks-Wagen" from Daimler and in 1985 Mercedes market share had surpassed Ford's portion of the West German market. In the mid 1980's the Baby Benz became Germany's third most popular auto, after VW's Golf and Opel's Kadett, although it was twice as expensive. The Baby Benz definitely catapulted Mercedes *de facto* into the world of mass producers. This paradigm switch was about to be confirmed by the 1985-90 MIT study of the global car industry, although the precise analysis of the company's situation was the exact opposite of Daimler's own self-perception and marketing image. The third Mercedes model would push production figures above 600,000 by the mid 1980s and set the stage for the goal of reaching 1 million by the end of the 1990s (Fig. 11). The rationale for this goal setting would be provided by the main results of the MIT study on the automobile industry.

Figure 11: Mercedes Car Production 1986-1997



Source: Compiled by John Riach. DaimlerChrysler AG Figures Appendix 4.3

4.2 The MIT study and the creation of a new industry paradigm

From an academic point of view it is interesting to observe how the scientific community itself played a crucial role in actually shaping the global automobile industry in the 1990s. Specifically, the 1990 comprehensive MIT study of the efficiency of Japanese lean production methods triggered a shock reaction in the whole industry. More than 50% of all assembly plants worldwide were benchmarked and the reported findings were deemed conclusive by industry insiders. The report led to what Thomas Kuhn (1962) refers to as a revolutionary paradigm shift within a given community. A paradigm requires a given closed community, *e.g.* the global automobile industry or physicists or economists, to tacitly accept and apply certain shared assumptions. These assumptions allow the community to get on with the business to be done. Such a paradigm also forbids or excludes the questioning of these assumptions or working hypotheses. In Newton's world, it was the Kantian *a priori* assumption that the categories time and space are absolute fixed reference points. In the automotive world of the 1990s, it was now the commonly shared mindset that all cars and all car production methodologies are equally comparable. This new paradigm of the global car sector required the abolition of the hitherto existing paradigms of craftsmanship and mass production.

The 5-year (1985-1990) MIT study of the global automotive industry had enormous consequences for Daimler-Benz and other luxury carmakers. In four short pages the study effectively debunked the “myth” that Mercedes vehicles were somehow the unique product of “skilled craftsmen”, whose creation of premium segment car quality could not be compared with the activities of their American and Japanese counterparts. Indeed, even while the results of the comprehensive comparative analysis were being compiled, the head of Mercedes was boasting that the Japanese were still “generations” away from Mercedes standards of excellence (Der Spiegel 37, 1985).

The MIT study ascertained the exact opposite. Comparing American, Japanese and European luxury models, it found the latter group to be the least efficient in terms of assembly hours per vehicle and mistakes per vehicle. The much praised “Meister craftsmanship” was simply not true. The gross inefficiency of factories such as the Mercedes Sindelfingen flagship (C-, E- and S-Class production) was due to identifiable and avoidable waste or “muda” in the Toyota language of lean production. The German carmakers’ production systems were declared to be basically equivalent to the methods of mass production being used by Henry Ford at the beginning of the 20th century, but at the same time even less efficient than American producers of luxury models such as Cadillac or Buick or the Lincoln Continental (Womack, Jones and Roos 1990). Even more threatening for the Mercedes brand was the prognosis that the Japanese system of lean production would allow Asiatic luxury brands such as Lexus and Infiniti to surpass Mercedes and other European premium marques within the next ten years.

The change in paradigm shift could not have come at a worse time for Daimler. The study appeared as Daimler was experiencing serious difficulties for the first time in its passenger car division since the end of the Second World War. BMW had brought out a new 5 series to compete with the cash cow of the firm, the E-Class. Toyota was developing its own luxury brand, Lexus, at an amazing pace and with astounding results in the area of luxury segment quality. Mercedes was even having difficulties with its new launch of the S-Class, which alienated European trends towards size reduction and styling aggressiveness in an attempt to keep American customers happy (Der Spiegel 8, 1991). MIT had initiated the automotive paradigm revolution. By the mid 1990s a surprisingly common consensus and industry-wide mindset had emerged. The comprehensive and openly prescriptive MIT study on the industry had come to the conclusion that a car is a car is a car. Basically speaking, the study concluded that there was a simple equation for predicting the success **any company** would have to adhere to in order to survive the upcoming decade: Car designing/building = Japanese approach = Toyota = lean production = elimination of waste = lower cost = success

Even before the study MIT appeared, companies like GM and Chrysler were starting to admit that they had something to learn from their Japanese counterparts, as the NUMMI, AMC-Honda and Chrysler-Mitsubishi projects testify (Inkpen 2008). It was therefore not surprising to American companies that the study ascertained lean production methods to be superior to something MIT called “mass production” as their exemplary analysis of the derelict GM plant in Framingham, Massachusetts illustrated. The 1947 plant was a child of GM’s heydays and the Sloanist approach, which had been in decline since the early 1960s. In fact the facility, located close to MIT, would be closed before the actual MIT report was published. In many ways the MIT was merely confirming the increasing competiveness of Japanese models on the American market, fuelled by the establishment of new production facilities in North America.

As Boyer and Freyssenet (2000) point out in their comprehensive critique of the MIT study, it did not matter that the entire industry neither did not quite know that Honda was “Japanese” in a manner different from Toyota or Nissan, nor that “lean production” was not actually practiced by all Japanese car companies. The global automobile industry paradigm was the universally accepted credo: “Become Japanese and produce leanly or become extinct”. The power of the paradigm shift was so dramatic, that the industry seemed to lose its common sense for the next decade. This can be illustrated in the case of quality studies. In the area of quality the American based J.D. Power APEAL rankings emerged as the commonly accepted standard of consumer satisfaction. If the ratings said a Toyota was “better” than a “Mercedes”, then that was the standard of measurement. “Quality specialists” would spend a decade chasing down any customer complaint in order to raise their J.D. Power status and extra checks would be applied during the annual assessment period at factories around the world. However, J.D. Power APEAL does not actually compare vehicles with each other directly. Their main questionnaire attempts to measure customer satisfaction within the first 6 months of ownership in terms of the ratio between customer expectations and customer experiences. That ratio makes quality evaluation more difficult for any European vehicle and in particular any European luxury vehicle in the USA. European buyers of cars in America are easily more disappointed if there is a small problem, than other buyers of other brands. This disappointment is relative to their expectations of a particular brand and cannot be compared objectively to the relative expectations of other customers of a different brand. An American buyer of a Japanese vehicle, for example, is easily more surprised and pleased than someone buying any European brand. That accounts for the consistently poor results of vehicles such as the VW Golf or the Volvo 300 series. However, the increasing fixation with commonized industry-wide studies such as J.D. Power (quality) or the Harbour Report (factory efficiency) were directly the result of the paradigm shift triggered by the MIT study. The Harbour Report compares the production efficiency of car manufacturers worldwide using a commonized hours-per-vehicle calculation formula independent of differences in the plant's degree of manufacturing sophistication. Although it is more difficult and time-consuming to install glass roofs in cars, this is not taken into account when comparing such facilities with factories producing cars with no glass roofs. Hours-per-vehicle is equal to hours-per-vehicle. The obvious differences in the sophistication of parts between luxury and other vehicle models were simply ignored and the resulting differences in the complexities of tool and die making were considered negligible.

Furthermore, the MIT shock was exacerbated by a growing consensus inside the industry that only companies producing more than one million vehicles per year could survive in a lean production industry sector (Brady and Lorenz 2000; Vlasic and Stertz 2000; Daimler-Benz Annual Report 1997). High volumes guaranteed supplier discipline and were claimed to provide a minimum required to obtain advantages through continuous improvement measures. Although Daimler had indeed produced the world's first "serial" production auto at the beginning of the century, it had not reached the 100,000 per annum - vehicle mark until 1959 at a time where Ford and GM were producing between 5 and 6 million vehicles respectively (Grunow-Osswald 2006). Mercedes had already almost doubled its production volume to around 600,000 in the 1980's, thanks to the success of the Baby Benz, the forerunner of the current C-class (W204). Still the jump from 600,000 to 1,000,000 would be an impossible task within its current range of models. In order to reach this goal Daimler-Benz would either have to expand its model program or acquire another firm, such as BMW did with its takeover of the Rover Group. In retrospect, it is interesting to remark that Daimler followed both strategies. In a first step, Daimler-Benz decided to create a compact A-Class as well as a luxury sports utility vehicle (SUV), the M-Class. All of these developments taxed Mercedes' manpower exceptionally, not only in terms of the numbers of vehicles which had to be designed, engineered and assembled, but mainly due to the fact that Mercedes had no real experience in these vehicle segments. By deciding to develop smaller compact vehicles, Daimler was already abandoning its resource-based competitive edge in the area of large luxury vehicles. Furthermore, the decision to build the M-Class in the USA in a Toyota-hybrid facility was a radical break from the past. The Smart micro-car was also to be built abroad, in France, with the lowest degree of vertical integration in the company's history (Der Spiegel 42, 1997).

In a second step, Daimler-Benz would acquire Chrysler in 1998, pushing itself finally into the absolute league of mass production companies, with an annual capacity of over 4 million vehicles. Ironically, the impact of the MIT study was not matched by its scientific accuracy. The next sub-section briefly looks at what MIT got wrong and why the overly simplified academic conclusions and strategic prescriptions were almost fatal for companies like Daimler-Benz, who took the results seriously.

4.2.1 **MIT study impact on Daimler-Benz strategy**

Starting in the early 1990s, a European-based research group GERPSIA (Groupe d'Etudes et de Recherche Permanent sur l'Industrie et les Salaries de l'Automobile / The Permanent Research Group on the Automobile Industry and Workers) raised doubts concerning the scientific reliability of the MIT study. As Boyer and Freyssenet (2000) expressed rather bluntly, the continued prevalence of the MIT study does not detract from its "unfortunate inconvenience of simply being a fairy tale". Their seminal paper entitled *"The World that Changed the Machine"* criticizes the MIT study on a number of fronts. This critique is relevant to our case study because GERPSIA has produced perhaps the most comprehensive and scientifically sound explanation of the course of the car industry from its origins up until the 1990s (Boyer and Freyssenet, 2000). In addition, their classification of six different profit strategies sheds light on some of the inherent profit strategy incoherencies facing the DaimlerChrysler AG takeover.

Boyer and Freyssenet (2000) criticize the simplicity of MIT's core classification of the industry into three categories; craftsmanship, mass-production and lean production. In their opinion these categories confute radically different profit strategies. The characterization of the American car industry as mass production due to the universal use of mechanized assembly lines ignores the discernible differences between Ford and GM, which allowed each company to be the industry leader in different periods of the history of the automobile. Ford's "volume" strategy consisted of the implementation of mass production of a single standard vehicle. Ford's Model T (Tin Lizzy), produced 15 million times between 1908 and 1927 is the best-known example of this strategy, making it one of the most produced vehicles in the history of the automotive industry. On the other hand, GM introduced a strategy of "volume and diversity" by commonizing non-appearance parts on cars, which looked different to the customer. To use the most simple example, by the 1920s consumers were fed up having to buy black cars from Ford. The introduction of different colors by GM increased their market share dramatically. GM's "Sloanian" model allowed GM to jump ahead of Ford and dominate the American market until the 1960s (Farber 2002).

Boyer and Freyssenet (2000) point out that both models had been successful, but both the Ford and GM strategies failed just when the whole industry accepted them as the best profit strategy paradigms respectively. They see the same fate with MIT's lean production mythology in the 1990s. Just when the western world started trying to adopt Japanese production approaches, these methods started to fail in Asia itself. Lean production did not prevent the Japanese economy from recession during the 1990s, not even at Toyota with the restructuring required after industrial unrest during the 1992 crisis year. In addition, Boyer and Freyssenet (2000) criticize the confutation of "lean production = Japanese". They point to significant differences between Toyota's model of "constant reduction of costs at constant volume" and Honda's model of "innovation and flexibility". These differences are relevant for the DaimlerChrysler AG case study because Daimler would attempt to implement a Toyota hybrid strategy for its plant in Alabama, whereas Chrysler's success in the 1990s was due to its adoption of Honda's approach. This adapted Toyota-Honda dichotomy was part of the difficulty behind efforts to synergize Mercedes M-Class platform with Jeep's Grand Cherokee after the takeover. Moreover, Boyer and Freyssenet (2000) draw attention to the fact that other Japanese car companies such as Nissan and Mitsubishi were close to bankruptcy due to their respective inefficiency and lack of a clear strategy. Both would require financial support from western carmakers in order to survive. Renault acquired 37% of Nissan in 1999 while DaimlerChrysler AG obtained a 33% stake in Mitsubishi in March 2000 (Gill 2012).

The GERPSIA approach is conceptually more sophisticated than the categories used by the MIT study because it takes into consideration not only production strategies but also comparative political and economic situations, which are similar in approach to the work of Hall and Soskice (2001). Boyer and Freyssenet (2000) state two essential conditions for profitability in the car business in the 1990s:

1. The pertinence of "profit strategy" in relationship to "national income distribution and growth modes" in those countries where the firm evolves;
2. The solidity of the "enterprise government compromise" that allows the firm's actors to find and implement the means ("product policy", "productive organization", and "employment relationships") that are both coherent in light of

> the adapted profit strategy and acceptable by all these actors, in other words, the invention or adoption of a productive model. (Boyer and Freyssenet (2000: 7)

Boyer and Freyssenet (2000) identify six profit sources in the history of the automobile industry: economies of scale, supply diversity, product quality, pertinent commercial innovation, productive flexibility and permanent reduction of costs at a constant volume. These profit sources have led to the creation of at least 6 profit differing strategies in the history of the car industry:

1. volume strategy *e.g.* Ford
2. volume and diversity strategy *e.g*. GM (Sloanism)
3. diversity and flexibility *e.g*. Morris (Woollardian)
4. permanent reduction of costs at constant volume strategy *e.g.* Toyota
5. quality strategy *e.g.* Mercedes-Benz, Volvo, SAAB
6. innovation and flexibility strategy *e.g.* Honda, Renault and Chrysler

The quality strategy and the innovation and flexibility strategy are relevant for this analysis of the DaimlerChrysler AG takeover, but before progressing to analyze these two types in more detail, it is salient to remark that Boyer and Freyssenet (2000) see the possibility of two different strategies being relatively successful in the same market at the same time. Honda and Chrysler's success with their innovation and flexibility strategy in the USA in the 1990s did not mean that Toyota stopped being successful in this market. All three were taking market share away from GM and Ford, but Toyota was not expanding as quickly as it otherwise might have without Chrysler's changed strategy. In addition, Boyer and Freyssenet (2000) point out that no single company has simultaneously employed two different profit strategies successfully. This would help explain the high number of failed mergers and acquisitions such as Ford/Volvo, Renault/Volvo, BMW/Rover Group, GM/Saab and, of course, DaimlerChrysler AG.

4.2.2 **The "quality" strategy: Daimler-Benz**

The quality strategy depends on the existence of stable high incomes and customers who define their status partially through the conspicuous consumption of luxury object such as automobiles. Moreover, the profit strategy depends on the existence of a highly skilled workforce, such as in Germany (Mercedes-Benz, BMW, Audi, and Porsche) and Sweden (Volvo, Saab). In the opinion of the GERPSIA group, the quality strategy had the longest degree of sustainability both in space and time in the 20^{th} century, because basically every society has a class of wealthy people who confirm their social distinction and class ranking by their willingness to spend large amounts of money on luxury cars. It is also the reason why the luxury strategy has almost always been an international market.

> The term "quality" signifies not only reliability and the vehicle's performance level, but also – and perhaps even more so – the social distinction of a particular style, the use of certain materials, refined finishing touches, a high price and the prestige of a brand. (Boyer and Freyssenet 2000 18)

The prestige of the brand is the key to success as is evidenced by Daimler's ability to penetrate the Indian and Chinese markets in the first decade of the 21^{st} century. Despite these strengths, Boyer and Freyssenet (2000) see the quality strategy in decline since the 1960s due to an increase in competition coupled with an inability to control supplier costs, unstable exchange rates and price wars. The difficulties of this strategy led to GM's acquisition of Saab and Ford's takeover of Volvo. Indeed, in the mid 1990s there were only three remaining independent producers of luxury cars, Mercedes, Porsche and BMW. Furthermore, Daimler was never able to establish the Maybach brand, although it is much more expensive than the company's S-Class models (Spiegel Online 4^{th} December. 2011). Despite marketing efforts to create a "manufacture" image, the Maybach has ceased production due to extremely poor sales results.

4.2.3 The "innovation and flexibility" strategy: Chrysler

The "innovation and flexibility" strategy has always been Honda's approach to designing, building and marketing automobiles. This approach was adapted by Chrysler at the end of the 1980s and by Renault in the early 1990s (Lutz 1998). The strategy consists of creating innovative models that are able to quickly react to new customer demand. The key to success is the ability to anticipate innovative possibilities and then quickly mass produce the vehicles required to fill demand before the competition has an opportunity to react to the new situation. In order to reduce development times Honda had avoided the erection of classical Chinese walls within the development process. Their platform approach entailed the creation of a team of stylists, designers, engineer, factory planners, production people and suppliers, who worked together from the beginning until the end of the project. This was the reason both Chrysler and Honda profited from the emergence of a second automobile market in the 1990s (Boyer and Freyssenet 2000). The traditional market for sedans shrank dramatically and was overshadowed by the new market for stylish minivans, light trucks and sports utility vehicles. Chrysler's organizational compactness allowed it to quickly create diverse platforms, which were not only first to market but also profitable (Lutz 1998). Such a strategy is of course highly risky and there is always the possibility of a "speculative bubble", as DaimlerChrysler AG would experience in the 2001 meltdown of Chrysler profits. The reduced speed in development times also poses a risk to quality, which remained a central issue at Chrysler despite its marketing successes throughout the 1990s (Vlasic and Stertz 2000)

Writing in the year 2000, Boyer and Freyssenet (2000) are skeptical about DaimlerChrysler AG's attempt to provide a top-of the-line product in each market sector (Mercedes-Benz) and maintain Chrysler's "innovation and flexibility" strategy.

> Yet as one can easily observe, this involves cumulating all sorts of risks and challenges simultaneously. One must remember that up until now, no single firm has successfully and profitably implemented the cohabitation of two different profit strategies, particularly that of "innovation and flexibility" with any other (Boyer and Freyssenet 2000: 27).

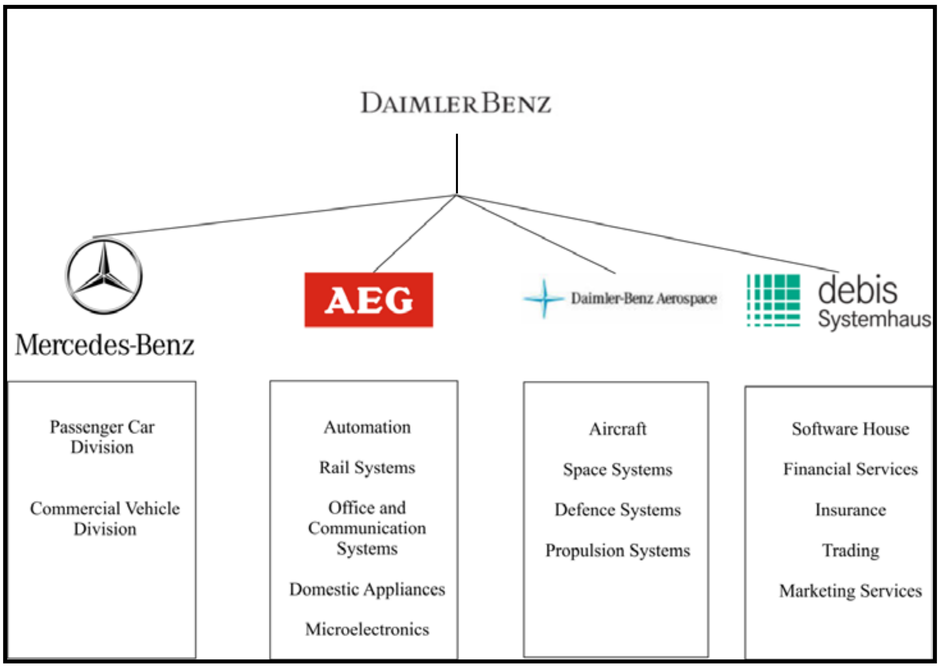
The GERPSIA study draws attention to a number of reasons why almost all producers of "quality" cars have either gone bankrupt or been taken over, including unfavorable exchange rates. In the next section the analysis will focus on Daimler's earlier attempt in the mid 1980s to liberate itself from an over-dependence on the fortunes of the luxury automobile market.

4.3 Diversification at Daimler-Benz

From 1970 until 1985 Daimler's profits had increased dramatically, with an incredible 50% jump in 1985 alone. Not only had the car manufacturer survived the oil crisis, Daimler-Benz also seemed to be on the best path to transform itself from a craftsmanship manufacturer to a mass production manufacturer. But at the height of its success Daimler change its strategy and started to venture into fields where it had no expertise and no experience.

Edzard Reuter had become the Chief Financial Officer of Daimler-Benz AG in January 1980. He presented a major strategy paper in August 1984 outlining a radical transformation of direction for the company. His analysis of Daimler-Benz's performance pointed to a serious threat, namely that instable currencies and exchange rates could put the company in its present structure at great risk in the near future (Grunow-Osswald, 2006). Reuter envisioned a highly diversified company embracing every field of technology. In order to implement this new strategy, CEO Werner Breitschwerdt acquired MTU, Dornier and AEG within a period of 12 months. Daimler invested 680 million DM in February 1985 to acquire the remaining 50% of Motoren-und Turbinen-Union (MTU) from the MAN Corporation. MTU was a major producer of turbines for fighter jet and tank engines. In May of the same year, Daimler invested a further 500 million DM to increase their ownership share of Dornier, the aircraft manufacturer, to 66%. Reuter's buzzword was "synergy effects" arising from the myriad of acquired technologies. Daimler-Benz was to become a "Technologiekonzern" (technology consortium), a vague and diffuse umbrella-like concept, which stretched from massproducing household appliances to building satellites. To further pursue this goal Daimler invested 1.6 billion DM in the German electronics giant AEG in October 1985. At the time it was the largest company takeover in German industrial history. Reuter continued and intensified his new vision for Daimler after replacing Breitschwerdt as the company's CEO in September 1987. Daimler increased its share of AEG to 80%. More importantly, the Board followed Reuter in April 1989 by restructuring the company to deal with these enormous changes. The company was divided into four units. The passenger car and commercial vehicle divisions became the Mercedes-Benz AG, with its own CEO and Board, but reduced to a junior member of the family. MBB, MTU, Dornier and two divisions of AEG formed the new aerospace and defence industry segment and christened DASA. The other parts of AEG formed its own division and were responsible for a diverse conglomeration of electronic industries including office communication, communication and train technologies. A fourth business unit was added in July 1990 with the founding of Debis, which included IT, banking and real estate services. In order to strengthen the IT unit Daimler acquired 34% of the French software company, Cap Gemini Sogeti, for 1.5 billion DM.

Figure 12: Daimler-Benz AG (1990)



Source: Created by John Riach. DaimlerChrysler AG Figures Appendix 4.4

Symbolically, the new Daimler-Benz technology concern moved its headquarters for the first time in its entire history away from a car production facility. The Stuttgart-Möhringen complex opened in 1990 and quickly became the target of growing unrest within the Mercedes-Benz AG commercial and passenger vehicle division. Nicknamed “bullshit castle” (Der Spiegel 15, 1995), its palatial-like grandeur was the exact opposite of the down-to-earth working ethic and understatement of the surrounding Swabian production facilities in Untertürkheim and Sindelfingen. The creation of the new headquarters embodied the wastefulness of the Reuter-era, as perceived by both the management and the employees of the passenger car and commercial vehicle units. Reuter’s expansionism had been financed from the profitability of the car and truck division and almost every acquisition was a financial disaster (Der Spiegel 31, 1995). AEG had been in trouble since the 1970s and its outdated technologies cost Daimler an estimated 2.4 billion DM in losses. Planned joint ventures, for example, with Swedish ABB in the field of train technology led to further losses above 1 billion DM. The IT division never really got off the ground and was eventually sold to Telekom’s T-Systems. The founding of DASA coincided with the radical political changes in central Europe in 1989. Suddenly the Cold War was over and combined with a weak dollar there was little interest in expensive military technology. Furthermore, Dornier and Fokker couldn’t compete in the commercial aviation sector against Boeing and McDonnell Douglas. DASA losses were higher than 1.5 billion DM between 1992 and 1993. From a peak of 1272

Marks in 1987, the Daimler stock dropped to the 600 Mark range in May 1995. Der Spiegel would summarize the Reuter era as the greatest destruction of capital in the German peacetime history (Der Spiegel 13, 1995). Reuter was forced to resign in April 1994, but his replacement, Jürgen Schrempp, would not take power until May 1995. The uncertainty during the ensuing power vacuum between 1994 and 1995 allowed Mercedes-Benz CEO Werner to consolidate his standing and executive strength even more, including his initiation of merger negotiations with Chrysler in April 1995 without notifying his bosses (Vlasic and Stertz 2000).

4.4 The emergence of Schrempp’s expanded Welt AG strategy

The years 1994-1997 are one of the most dramatic periods of time in the history of Daimler-Benz. By 1994 it was clear to everyone except CEO Reuter that his strategy of diversification had failed (Der Spiegel 22, 1992; Der Spiegel 31, 1995). It was also clear that his successor Schrempp was closely tied to the history of that failure in his role as head of DASA, one of Reuter’s costliest acquisitions. It was further clear that Schrempp faced a serious threat to his leadership in the person of Mercedes CEO, Helmut Werner. In 1994 Werner was the most powerful person inside the organization. His unit produced 70% of the turnover and over 90% of the complete company’s profits (Daimler-Benz AG Annual Report 1994). It would take from May 1995 until January 1997 for Schrempp to gain control of the Mercedes unit and the struggle was unique and new to the German corporate world. Both sides openly leaked information to the press in a radical break from the discretionary culture of Deutschland AG, where the coordinated networking of banks, investors, DAX 30 companies and governments at all levels quietly got on with the business of running the country.

This section relies heavily on the newspaper reporting of the time frame between 1994 and the surprise announcement of the acquisition of Chrysler in May 1998 in order to capture the seriousness of Daimler-Benz’s problems at the time. Hardly a week went by without the company, and in particular its key executives, appearing negatively in the German press. As Der Spiegel would comment on the appearance of ex-CEO Edzard’s Reuter’s abrasive autobiographical attack on his successors at Daimler-Benz in the spring of 1998:

> Deutschlands größter Industriekonzern unterhält das Publikum mal wieder, als sei der erste Geschäftszweck nicht die Produktion von Autos und Flugzeugen, sondern die Aufführung von Theaterstücken, mal lustigen, mal eher dramatischen Inhalts (Der Spiegel 6, 1998). (Author translation: Germany’s largest industrial concern is once

again entertaining the public. It appears that the main business purpose is not to manufacture cars or airplanes, but instead to create theatrical performances, some of them comedies and some of them with more dramatic content).

Although it is necessary to take the “comical” and “dramatic” aspects of the DaimlerChrysler AG story into account, the main focus of this chapter remains on ascertaining the rationale for the 1998 Chrysler takeover. In order to achieve this goal this chapter is divided into two sub-sections. The first focuses on the “history” of the power struggle between Mercedes boss Werner and Daimler CEO Schrempp between May 1995 (Schrempp’s takeover as CEO) and January 1997 (Werner’s resignation from Daimler). This historical perspective is legitimate and instructive for a number of reasons. Firstly, it shows the extent of organizational dissent within Daimler-Benz between Daimler-Benz CEO Schrempp and the Mercedes division of the company. This dissent will make it difficult for Schrempp to mobilize the full synergy potential of the passenger car division after taking over Chrysler. Winning the battle against rival Werner in 1997 increased the likelihood that he would lose the war in the implementation of his Welt AG strategy as of 1998. Secondly, a chronology of events between 1995 and 1997 makes it evident how desperate the situation at Daimler-Benz was on all fronts, including the Mercedes unit. Despite all the criticism of Schrempp, objectively speaking he did manage to steer the company through the seemingly endless stream of bad news between 1995 and 1998. However, from a chronological perspective, this period of time suggests that the 1998 marriage made in heaven with Chrysler was more of a wild headstrong panic advance into the future rather than the sophisticated game of chess, which Schrempp himself projected. Finally, a brief overview of the events between May 1995 and January 1997 show that despite their public confrontation, Schrempp adapted much of the Mercedes’ strategy from Werner into his own Welt AG strategy. And in actual fact, after the resignation of Werner, Schrempp continued to rely on Werner’s two most important executives, Jürgen Hubbert and Dieter Zetsche, for running day-to-day business.

The second sub-section is more analytical and will outline the main aspects of Schrempp’s Welt AG strategy. Industrial Germany was passing through difficult times in the 1990s and the successful strategies of the past suddenly seemed outdated. Schrempp’s aggressive attack on the most deeply held beliefs of Deutschland AG and Germany’s coordinated market economy were both feared and admired (Streeck and Hopner 2004). For many analysts his vision was one of the few beacons of hope for Germany’s survival in a future globalized economy (Der Spiegel 20, 1998).

4.4.1 The fight for control of Mercedes inside Daimler (1995-1997)

The transfer of power from Reuter to Schrempp in May 1995 was dramatic and confusing for both shareholders and employees. In his departing speech Reuter left publicly confident that the company was in excellent shape and would be able to turn around the futures of all the business units, including AEG. Just a few weeks later his successor, Jürgen Schrempp would make a clear break from his predecessor and attacked his former boss at the very first meeting of the Board of Management. He would continue these attacks openly in the press over the next years (Der Spiegel 4, 1996). For his part, Reuter would respond bitterly and unapologetically in his autobiography in early 1998 (Der Spiegel 5, 1998).

Regardless of the infighting and egomania of Daimler’s top executives, one economic fact was becoming increasing indisputable; Reuter’s utopia vision of a technology concern strategy had cost Daimler-Benz at least 36 billion German Marks (Der Spiegel 31, 1995). More embarrassing was the fact that fired Chief Financial Officer Gerhard Liener had provided *Manager Magazine* with a 76-page manuscript outlining the complete details of the financial disaster. In a company notorious for its clandestine control of information, a whole era of mismanagement had now become public knowledge (Der Spiegel 30, 1995). In addition to Daimler’s financial woes, a number of affairs, also involving Schrempp personally, seemed to put the whole future of the firm with him as leader in question (Der Spiegel 31, 1995).

> Was ist los mit Daimler-Benz? Kein Konzern mußte in den letzten Jahren so viel Negativ-Publicity hinnehmen, in keinem anderen deutschen Großunternehmen versickerten so schnell so viele Milliarden. Herrscht unter den Stuttgarter Spitzenmanagern eine heimliche Lust an der Selbstzerstörung? Oder ist der 100-Milliarden-Konzern, in dem Autos und Satelliten, Mikrochips und Postsortieranlagen hergestellt werden, inzwischen so groß, dass er vom Vorstand nicht mehr zu führen und vom Aufsichtsrat kaum mehr zu kontrollieren ist? Unter dem Stuttgarter Konzerndach wurde ganz offenbar zu viel zusammengefasst, was nicht zusammenpasst. Und nun kämpft jeder gegen jeden: die Autobauer bei Mercedes gegen die Flugzeugkonstrukteure der Daimler-Benz Aerospace (DASA) und alle zusammen gegen den Dauerverlustbringer AEG. Innerhalb der DASA bekriegen sich MBB und Dornier, weil die einstigen Konkurrenten von Daimler zwangsvereinigt wurden. Gemeinsamkeit zwischen den zerstrittenen Konzerntöchtern entwickelt sich nur dann, wenn es darum geht, die Konzernzentrale auszutricksen. Über die sagte Schrempp in seiner Zeit als

DASA-Chief, das sei ein „bullshit-castle“ (Der Spiegel 31, 1995). (Author translation: What’s going on at Daimler? No company has had to deal with so much negative publicity in the last years and in no large German enterprise have so many billions disappeared so quickly. Are the top executives possessed by a secret desire to destroy themselves? Or is the 100 billion Mark enterprise, which produces cars and satellites, microchips and postal sorting systems, so big in the meantime that it can’t be managed by the Board of Management and can hardly be controlled by the Supervisory Board? There is obviously too much bunched together under the roof of the Stuttgart concern which simply does not match together. And now everybody is fighting against everybody else: the carmakers at Mercedes against the airplane engineers at Daimler-Benz Aerospace (DASA) and everybody against chronically loss-plagued AEG. MBB and Dornier are fighting against each other within DASA, because these former competitors were forced to merge together. The only sign of common effort crops up when it comes to taking the concern’s central headquarters for a ride. During his time as DASA chief, Schrempp himself referred to these very headquarters as “bullshit castle”).

Ironically, Reuter’s successor’s career had actually initially profited from this failed strategy. Schrempp became the CEO of DASA, which catapulted him into the Daimler-Benz Board of Management. Under his leadership at DASA Schrempp had followed Reuter’s lead by buying Fokker. Although he had been responsible for losing billions, Schrempp had made a name of himself by admitting his mistakes publicly and then going on to prove himself as a competent and uncompromising downsizer by closing 6 production facilities and reducing the workforce by 16,000 employees. His public profile increased and his nicknames as “Rambo” or “Neutron Jürgen” were compared to Jack Welch’s restructuring of General Electric (Der Spiegel 15, 1995). However, in conservative corporate Germany this form of “Americanization” was highly contentious. This criticism peaked when Schrempp set his sights on intervening in the operative business of Mercedes-Benz, the business unit, which had survived the whole Reuter era because of its independence.

Even before taking office as Daimler-Benz CEO in May 1995, the press expected Schrempp’s expressed intention to interfere directly in all of the company’s business units to put him on a direct confrontation course with Mercedes-Benz chief, Helmut Werner (Der Spiegel 15, 1995).

> ...mit Fokker hat Schrempp dem Daimler-Konzern einen Sanierungsfall angeschafft, der noch Milliarden verschlingen könnte. Da kann Helmut Werner, Chef der Automobil-Tochter Mercedes-Benz, wesentlich mehr vorweisen. Und doch will Schrempp, der sich in seiner bisherigen Karriere als ausgesprochener Machtmensch erwies, künftig auch bei Mercedes eine Menge mitreden. Bislang konnte der Vorstand von Mercedes seine Geschäfte weitgehend selbständig führen und das mit beachtlichem Erfolg. In der Automobilfirma wurden fast 40 000 Stellen gestrichen, die Produktion wurde durchrationalisiert. Die neue Mittelklasse, die in diesem Sommer auf den Markt kommt, wird mit wesentlich niedrigeren Kosten als der Vorgänger produziert – das gab es bei Mercedes-Benz noch nie (Der Spiegel 25, 1994). (Author translation: ...with Fokker Schrempp acquired a firm in radical need of restructuring for the Daimler consortium, a task which could end up costing billions. Helmut Werner, head of the automobile subsidiary Mercedes has more to show for his efforts. Despite that, Schrempp, who has been proven to be obsessed with exorcizing power, wants to have more of a say even at Mercedes. Hitherto the CEO of Mercedes has been allowed to carry out his business more or less independently and he has done that with an enormous amount of success. Almost 40,000 jobs have been removed and production has been rationalized. The new middle class sedan, which will appear on the market in summer, will be produced at a much lower cost than its predecessor – something that has never happened before at Mercedes).

> Der Konflikt zwischen Schrempp und Mercedes-Chef Werner ist programmiert. Kurz nach der Ernennung Schrempps zum künftigen Daimler-Chef hatte Werner gefordert. „Ein so großer Konzern ist sinnvoll nur zu führen, wenn die einzelnen Firmen ein sehr hohes Maß an Selbständigkeit und Verantwortung haben“ (Der Spiegel 25, 1994). (Author translation: The conflict between Schrempp and Mercedes boss Werner is a sure certainty. Shortly after Schrempp had been chosen as the new Daimler CEO Werner had demanded „It is only meaningful to lead such a large concern, when the individual units are allowed to exercise a high degree of autonomy and responsibility”).

Schrempp’s rise to power posed a future threat to the Mercedes car and truck division, which was headed by Helmut Werner. Bringing in fellow colleagues Grube, Cordes and Deininger from DASA, Schrempp knew that a key to his success would be his ability to diminish the power of the Mercedes unit within Daimler-Benz. During the Reuter years the Mercedes division had become increasingly alienated from the rest of Daimler-Benz and pursued its own interests. Actually at the time of Schrempp's promotion to CEO, Mercedes' head Helmut Werner had been in secret negotiations with Chrysler without Reuter's knowledge (Vlasic and Stertz 2000). Werner had taken over Mercedes at a time of crisis. Sales had plummeted as a result of increasing competition in the luxury car market and Mercedes was perceived both as being too outdated in terms of design and overly expensive in production costs and marketability. Within a short space of 2 years Werner had been able to save 4 billion DM in costs, reduce his workforce by 36,000 employees and start a turnaround of the brand. The successful market launch of a revamped W124, now currently known officially as the E-Class (W212), would become the cash cow of the Mercedes brand in the 1990s. Not only would the vehicle successfully counter attack BMW's 5 model, this car built for business executives model would initiate a period of innovative styling, which had been missing at Daimler-Benz for decades. Werner was being celebrated as "Mr. Mercedes" and he was even the only German to be voted by the American magazine Business Week as one of the world's 25 best executives (Vlasic and Stertz 2000).

In May 1995 new Daimler-Benz CEO Jürgen Schrempp had no such standing, neither inside nor outside the company. In fact, at the beginning of his tenure as CEO, Schrempp's seemed to be getting weaker, whereas the Mercedes boss was getting stronger. As Schrempp's string of disasters grew week by week in 1995 (AEG, Fokker and Cap Gemini Sogeti), Werner grasped the opportunity to maintain the independence he had had under Reuter. It was Werner and not Daimler-Benz CEO Schrempp who leaked to the press in November 1995 that Mercedes was considering cooperating with Chrysler, and that these considerations did not rule out anything from joint ventures to a possible merger (Der Spiegel 46, 1995). Furthermore, Werner was not hesitant to criticize his new boss in public. Just as Mercedes was presenting its newest success at the IAA in Frankfurt in the fall of 1995, Schrempp was in America for the first time as Daimler-Benz CEO, presenting a new series of financial nightmares to Wall Street. Werner's new E-Class had already made a profit of 1.5 billion German Marks (DEM) in the first 6 months of production, but in an interview clearly addressed to his new boss he said that despite his success no Mercedes employee or customer could be pleased when they hear and read about the endless list of terrible things going on at Daimler-Benz (Der Spiegel 38, 1995). Schrempp's problems were not alleviated when he was detained by police for disorderly behavior in Rome, after celebrating his assistant's birthday on the Spanish stairs. Rumors spread quickly that married Schrempp was openly having an affair with his assistant. In 1995 it appeared as if Werner was the only sane and professionally serious senior executive in the company. Schrempp, on the other hand, appeared to represent a continuation of the excesses of the Reuter era. When Reuter announced his resignation from the Supervisory Board in early 1996, the anger of shareholders, employee representatives and Mercedes executives now turned wholly towards Schrempp and his Deutsche Bank advisor Kopper:

> Schrempp hat, noch nicht einmal ein Jahr im Amt, bereits kräftigen Schrammen abbekommen. Seine Entscheidungen, die AEG aufzulösen und die Zahlungen an Fokker einzustellen, werden selbst von den Betriebsräten des Konzerns mitgetragen. Die Art und Weise, mit der Schrempp den Konzern führt, löst allerdings Besorgnis und Zweifel aus. Betriebsratschef Karl Feuerstein hat Schrempp bereits ermahnt: „Mit dem Holzhammer sind die Probleme nicht zu lösen.“ Doch genau das ist Schrempps Stil (Der Spiegel 4, 1996). (Author translation: Although he has been less than a year in office, Schrempp has already taken a tremendous bruising. While his decision to disintegrate AEG and cease payments to Fokker have been accepted by the company’s employee representatives (Betriebsräte), the manner in which he is doing so is cause for concern and doubt. Karl Feuerstein, President of the employee representatives has already warned Schrempp “ The problems can’t be solved by smashing everything together with a hammer”. But that is exactly how Schrempp does things).

The uneasy peace between Werner and Schrempp lasted until Schrempp’s direct intervention into Mercedes affairs in the summer of 1996. Werner under Schrempp had continued to behave as he had done under Reuter, like a fully autonomous CEO. The first open dispute came when Schrempp publicly claimed that he had forced through the choice for a new head of the commercial vehicle division (Der Spiegel 31, 1996). The interview was a public demonstration of Schrempp’s claim to power and a clear signal to Werner. Half-year results pointed to a billion Mark record profits and this first sign of improvement under Schrempp provided the new CEO with the opportunity of isolating the Mercedes boss (Der Spiegel 33, 1996). Unfortunately for Werner it was the success of his own Mercedes division, with a jump in production from 590,000 to 650,000 vehicles, which was now helping Schrempp to consolidate his complete control of the company (Daimler-Benz AG Annual Report 1996). Although it was clear that Schrempp wanted to reorganize the whole company and to have control of the Mercedes organization, Werner was still too strong for Schrempp to simply fire him, and the powerful employee representatives still sided with the Mercedes boss against Schrempp (Der Spiegel 38, 1996).

> Gegen Werners Willen kann Schrempp eine radikale Reform nicht durchführen. Sein Ruf ist noch immer ein bisschen ramponiert, seit er auf der Spanischen Treppe in Rom in eine Polizeikontrolle geriet und holländischen Journalisten offen sagte, was er denkt: „Daimler-Benz braucht mich mehr als ich Daimler- Benz" (...) Betriebsrat Karl Feuerstein legte sich mit den Konzernobersten an: „Seit Monaten reden Sie nur über Profit und Aktionäre", schimpfte Feuerstein, „gleichzeitig fordern Sie mit einem Horrorkatalog Sparmaßnahmen in den Fabriken – so machen Sie die Mercedes-Kultur kaputt." Bei so viel Gegenwind wurde selbst Schrempp vorsichtig. Nur „im Konsens" mit seinen Vorstandskollegen will er die neue Konzernstruktur beschließen (Der Spiegel 38, 1996). (Author translation: It is impossible for Schrempp to push through a radical reform against Werner's will. His reputation is still too tarnished since tripping into a police interrogation on the Spanish steps and when in an interview with Dutch journalists openly commented: "Daimler-Benz needs me more than I need Daimler-Benz." ...Employee representative Karl Feuerstein has been feuding publically with the highest executive in the company: "You have been only talking about profit and shareholders for months", criticized Feuerstein, "at the same time you are demanding savings in the factory equipped with a horror catalogue of measures – if you continue this way you will destroy the Mercedes culture". In the face of such opposition even Schrempp has to be very careful. He plans to decide a restructuring of the company in a "spirit of consensus with his fellow members of both Boards).

In a classical exercise of Machiavellian politics, Schrempp devised a complex strategical plan to outmaneuver Mercedes chief Werner in the upcoming months. After Reuter it was clear that Daimler had to be restructured. Recognizing that he could not force his will against the Mercedes unit and its powerful union representative presence on the Supervisory Board, Schrempp altered his tactics. Instead of telling the Board what he wanted, he presented them with six options, ranging from complete domination of the subsidiary units by the Board to the complete autonomy of the subsidiary units. The fight continued on for weeks with both Werner and Schrempp presenting their respective cases to executives and the press for the future of Mercedes as if they were involved in a federal election fight. In the end Schrempp won and wanted to force Werner to resign immediately.

> Wochenlang setzte sich Werner dafür ein, dass Mercedes-Benz als Tochter des Daimler-Konzerns mit eigenem Vorstand doch noch erhalten bleibt. Das Mammutprogramm der nächsten Jahre, nachdem die Pkw-Produktion von 600 000 auf über eine Million erhöht

> werden soll, ist nach seiner Überzeugung nur von einem eigenen Mercedes-Führungsgremium zu bewältigen: “Ich kämpfe für die Einheit Mercedes-Benz. ...Schrempp kämpft dagegen”. Der Daimler-Chef will die Vorstände der Tochter Mercedes-Benz, DASA und Debis abschaffen und alle Entscheidungskompetenz im Daimler-Vorstand konzentrieren. Dort hat er das Kommando. Am Mittwoch vergangener Woche überzeugte Schrempp die Mehrheit des Daimler-Vorstands: Die Manager stimmten mit 6:1 für seinen Vorschlag. Einzige Gegenstimme: Helmut Werner (Der Spiegel 43, 1996). (Author translation: Werner had been fighting for weeks to retain Mercedes-Benz as a subsidiary of the Daimler concern with its own Board of Management. The mammoth program for the coming years, which aims to raise car production from 600,000 to over 1 million vehicles is only possible within independent Mercedes executive power, according to his conviction: “I am fighting for a unified Mercedes. ...Schrempp fought against this approach”. Schrempp wants to disperse of separate Boards of the subsidiary firms Mercedes-Benz, DASA and Debis. All of the decision-making powers should be transferred to the Daimler Board of Management. He is in charge there. ...Last week on Wednesday Schrempp convinced the other members of the Board to accept his conclusion with a vote of 6:1. The only dissenting voice was Werner’s).

Despite Schrempp’s initial victory, the 4-member Presidium of the Management Board nullified the result and voted just one week later to postpone any decision to restructure Daimler until at least early 1997. Both the Deutsche Bank and the employee representatives were acutely aware of the importance of Helmut Werner in Mercedes’ attempt to expand production to 1 million vehicles. This postponement was both a public rebuke of Schrempp and evidence of the degree of uncertainty within the complete organization concerning the future of the company. And the result encouraged Werner to continue fighting Schrempp in public. The open conflict was the main subject of every newspaper and financial journal for weeks, a fight hitherto unknown in corporate German, with each side feeding the press with information. In terms of the relevance for this case study, the fight was seen as the conflict between an aggressive American “Rambo” manager focused on short-term return on investment vs. “Mr. Mercedes” and the stakeholder tradition of the company.

Faced with this resistance, Schrempp again changed his tactics to regain support. A few weeks later he would address union representatives, toning down his vision of “profit, profit, profit”. Instead he would emphsize the need for “consensus” with all employees. He even went as far to promise never to say the word “shareholder value” again (Der Spiegel 47, 1996). People were confused. Who was the real Jürgen Schrempp? Schrempp needed the support of the employee representatives in order to oust Werner and tried to tone down his image to what the conservative Frankfurter Allgemeine coined “Rambo” light (Der Spiegel 47, 1996). The fight for the control of Mercedes was finally decided in late January 1997. Werner’s most important executives, Hubbert and Zetsche, accepted the jobs of running Mercedes under the leadership of Schrempp. Werner rejected an offer to become the company’s Chief Financial Officer and decided to resign from the company.

Notwithstanding the fierceness of the political battle between Schrempp and Werner, Schrempp trusted fully in the course embarked upon by his former rival initially. Werner was responsible for the decision to expand production Mercedes facilities to Brazil and the USA. In his analysis the market for automobiles would expand from 36 million vehicles in 1995/6 to 53 million by 2005. However, this expansion would take place in South America, Southeast Asia and China (Der Spiegel 17, 1996). All of these areas had high import restrictions, *e.g.* 70% in Brazil. The only possibility to enter these markets was to produce abroad. This had been the reason for Japanese success in the 1980s in the USA and now the same strategy was being applied worldwide. Werner envisaged an increase in the share of Mercedes vehicles built outside of Germany from 5% in 1996 to between 20 and 25% in the upcoming ten years. He had boasted confidently that the credo “Made by Mercedes” would able to supersede the famous “Made in Germany” quality image (Der Spiegel 17, 1996). Werner’s decision to build the M-Class in the USA was also motivated by currency concerns, which had been the main rationale for Reuter’s diversification strategy in the 1980s (Grunow-Osswald 2006). Building cars with American suppliers for American customers both paying in US Dollars in the USA would help to alleviate the current (1996) US Dollar (USD) - German Mark (DM) imbalance flow and instability.

Werner was also aware of the growing competition in the luxury segment and the need to counteract with other models. The S-Class’ market share in the first quarter of 1996 dropped 31% compared to the same quarter in 1995 (Der Spiegel 18, 1996), partially due to the introduction of tax for the private use of company cars and partially due to customers waiting for the new S-Class. But increasing competition had now provided customers with realistic alternatives. Although the MIT study (1990) had predicted a major assault from Japanese brands such as Lexus and Infiniti, this was only part of Mercedes problem. Lexus did make a huge impact in the US market, but Europeans were still unwilling to buy Japanese-made luxury cars. Instead, Daimler started facing competition from unexpected sources. Jaguar had been acquired by Ford in 1989 and had invested billions in trying to deal with the brand's notorious quality issues. This investment started to reap benefits when Jaguar sales exceeded Mercedes S-Class sales in the first quarter of 1997. Jaguar sales soared 29% while the ageing S-Class dropped 12% to fall into 3rd place behind European leader BMW 7 (Der Spiegel 20, 1997). In the same year, British engine maker Vickers decided to sell its Rolls Royce brand. Initially Daimler-Benz and BMW entered the race to acquire the prestigious top of the market marquee, but Deutsche Bank removed its support for Daimler's bid. The German car industry was then shocked to see Volkswagen enter the race. VW decided to counteract Mercedes' plans to build models to compete with their Golf (Rabbit) and Polo (Fox) by entering the luxury market segment (Der Spiegel 45, and 47, 1997). In the end VW did acquire three luxury brands; Bentley, Bugatti and Lamborghini (Audi). BMW acquired the Rolls Royce brand. Still the shock was tremendous at Daimler-Benz and forced them into the decision in early 1998 to build a luxury model above the current S-Class, the Maybach, and to create a new brand. Even while announcing plans Schrempp admitted that the Maybach project was not intended to actually make a profit, but rather to ensure that the most expensive top market luxury car in Germany was being built by Daimler-Benz (Der Spiegel 16, 1998).

4.4.2 Die Welt AG

The idea of Daimler as a "Welt AG" was CEO Jürgen Schrempp's answer to the failed "Technologiekonzern" (technology consortium) vision of his predecessor Edzard Reuter. Whereas Reuter had tried to diminish the role of the Mercedes passenger car and commercial business unit within the Daimler-Benz technology consortium, Mercedes would be the eventual focal point of Schrempp's tenure at DaimlerChrysler AG. Nobody at Daimler-Benz would have believed that in May 1995. The concept of a Welt AG was not Schrempp's master blueprint presented to the Boards, stakeholders, shareholders and the press on day 1 of his appointment. The Welt AG slowly emerged as the only option to ensure the future of the company, based on Schrempp's understanding of the challenges facing both the German economy and Daimler-Benz AG within the context of growing globalization. However this view of the future was not on the agenda at the beginning of his command. Schrempp was initially confronted with the confusion of the past ten years' development at Daimler-Benz. In his last public appearance as CEO in May 1995, Reuter had left shareholders and stakeholders with the impression that everything was in order at Daimler and he wasn't being forced to resign but instead was going into his well-earned retirement (Der Spiegel 30, 1995). It was the final proof that Reuter had lost complete contact with reality. The fallout of Reuter's deluded departure determined the new CEO's agenda for the rest of 1995.

Schrempp's initial challenges as CEO after May 1995 were focused on almost every aspect of Reuter's crumbling technology consortium **except** Mercedes. This lack of focus on Mercedes was dependent on three factors. Firstly, the dire financial situation at AEG and DASA were immediate problems requiring his full attention. Politically speaking, it was also the easiest means of withdrawing from his previous membership in Reuter's inner circle of technology executives. It is not usual for an incoming German CEO to launch a full attack on his predecessor, especially when the former CEO has just been elected to the Supervisory Board and is sitting in the audience. Schrempp's initial address to both Boards was front page headlines in Germany due to its ferocious nature (Der Spiegel 27, 1995). Schrempp's first impression would be lasting. He was a tough guy, who would stop at nothing ("ueber Leichen gehen" / Author translation: trample upon corpses) to get what he wanted.

Secondly, Schrempp's ideas of profit, shareholder value, increased working times and a host of other revolutionary ideas within a coordinated (Hall and Soskice 2001) German and European framework would be most difficult to implement in the heavily unionized and politically powerful Mercedes organization. Breaking with the past was easiest within the context of the business units on the brink of bankruptcy or in need of radical restructuring. It is salient to remember that Schrempp had taken over the largest financial disaster in peacetime history of industrial Germany (Der Spiegel 31, 1995). When he entered office in May 1995, it was already clear that it would not be possible to achieve overall positive results in his first fiscal year.

Thirdly, the Mercedes passenger and vehicle unit was responsible for 90% of Daimler-Benz's profits (Daimler-Benz AG Annual Report 1995). Mercedes head, Helmut Werner, was more powerful than Schrempp in May 1995. Werner made no secret of his feelings that he should be running Daimler-Benz (Der Spiegel 38, 1995; Vlasic and Stertz 2000). And if he was not destined to be CEO of the entire company, he expected to have full autonomy in determining the passenger car and commercial vehicle unit's strategy. Werner had already been negotiating with Chrysler since April 1995 about possible forms of cooperation, completely oblivious and uninterested whether or not he had Schrempp's support. In fact, after months of negotiations with Werner and his Mercedes team Chrysler officials were surprised that Schrempp had not been notified and that he was not interested in any deal with the Americans in 1995 (Vlasic and Stertz 2000). It is therefore surprising, that the birth of Welt AG in May 1998, less than 3 years later, would center on the role of the Mercedes passenger car and commercial vehicle unit as the centerpiece of the "automobile company for the 21st century" (Der Spiegel 49, 1998). Even more surprising from the perspective of 1995 was the fact that at the time of the DaimlerChrysler AG takeover Schrempp would have full control of Mercedes, flanked by Werner's former most important executives, Zetsche and Hubbert. The rest of this chapter concentrates on a description of the various aspects of the Welt AG, which in many ways was the first radical attempt by a German company to break out of the prevailing political and economic framework of corporate Germany. The next sub-section considers the general consequences of Schrempp's focus on shareholder value and profit maximization within the contexts of changes in industrial Germany in the 1990s. That will be followed by a final sub-section, which describes the emergence of the Mercedes unit as the focal point for a global company.

4.4.3 The impact of shareholder value at Daimler-Benz

The goals of the Welt AG consist of non-automotive and automotive industry components. The non-automotive aspects refer to Schrempp's attempt to revolutionize the role of Daimler-Benz within the traditional coordinated market economic framework known as Deutschland AG (Hall and Soskice 2001; Jürgens *et al.* 2000; Streeck and Hopner 2004). Some steps had already been taken before Schrempp became CEO. In 1993 Daimler had been listed on the New York Stock Exchange (NYSE) and the company had adapted American GAAP accounting procedures. This entailed the issuing of quarterly reports and more transparency for possible investors.

However, although the shift towards a focus on shareholder value had been initiated during Reuter's era, it was Schrempp who catapulted the issue on to center stage of corporate Germany. Schrempp, the head of Germany's largest and most powerful industrial conglomerate began publicly attacking the pillars of German industry, which were still widely regarded as the guarantee of a human and sustainable form of social market capitalism. In a nation, which had experienced the radical conflict between the absolute left and the absolute right just 6o years earlier, the German form of co-determination was also revered as a necessary pre-requisite for social prosperity and peace. Schrempp quickly became a hated target within German society with his brand of "Americanization" in the style of a radical form of capitalistic behavior unacceptable to most Germans. The perceived "brutality" of his downsizing and restructuring measure even went beyond Germany's borders and had far-reaching political ramifications. His decision to allow the Dutch aircraft manufacturer Fokker go bankrupt created a degree of tension in relations between the Federal Republic of Germany and the Netherlands. And although it was Nazi Germany that rolled over the Netherlands in 1940, people compared Schrempp's actions to Daimler-Benz's role during the SS-Regime, which had been meticulously, publicly and embarrassingly documented throughout the 1980s. Legal cases and negotiations were still underway regarding the possible compensation of survivors of the Nazi use of forced slave labor in large German corporations such as Daimler, Krupp and Siemens (Der Spiegel 27, 1995).

Even 6 weeks before Schrempp took over as CEO on May 24th, 1995 Spiegel published an article entitled "Profit, profit, profit" (Der Spiegel 15, 1995). The subtitle declared simply that the time for visions was now past and the only thing that would count in the future was annual economic success. Using a simple formula of 12% Return on Capital Employed (ROCE) legitimated Schrempp's radical downsizing of the Daimler technology consortium from 36 to 23 business units. The losers included not only AEG and large parts of DASA, but also the integral software unit of Debis. But as much as Schrempp harvested rejection from wide parts of Germany society, he was suddenly the darling of international financial institutions, anxious for a liberalization of the German market. A 1996 report of the London investment J.P. Morgan's financial analysis of Schrempp's first 15 months in office as CEO praised his restructuring efforts and assessed his focus on shareholder value as futuristic. International investors welcomed signs of an opening up of the closed coordinated insider's world of industrial Germany. Daimler's focus on ROCE at 12% was judged to guarantee a climb in the value of the shares from 88 to over 95 DEM per share in upcoming 1997 (Der Spiegel 43, 1996).

> Die Spezialisten aus London wollten es ganz genau wissen: Ein Jahr lang nahmen Nick Snee und Camilla Darwin den größten deutschen Industriekonzern unter die Lupe. Danach waren die bei den Automobilexperten des Wertpapierhauses J. P. Morgan Securities "äußerst beeindruckt". ...Das Lob, das sie in einer bislang unveröffentlichten, 176 Seiten starken Analyse verteilen, gilt vor allem einem Mann: Jürgen Schrempp. Und es gilt seiner Strategie: dem Shareholder Value. Dieses Konzept erklärt den Profit zum wichtigsten Unternehmensziel (Der Spiegel 43, 1996). (Author translation: The London specialists wanted to ascertain the situation exactly. Nick Snee and Camilla Darwin scrutinized Germany's largest industrial company for a whole year. The

automobile experts of stock investor J.P. Morgan Securities were “extremely impressed”. ...The praise they heap in a hitherto unpublished 176 page exact analysis is directed primarily towards one man: Jürgen Schrempp. And the praise is directed towards one goal: shareholder value. This concept declares profit to be the most important goal of the firm).

An important means of realizing this goal of profit maximization and enhanced shareholder value was the step to integrate management into a more profit oriented Weltanschauung. At a time when thousands of jobs were being destroyed within the Daimler-Benz organization and workers in the commercial vehicle division were being threatened with an increase in working time from 35 to 38 hours (Der Spiegel 27, 1996), Schrempp was making headlines with the Supervisory Board’s approval in April 1996 to introduce an American-style option plan for stock acquisition by the company’s own executives (Der Spiegel 15, 1996). It was one of his first measures that confirmed his determination to break with the institutional framework of a coordinated market economy known as the Deutschland AG. German executives were expected to perform independent of the need for external bonus motivation programs. But industry leaders were starting to view the missing link between performance, profit-seeking and rewards as a weakness. Proponents of a paradigm switch, such as Telekom boss Sommer, placed the blame of higher unemployment on a lack of focus on shareholder value in Germany. The civil service status of his employees, for example, at the former Deutsche Bundespost (Federal German Post Service), was completely out of touch with the current market situation (Der Spiegel 15, 1996). Schrempp was to become the main protagonist in the shift away from stakeholder to shareholder value. In the early phases of this paradigm shift he was radically alienated from employee representatives, who feared a decline into a kind of radical American Reaganomic form of capitalism. Not only Schrempp’s rhetoric justified these fears. Daimler had already decided to build their new SUV, the M-Class, in the non-union state of Alabama.

Despite his public tirades it was equally obvious that Schrempp was not going to be able to just steamroller decades of successful co-determination into history. Costly warn strikes and work stoppages at both the commercial and passenger vehicle divisions cost the company hundreds of millions German Marks and threatened the initial signs of economic recovery, which Schrempp desperately needed to solidify his position and legitimize his strategy. In addition, Schrempp increasingly had to experience throughout 1996 that his strategy to grasp full control of Mercedes still would require some form of consensus with the labor side of the

Supervisory Board. They in turn would be expected to defend the concerns of the employees and offer stiff resistance to Schrempp's attempted "cultural revolution" at Mercedes. One of Schrempp's first steps in this direction was to approach the employee representatives with a plan to reduce the number of top managers as a further signal to the unions that his restructuring was indeed affecting everyone. By starting at the top he was making true his promise of cleaning up at the "bullshit castle" headquarters (Der Spiegel 45, 1996).

> Mit dieser Selbstkritik will Schrempp die Betriebsräte für die geplante neue Führungsstruktur gewinnen, die auch Mercedes-Chef Helmut Werner entmachten soll. Schrempps Plan sieht eine Verschmelzung von Mercedes mit dem Daimler-Vorstand vor. Bislang standen besonders die Mercedes-Betriebsräte der Reform ablehnend gegenüber. Schrempp hofft, dass den Arbeitnehmervertretern die Zustimmung leichter fällt, wenn die härtesten Sparmaßnahmen zunächst das Management betreffen. Durch Personalabbau auf den Top-Etagen und kürzere Entscheidungswege sollen die Kosten um über 500 Millionen Mark gesenkt werden (Der Spiegel 45, 1996). (Author translation: Schrempp intended with this self-critique to convince the employee representatives to support his plan for a new management organization, which would also remove Mercedes boss Helmut Werner. Schrempp's plan envisions a melting together of Mercedes with the Daimler Board. Hitherto the Mercedes shop stewards (Betriebsräte) have been against the reform. Schrempp hopes that it will be easier for the employee representatives to approve the move when the toughest cost-saving measures impact top management first. The reduction of top-level managers and the resulting implementation of quicker decision-making processes are aimed at cutting costs by more than 500 million Marks per year).

This power gridlock within Daimler-Benz influenced a further change of the traditional roles of management labor relations at Daimler, which had been hitherto been characterized by co-determined moderate but continuous wage increases. The "system" had been threatened in the 1980s with industrial unrest surrounding the fight for a reduction of weekly work time from 38 to 35 hours, but basically workers at Daimler-Benz felt they had the security of a German civil servant combined with a much higher standard of living. Schrempp "cultural revolution" foresaw a mindset change, with his scheme allowing normal Mercedes employees to also profit from Daimler's profitability in any given year (Der Spiegel 27, 1997).

> Den Anfang der neuen Beweglichkeit machte Daimler-Chef Jürgen Schrempp. Im Frühjahr kündigte er an, künftig alle am Unternehmenserfolg zu beteiligen. Schrempp möchte Gehaltsanteile seiner Beschäftigten variabel gestalten, sie sollen an den Gewinn des Konzerns gekoppelt werden. Dem Unternehmen, meint der Konzernlenker, stehe eine Kulturrevolution bevor: Jeder Mitarbeiter solle sich künftig fragen, ob der Mehrwert, den er für das Unternehmen erwirtschafte, seine Kosten übersteige (Der Spiegel 27, 1997). (Author translation: Daimler boss Jürgen Schrempp has initiated a new form of flexibility. In spring of this year (1997) he announced that in the future all employees would benefit from the company's success. He wants to make the wage and salary remuneration more flexible by making it partially dependent on the company's profit. In the eyes of the company's strategist, his firm is about to experience a cultural revolution. Each and every employee should ask the question in the future, whether the added value he generates for the company is more than his other costs).

The scheme proposed a basic bonus of 270 German Marks per employee if the company's operating profit exceeded 1.5 billion German Marks. Moreover, employees would receive a further 38 Marks for each additional 100 Million Marks in profit. Even in the crisis years of 1995 and 1996 this would have meant 726 and 498 Marks per Mercedes employee respectively. This was in fact a real incentive, especially during a period where even "protected" groups of workers in the public service were facing holiday cuts, abolition of Christmas bonus money and hiring stops. The Mercedes car division's 1997 operating profits of 3.1 billion German Marks and the resulting payouts would go a long way to convincing employees of their interest in participating in Schrempp's vision of the future. His turnaround of the company had filled their wallets with more money than years of tedious union negotiations. This was especially true at a time when the number of blue-collar workers was being reduced but the number of white-collar engineers and MBAs was being increased proportionally. This younger group of well-educated and union neutral employees was more open to Schrempp's coupling of company profitability and universal bonus programs.

Daimler's criticism of Deutschland AG even extended to the coveted vocational and training system (Duale Ausbildung / Dual Education System). In a Spiegel interview, Daimler's head of Human Resources, Tropitzsch, criticized that necessary changes in the system were taking too long (Der Spiegel 27, 1997). Especially in the area of professional training, German engineers were simply too old at the time of entrance in the company. He also mentioned the willingness of American universities to work closely with Daimler as one of the reasons to locate the production of the new M-Class in the USA.

A final component concerning the non-automotive aspect of the Welt AG was the changed relationship to the Deutsche Bank. The Deutschland AG's complex myriad of holdings, cross-holdings and proxy majorities had allowed financial institutions such as Deutsche Bank to both control and protect industrial companies such as Daimler-Benz. The banks had forced Daimler to merge with Benz in the 1920s against the will of the managers and in the 1980s it was the Deutsche Bank, who brought in a non-Swabian outsider from Continental Tire, Helmut Werner, in order to restructure the Mercedes unit. However, Schrempp came to realize that even Deutsche Bank's 23% ownership could not save Daimler from a possible unfriendly takeover. His belief in the stock market notwithstanding, Daimler-Benz status as a German AG with a relatively undervalued stock market rating made it a prime takeover candidate. In 1995 he had witnessed firsthand how Kerkorian's attempted leverage buyout almost succeeded in taking over Chrysler. The price tag of 22 million dollars at the time was easily financeable for the likes of Toyota or General Motors or Volkswagen. He would again experience this threat in 1997, with Ford's open advances (Vlasic and Stertz, 2000). Within the context of the merger frenzy in the automobile world in the mid 1990s, it was a case of either taking over another company or risk being taken over. The German DAX 30 club was no longer protected from international financial interests. Continental Tire was almost taken over by Pirelli and "forced" to expand into the field of automotive electronics to protect itself, with the founding of Continental Automotive Systems. Even the BMW acquisition of the Rover Group seemed "normal", despite its ownership by the Quandt family (Brady and Lorenz 2000). In addition, Schrempp's close relationship the Deutsche Bank Board member, Hilmar Kopper, allowed him to see how the banks were starting to change their attitude to German DAX 30 companies. Holding large packages of underpriced shares was also impacting their profit margins negatively. Taking shareholder value seriously entailed reviewing the bank's own investment strategies. It is not surprising that within a month after the start of DaimlerChrysler AG's new DCX share on the world's stock markets, Deutsche Bank announced the selloff of all of their industrial holdings in favor of creating a new investment company, which would focus solely on the maximization of shareholder value. By 1997 it was clear to Schrempp that saving Daimler-Benz meant expanding the role and scope of the Mercedes-Benz unit.

4.4.4 Mercedes as the focal point of the Welt AG strategy

As has already been discussed, Schrempp inherited and continued to follow the expansionist policy within the Mercedes unit, which had been initiated by his rival, Helmut Werner. The plans for the A-Class, the M-Class and the Smart had all been laid down years before Schrempp became CEO. The planned launches of all 3 new additions to the Mercedes family in 1997 coincided with Schrempp's gaining control of Mercedes in January 1997. Ex-Werner executives, Hubbert and Zetsche were responsible for ensuring continuity in the division, and they were considered to be the most effective operative executives in the whole company (Vlasic and Stertz, 2000). They had played a major role in the Q-Star talks with Chrysler in 1995 and they would conduct the negotiations with Ford in 1997. Most importantly for the emergence of the Welt AG strategy, they were confident that the three new products would allow Daimler-Benz to reach the magical 1,000,000-vehicle production mark by the year 2000 (Vlasic and Stertz 2000; Daimler-Benz AG Annual Report 1997).

At the corporate strategy presentation to the Board in July 1997, the first time Schrempp appeared as boss of Mercedes, the discussion focused on growth possibilities. Since the mid 1970s Daimler had doubled its revenues every ten years. In 1997 Schrempp advisor Grube saw little chance for expansion in the area of financial services (Debis), aerospace (DASA) or the commercial vehicle division. That left the passenger car division, Mercedes. However, the luxury car market accounted for only 12% of the total global market for automobiles and was already overcrowded with increasing competition (Daimler-Benz AG Annual Report 1997). The industry did expect high growth in emerging markets such as South America, India, Southeast Asia and China. The future lay in radically increased volumes. That meant finding suitable partners. Mercedes would be able to reach the 1,000,000 mark by the year 2000 but it was already clear that any further expansion would heavily tax management resources and endanger the brand's reputation. The extent of this risk would become increasingly clear to Schrempp in the second half of 1997. Werner's plans to build the A-Class, the M-Class and the Smart were all delayed and disrupted before their planned production ramp-ups. The impending negative experiences with all three launches would expose the limits of both the Mercedes organization and brand identity for the future of the global car industry. It was already clear to Schrempp that Mercedes could not survive alone, but the mounting negative experiences with the A-Class, the M-Class and the Smart in 1997 radicalized the need for quick action.

The launch of the A-Class was a crucial part of Mercedes strategy. Similar to the introduction of the C-class back in 1982, the small compact car would re-open debates on Mercedes brand dilution. Similar to the C-class it would have positive commercial success, selling 1.6 million times in the first 10 years. The plan to build a South American version of the model at the new Juiz da Fora facility in Brazil was Mercedes' first car production facility in South America and a test of the company's ability to create modified global platform versions of the same vehicle. Technologically speaking, it was one of Mercedes few front-wheel drive models and an attempt to introduce more powertrain flexibility in Mercedes factories. Indeed, one of the technical reasons for the later inability to marriage Mercedes and Chrysler powertrain synergy effects was the former's reliance on rear-wheel drive models and Chrysler's preference for front-wheel drive vehicles (Bartel and Guadalupe 2008).

The A-Class had an impact on the emerging Welt AG strategy for a completely different reason; the "elk test". About 3,000 cars had already been sold when the test driver for a Swedish car magazine managed to flip over the A-Class while maneuvering to avoid an imaginary elk crossing the road. The results ensured the A-Class a place in the list of Mercedes' worst technical disasters (Der Spiegel 45, 1997). The initial enthusiastic reception of the auto world at the Frankfurt Motor Show (IAA) was now being torpedoed by fears that the car was unsafe to drive. Safety was one of the cornerstones of the Mercedes brand identity. Mercedes reacted quickly by recalling all of the sold vehicles. The solution to the problem would, however, underscore Mercedes' basic problem as a luxury brand. In order to prevent the car from tipping over a newly developed Electronic Stability Program (ESP) was installed as part of the car's standard package. This had two effects. First it increased the cost of building the car, making it more unlikely to be successful in the planned South American market. Secondly, it forced German competitors such as VW to install the same system in the Golf. The safety consciousness of the German domestic market would make it difficult for this segment of cars to compete internationally. Even in Germany the A-Class would be too expensive as an "entry" car for first time car buyers. Instead the sales of the A-Class would depend on the cash laden 50+ generations, who wanted Mercedes luxury without having to pay the costs of the C-class. In a shrinking luxury car market, Mercedes had added a new model to the group. In order to save the brand identity, each new Mercedes would have to be the car of the highest quality in its market segment.

This goal would be even more difficult to achieve with the new sports utility vehicle, the M-Class. Built in the USA, the concept for the M-Class had been a critical part of former

Mercedes CEO Werner to produce 25% of Mercedes vehicles outside of Germany. This raised doubts whether the Mercedes brand identity could really afford to renounce on its “made in Germany”. At the time, Werner’s optimistic prognosis was clear and concise.

> Unser Qualitätsstandard heißt heute Made by Mercedes“. Wir haben mit unserer Lastwagenproduktion sowohl in Brasilien als auch in den USA bewiesen, dass dort eine hervorragende Qualität herzustellen ist. Das werden wir jetzt auf Pkw übertragen Der Spiegel 17, 1996). (Author’s translation: Today our standard of quality is “Made by Mercedes”. Our commercial vehicle production facilities both in Brazil and the USA have proven that it is possible to achieve excellent quality levels there. This startegy will now be adopted the passenger car unit).

However, by late 1996 and early 1997 it was clear how difficult it would be to establish a completely new vehicle concept in a start-up greenfield-factory in the southern state of Alabama. More and more manpower had to be deployed from Germany in order to save the project. Although the immense quality problems surrounding the project would not hit the press until much later, it was clear that internationalization within the Mercedes unit would have its limits.

Mercedes’ plans for innovation in the area of lean production were also running into trouble in 1997. The Smart concept aimed to revolutionize production facilities. The industry-leading 4 hours per vehicle target would be twice as fast as any Japanese competitor (Der Spiegel 42, 1997). The concept radically reduced the role of Mercedes engineers and production specialists with its dependence on eight so-called system suppliers (VDO, Krupp-Hoesch, Eisenmann, Bosch, Rhenus, Magna, Ymos und Dynamit Nobel). These companies were to be responsible for the majority of both the development and production of the compact vehicle, restricting Mercedes managers to a coordinating role. In an era when Mercedes was busy bringing the various development departments together in its new Mercedes Technology center in Sindelfingen, Smart was located in Renningen. The whole logic and rationale of the Smart concept was heavily debated within the Mercedes organization:

> Viele clevere Lösungen sind den Lieferanten zu verdanken, von denen der neue Autohersteller Smart „brutalst abhängig“ ist, wie (Werksleiter) Bölstler sagt. Für manchen Entwickler bei Mercedes ist dies eine grauenvolle Vorstellung. Jahrzehntelang arbeiteten sie nach der Devise, daß ein Scheibenwischer nur dann ein

> Scheibenwischer ist, wenn er auch von Mercedes stammt. Doch wenn jetzt beim Smart selbst die Konstruktion des Cockpits oder der Karosserie von Lieferanten erledigt wird, wieviel Arbeit bleibt für die Mercedes-Ingenieure dann noch übrig (Der Spiegel 42, 1997)? (Author translation: A lot of clever solutions can be credited to the suppliers, who the carmaker Smart is „absolutely dependent“ upon, according to (plant manager) Bölster. This is a horrible vision for many Mercedes' developers. They have been working for decades according to the motto that a windshield wiper is only a windshield wiper if it comes from Mercedes. However, if now at Smart even the engineering and design of a cockpit or the bodyshell comes from suppliers, what's left for Mercedes engineers to do)?

In a decade which witnessed a continued increase of Mercedes' dependence on suppliers, the Smart experiment took on symbolic character within Mercedes. The fact that the Smart never had a Mercedes star made it easier for insiders to hope that it would fail and indeed many were pleased when it was announced in December 1997, that the launch would have to be postponed by 6 months due to quality and manufacturing issues (Der Spiegel 52, 1997). After the A-class disaster due to the elk test, the Smart delay was the second major fiasco for the new Mercedes head Hubbert in his first year in office. Daimler-Benz CEO Schrempp intervened in both cases, ordering the ESP fix for the A-Class and firing the development head of the Smart project. However, he still adhered to Mercedes expansion program. More importantly, however, these 1997 experiences confirmed his belief that Mercedes would need additional partners in order to remain economically valuable.

The globalization and product stretching of the Mercedes brand was showing its limits in 1997. Furthermore, experts within the industry saw expansion in the market for small inexpensive cars for South America, India, Southeast Asia and China. Mercedes had no experience in this area. Throughout 1997 Schrempp had been asking both his global strategists (Grube and Cordes) and Mercedes bosses (Hubbert and Zetsche) for suggestions for possible worldwide partners. His one condition was that Daimler had to have the lead in any project. So it was clear that he would reject Ford's advances toward Mercedes in late 1997. However, if Ford had wanted to launch a hostile takeover, Schrempp would be almost powerless to prevent it. He would need the assistance of the same Deutschland AG he had been busy attacking since coming into office. Fortunately for Schrempp, it was the Ford family, which rejected the deal. By the end of 1997, Schrempp envisioned two possible complementary partners, Chrysler in the USA and Nissan in Japan. The implementation of the

Welt AG strategy would begin in January 1998, when Schrempp approached Chrysler CEO at the Detroit Car Show, the industry's traditional New Year's kick-off event.

4.5 Chrysler's motivation to merge

The first merger considerations between Chrysler and the German luxury carmaker had been in April 1995, one month before Schrempp became Daimler-Benz CEO. Then Mercedes head Helmut Werner offered to "help" defend Chrysler against an unfriendly takeover bid from the American company's largest shareholder Kerk Kerkorian and ex-CEO Iacocca (Vlasic and Stertz 2000). Although Kerkorian would fail to get the financing needed to close the deal, he would continue to fight against CEO Eaton for the rest of the year. In order to achieve his goal of increasing dividends and increase a focus on shareholder interests, Kerkorian would align the services of former Chrysler Chief Financial Officer, York, and force his appointment to the Chrysler Board. During this time Mercedes and Chrysler were studying various options for cooperation (Vlasic and Stertz, 2000). The two major Chrysler projects were the so-called Lone Star and Q-Star plans. The Lone Start plans envisaged a Chrysler future without any intervention of an outside company. The Q-Star variation explored possibilities ranging from joint ventures to a full merger between Chrysler and Mercedes. In 1995 the discussions failed for four reasons. Firstly, it became clear that Kerkorian's threat was not as serious as at first believed. Secondly, initial studies found very few possibilities for working together. Thirdly, newly elected Daimler-Benz CEO Jürgen Schrempp wanted no part of any deal, which had Mercedes rival Werner's signature on it. Lastly, Chrysler Vice President Lutz did not want to work with Mercedes. Swiss-American Lutz had worked for many years at BMW, Ford and Opel in Germany and he knew Mercedes well. He was convinced that Mercedes was just too big and too slow for the lean structure and quick-decision making culture of Chrysler in the 1990s. Both sides agreed to remain on friendly terms but to not pursue any further common projects. Indeed, Chrysler went on to sign an engine cooperation deal with BMW for the South American market. Lutz was behind the agreement on the Chrysler side and Mercedes officials viewed this as an arrogant and unacceptable breach of trust on the part of the Americans (Vlasic and Stertz 2000).

It is therefore relevant to ascertain the changes between 1995 and late 1997 at Chrysler, which made CEO Eaton interested in listening to Daimler boss Schrempp's offer less than 3 years later. Firstly, the Kerkorian takeover attempt had strengthened Eaton's position inside the company. Eaton had come to Chrysler as an unwelcome outsider from GM. Iacocca had picked him as his successor to block his rival Lutz from becoming the new CEO (Vlasic and Stertz, 2000). Lutz and others had been responsible for creating Chrysler's new platform and supplier strategy. Even Eaton himself admitted that he had had little to do with the architecture responsible for Chrysler's dynamic success. The Kerkorian crisis was Eaton's first real chance to display his leadership ability both inside and outside the company. Furthermore, Eaton was acutely aware of Chrysler's major weaknesses. His two major areas of direct interest were internationalism and quality. Eaton had aimed to increase Chrysler's turnover outside the NAFTA region to 20%. By late 1997 it was clear that this goal was an illusion. Chrysler's foreign source of income remained stagnant at around 8%, as none of their models were really suitable for driving styles and infrastructures outside of the United States. A special project to create a cheap vehicle for the Chinese market even failed to meet every fuel consumption, emissions and safety test. This international failure was coupled with Eaton's awareness of the limits to Chrysler's growth in the USA. America's economy had been booming during the Clinton years and Chrysler had grabbed 16% of the American market with its innovative mini-vans and SUVs. However, even the most optimistic prognosis could not envisage more than 20% of the market. Furthermore, Chrysler's dynamic innovation had had its price. The Chrysler platforms had reduced development times and costs dramatically, but exploding market demand caused Chrysler to cut corners on quality control and part maturity. Their vehicles were market successes, but quality was below industry average according to J.D. Power studies. In addition, the Japanese and American competition were starting to imitate Chrysler products but with a higher quality and lower price. It was only a question of time before Chrysler niche product markets would be as oversaturated with vehicles as the conventional sedan market. At the same time, the generation of executives responsible for creating the new Chrysler in the 1980s and 1990s were now coming to the end of their careers. The thrill of having helped saved Chrysler in 1992 was slowly being replaced by the realistic awareness that the boom in the American economy, which was fuelling their expansion, would soon come to an end. Eaton himself was aware of the fact that every CEO at Chrysler in the last 40 years had been forced to leave due to a crisis. Chrysler results and earnings for the year ending 1997 had reached record levels. Even the company's enormous pension fund was covered for the first time in 20 years (Vlasic and Stertz, 2000), but from Eaton's perspective they had to change their strategy very quickly in order to avoid the previous boom bust cycles of the past. Working together with either GM or Ford would mean the destruction of Chrysler. Just as Chrysler had only preserved the Jeep brand after its acquisition of American Motors Company in 1987, so too would the Big 2 only cherry pick Chrysler brands such as Dodge and Jeep. The cooperation between both Honda and Mitsubishi had been instructive, but the overlap of products was viewed as too extensive to justify a more intense form of partnership. That left the German automakers and perhaps Fiat. In 1997, the logical choice seemed to be cash-heavy Daimler-Benz.

Schrempp's Welt AG strategy was composed of a number of elements. Firstly it foresaw a continued increase in automobile productivity. Secondly, he planned an increase of productivity outside of Germany to cut production costs and create more protection against the continuing weakness of the dollar. Within this period of uncertainty in the automobile industry there was a growing trend towards international mergers and acquisitions. The value of global M&As involving American firms exploded tenfold between 1990 and 2000 (Stahl et al. 2004). According to EU statistics (Jonung 2005), worldwide cross-border M&A activity tripled between 1990 and 2000. Within the car industry this trend developed into a frenzy in all-out rush to secure large volumes, ignoring the fact that the industry itself was plagued by exactly the reality of chronic overcapacity of at least 100% in relation to market possibilities and saturation, despite the promise of new emerging markets in eastern Europe, India and China. Blaško, Netter and Sinkey (2000) put together the following overview of the car industry in 1998. The figures for DaimlerChrysler AG and its market potential appear particularly impressive when one compares earnings, revenue and available cash in relation to the number of vehicles being produced. These numbers reflect both the cost effectiveness of Chrysler at the beginning of the takeover and Daimler's ability to maximize its earnings per luxury car owing to the high costs of their options.

Table 6: Industry Overview (1998)

Largest Carmakers	Earnings	Revenue	Car sales	Cash	Rumored merger partners
General Motors	$ 2.8 bn	$ 140 bn	7.5 million	$ 16.6 bn	Isuzi, Suzuki, Daewoo
Ford Motor*	$ 6.7 bn	$ 118 bn	6.8 million	$ 23.0 bn	Honda, BMW
DaimlerChrysler AG	**$ 6.5 bn**	**$ 147 bn**	**4.0 million**	**$ 25.0 bn**	**Nissan, Fiat**
Volkswagen	$ 1.3 bn	$ 75 bn	4.6 million	$ 12.4 bn	BMW, Fiat
Toyota Motor Co.	$ 4.0 bn	$ 106 bn	4.5 million	$ 23.0 bn	Daihatsu, Hino
Honda Motor Co.	$ 2.4 bn	$ 54 bn	2.3 million	$ 3.0 bn	BMW

*In the spring of 199, Ford Motor acquired Sweden's Volvo car division for $ 6.5 bn. Volvo sold 444,000 cars in 1997. DaimlerChrysler AG called off merger talks with Nissan. Subsequently, Renault of France acquired a stake in Nissan.

Source: (Blaško, Netter and Sinkey 2000 78). DaimlerChrysler AG Tables Index 4.1.

4.6 Conclusions

This chapter has shown how Schrempp's Welt AG strategy emerged as a forced reaction to the failure of his predecessor's (Reuter) failed attempt to diversify Daimler-Benz into a technological consortium. The tools of shareholder value and profit maximization as defined by return on capital employed (ROCE) were employed to downsize the number of business units. This downsizing led to a remarkable period of economic recovery at Daimler-Benz between 1995 and 1997.

In addition, Schrempp saw himself confronted with the powerful head of the Mercedes business unit, Helmut Werner. In a brilliant strategical move, Schrempp confiscated Werner's philosophy of the expansion and globalization of the Mercedes brand. At the same time Schrempp succeeded in joining the positions of Mercedes CEO and Daimler-Benz CEO, thus making Werner redundant. Werner was forced to retire from Daimler-Benz in January 1997 (Der Spiegel 4, 1997). Schrempp adapted Werner's belief that the future of the company lay in the rediscovery of its historical strengths in the passenger and commercial vehicle sectors. However, Werner's strategy was restricted to the Mercedes brands and his radical expansion of the power of the brand by creating ten new models in a space of only three years still was not enough to achieve the magic number of 1 million units per year (Daimler-Benz AG Annual Report 1997; Brady and Lorenz 2000). Having focused his recovery strategy on the hegemony of the passenger and commercial vehicle units of Daimler-Benz, Schrempp was now forced to seek mergers, partnerships, alliances or takeovers with other companies in order to complete his vision of a vehicle Welt AG. His vision of a German-led Welt AG made Mercedes-led takeovers the most likely strategy. The missing pieces of the strategy were North America and Asia in terms of passenger cars. In the field of commercial vehicles, Daimler-Benz still lacked a suitable presence in the Asian markets. These two weaknesses would determine Schrempp's decision to first approach Chrysler in January 1998, but not to stop there. It also explains his urgency to begin looking for an Asian partner as quickly as possible. He approached Nissan in January 1999. Following the rejection of his proposals from the Board, Schrempp would begin courting Mitsubishi in late 1999, which would result in ownership of a controlling share in 2000. The events and results of this failed Asian strategy will be examined in Chapter 5.4.4. In conclusion it is possible to characterize Schrempp's WELT AG strategy as a desperate attempt to create results with takeover targets (Chrysler, Nissan and Mitsubishi). In the time frame 1998-2000 the strategic positioning of the three takeover targets was even more desperate.

On the Chrysler side, by 1998 CEO Robert Eaton had become more conscious of the strategic weaknesses of Chrysler compared to the negotiations between Chrysler and Mercedes in 1995. In 1995 Robert Lutz was still a powerful member of the Chrysler strategic management and his adamant rejection of any cooperation with the German firm had prevented a deal being made. By 1998 Eaton realized that something had to change. Despite marketing and styling successes Chrysler still could not achieve 20% of the NAFTA market. Furthermore the company had negligible presence in the rest of the market. Eaton was also highly aware of the cyclical nature of Chrysler's successes and failures. This is perhaps the only weakness of Vlasic and Stertz's (2000) account of the DaimlerChrysler takeover. The authors tend to characterize Eaton's actions as an egoistically driven decision to sell out the company. In actual fact, the decision to sell did make sense in terms of providing Daimler capital to insure funding of the company's pension funds. Daimler-Benz ownership of Chrysler would also provide investment capital for product innovation and protection from a possible takeover. The experiences of the attempted takeover in 1995 provide sufficient evidence of that distinct threat. As he expressed in an interview with Der Spiegel after the takeover, his motivation to sell was based on his conviction that only ten automobile companies would survive (Der Spiegel 41, 1998).

The situations at Daimler-Benz's Mercedes unit and Chrysler have been shown to be less optimistic than the hype of the May 1998 takeover announcement suggested. Both companies faced serious challenges and contradictory strategies. The next chapter will now show why and how the takeover failed to reach any of its announced goals.

5 MEASURING THE TAKEOVER FAILURE

This chapter focuses on measuring the extent to which DaimlerChrysler AG failed to meet the three most important goals outlined by CEO Jürgen Schrempp in May 1998:

1. increase shareholder value
2. maximize synergy effects
3. enhance customer satisfaction

It will be argued that the failure to meet any of these targets contributed to the failure of the takeover, which led first to Schrempp's resignation in July 2005 and later resulted in the decision to sell Chrysler in February 2007.

5.1 Financial failure to increase shareholder value

The story of DaimlerChrysler's inability to increase shareholder value spans its historic rise in January 1999 to over \$108 followed by its continuous fall to around \$40 until the announcement of Schrempp's resignation in July 2005. Daimler's shares would ultimately be delisted completely from the New York Stock Exchange (NYSE) in 2010.

5.1.1 DCX: The first truly global share

One of the most important justifications for the takeover deal between Daimler-Benz AG and Chrysler was CEO Jürgen Schempp's promise that "we will improve return and value for our shareholders" (Blaško, Netter and Sinkey 2000 78). Indeed the combination of secrecy and shock at the surprise announcement of the takeover on May 7th, 1998 led to an increase of value of the combined firms of \$10.2 billion within 24 hours. Chrysler shares skyrocketed 30.9% and even the more cautious German side reacted with a jump of 4.6%. As Blaško, Netter and Sinkey 2000 point out, this return was consistent with expert predictions of synergy benefits of \$1.4 billion in the initial year of commonized business and thereafter annual savings and benefits of around \$3 billion. According to their calculation, at the beginning of the takeover the actual combined increase in shareholder value was aligned to the new company's announced expected benefits. In the year following the announcement of the takeover, however, DaimlerChrysler AG's DCX share would underperform all three critical German and American indices, DAX30, S&P500 and the DSWorld (Blaško, Netter and Sinkey 2000 99). Both measuring in terms of euro-returns (-9%) and dollar returns (-34%), Schrempp had not been able to deliver on his shareholder value promise. The announcement of poor second quarter earnings on July 29th, 1999, led to a further 8.8% plummet of the DCX listing (Blaško, Netter and Sinkey 2000 99).

However, back in May of the previous year the vision of DaimlerChrysler AG's new share, DCX, promised to be the world's first "truly global share" (Karolyi 2003). Since 1927 most non-U.S. companies made use of an American Depositary Receipt (ADR) to facilitate cross-border dealing. It was also the means Daimler-Benz had employed since its initial listing on the NYSE as of October 1993. The ADR had significant disadvantages, including the need for an intermediary American depositary bank, acting between investor and issuer (Karolyi 2003 414). DCX was the very first stock to make use of the new "global registered share" (GRS) system, which promised real international decision leeway, flexibility and transparency. ADR was *de jure* and *de facto* simply a receipt from an American depositary bank. This development was not trivial, as more than 10% of all trading on the NYSE involves ADR transactions. The new GRS share was to be traded simultaneously both in American dollars in New York and euros in Frankfurt. It would allow shareholders easier direct access for the registration and transfer of their investments. DCX seemed to promise a major revolution in the advancement of global trading and presented a challenge to the hitherto hegemony of the New York Stock Exchange (Karolyi 2003).

The appearance of DCX's globalism was, however, just an illusion. On the one hand, stockholders were equally present in both Europe (44%) and the USA (44%). There were three main stockholders, Deutsche Bank A.G. (23%), the Emirate of Kuwait (13%) and American billionaire Kirk Kerkorian/Tracinda Corp of Los Vegas). In addition 17,000 so-called institutional investors held almost 50% DaimlerChrysler AG shares, while 1.3 million retail investors were responsible for approximately one quarter of the company's ownership. The remaining 3% were held by managers and other "insiders". More than 99% of the voting shareholders of both companies accepted the conversion of value offers to create the new DCX stock (Blaško, Netter and Sinkey 2000). On the other hand, this seemingly highly diversified global balance of shareholders would melt away within the first year of DaimlerChrysler as a result of critical reactions from major American financial institutions and their corresponding investment strategies.

5.1.2 The Standard and Poor's 500 mistake

Legally speaking, the newly created DaimlerChrysler AG was an AG and incorporated under the jurisdiction of the legal framework of the Federal Republic of Germany. As pointed out in the company's prospectus on the takeover (DaimlerChrysler AG 1998; Blaško, Netter and Sinkey 2000: 92) Chrysler Inc. retained its legal entity status and became a wholly owned subsidiary of DaimlerChrysler AG. A direct merger would have entailed costly tax and regulatory issues. This decision was to have an immediate negative impact on shareholder value. Before the new stock went public on November 18th, 1998 Standard & Poor's announced a decision, which shocked the evolving management at DaimlerChrysler AG. Standard & Poors decided to drop Chrysler from their influential S&P500 index. The reasoning was simple; Chrysler was no longer "American", but had become part of a German corporation. As the S&P Index Committee justified its decision:

> The S&P500 covers leading companies in leading industries and reflects the importance of the US markets and economy. Investors see the index as the key benchmark for the US markets. Moreover investors recognize that companies and markets in one country perform differently from companies or markets in other countries. Our action today (dropping Chrysler) affirming that the S&P500 represents the US market and companies is a reflection of how investors manage their investments. (Blitzer 1998 quoted in: Blaško, Netter and Sinkey 2000 97)

> S&P spokesmen Will Jordan underlined this decision in an agency interview: "It's a German company, it pays taxes in Germany, and it is incorporated in Germany. Our long-standing policy is that non-U.S. companies will not be added to the S&P U.S. indexes. It's fairly straightforward". (Business Wire Oct. 1, 1998 quoted in: Blaško, Netter and Sinkey 2000 98)

The market's reaction in America was immediate and negative. Chrysler recorded a one-day drop of 14.6% and share activity doubled in the upcoming weeks, as a myriad of North American trust funds attempted to unload their investments in the U.S. carmaker. Not only did the S&P announcement trigger the biggest single-day negative event in the first 12 months of DaimlerChrysler AG's existence, it was also an ominous forerunner of more bad news to come. Six months later, on March 15th, 1999, DaimlerChrysler AG announced that the percentage of U.S. shareholders had dropped to 25%, mirroring mutual fund managers' reluctance to invest in non-U.S. companies. Despite all Schrempp's efforts to increase shareholder value, there was a remarkable drop in activity on the American side. Karolyi's 2003 examination of the impact of GRS (global registered share) trading revealed the exact opposite impact to what had been expected. Most of the DCX shares were being traded in Frankfurt and in 2003 the New York Stock Exchange accounted for only about 5% of all DCX stock volume.

Before the takeover (December 31st, 1997) Daimler-Benz had had a market capitalization of $36 billion compared to Chrysler's level at $23 billion. In stark contrast to the reluctance of Germans to invest in stocks, Daimler-Benz had 550,000 shareholders, mainly due to their practice of issuing shares to employees as part of their compensation plans. On the other side, Chrysler had 135,000 shareholders. In this regard Daimler-Benz had always been an anomoly within the German system, even before the creation of DaimlerChrysler. As Jürgens et al. (2000) have observed, Germany is generally cited as being a classical case for a non-shareholder orientation, with only 6% of the population in Germany holding shares in 1998 compared to 40% in the United States of America.

The introduction of DCX as a global registered share was meant to be a tool of shareholder value enhancement by allowing quick, direct access to the markets for investors around the world, and by being tradable in both Deutsche Mark and U.S. Dollars. Part of the initial charisma and dynamism of Jürgen Schrempp at the beginning of his period in office as CEO at Daimler-Benz was his challenge to German society to wake up to the reality of world markets, globalization and the need to move quickly to a focus on shareholder value. In addition experts hoped that DCX would provide for more transparency as a result of the elimination of intermediary banks and the introduction of a "Global register" to simultaneously inform the Deutsche Boerse and Clearing and Depository Trust Company within an environment of genuine cross-border trading. DCX was also intended to prevent the phenomenon of flow-back, which constantly thrEatons international cross-listings. Flow back refers to the shifting of investment back to the home country of the mother company, in this case Daimler-Benz (Karoyli 2003). Although the DCX stock was being traded in two currencies, it was assumed that the issue of a single share would eliminate the tendency for investors to concentrate their activity in the home country of the country. DaimlerChrysler AG legal entity was that of a German AG and therefore its "home" stock exchange was located in Frankfurt.

Karoyli (2003) conducted a compendious comprehensive comparison of Daimler-Benz, Chrysler and DaimlerChrysler share activity worldwide between 1993 and 2003, also during the pre-takeover ADR and post-takeover GSR phases. To his surprise he ascertained that in the case of DCX the exact opposite developments took place than had initially been predicted. After the initial euphoria surrounding the surprise announcement of the takeover between May 5th and May 7th, 1998, the stocks began losing in value as of January 1999. More damaging was the fact that interest in DCX as an investment diminished rapidly. By February 1998 daily trading on the New York Stock Exchange was less than 50% of what it had been for Chrysler's stocks one year earlier. The trading on the NYSE comprised less than 5% of the total trading for DCX in 2003. Overall liquidity fell, price volatility increased, flow-back increased dramatically and there was no enhancement of shareholder value. Although Daimler continued to be listed on the NYSE after the disbandment of DaimlerChrysler AG in 2007, Daimler eventually delisted from the NYSE in 2010, due to a complete lack of investment interest on the other side of the Atlantic. The company was back to where it had been in 1993, when almost 99% of the daily turnover of Daimler shares was conducted in Frankfurt. The failure of the GSR issuing and the failure of DaimlerChrysler AG to implement DCX as a truly global share was one of the main reasons for the failure of the company to reach one of its most important declared justification of the takeover in the first place, namely the enhancement of shareholder value.

Throughout the whole history of DaimlerChrysler AG the relationship between the company and CEO Jürgen Schrempp in particular and Wall Street was difficult and accompanied by very public condemnations on each side. The takeover had a high profile presence in the financial media and Schrempp constantly accused Wall Street and publications such as The Wall Street Journal of not understanding his company's market potential. Certainly the introduction of DCX as a Global Registered Share posed a threat to the market hegemony of the NYSE as a critical institution for the hegemony of the United States of America as the world's most important stock market. DCX meant possible substantial losses for American clearance banks and the possibility that stock trading could be carried out simultaneously worldwide, which potentially posed a long-term threat to the power of Wall Street. It should not be surprising that a number of American institutions took measures to counter this threat, starting with Standard & Poor's refusal to list DCX on their 500 index and continuing with the NYSE's almost complete disregard of DCX as an investment possibility.

5.1.3 The resiliency of national institutions

Germany is generally viewed as a classical non-shareholder value economy and consciously rejects the "Anglo-Saxon approach", which places high value both on shareholder value and the salience of equity markets as critical tools of corporate governance (Hall and Soskice 2001). Indeed it was not really until the DaimlerChrysler AG takeover that the topic really became an issue of public and corporate debate, which was seen as a threat to the dominating role of the banks, the system of co-determination and a company-centered management system (Streeck and Hopner 2004; Der Spiegel 20, 1998). In addition, the appearance of DCX coincided with Deutsche Bank's decision to rid itself of all its industrial holdings including Daimler in December 1998. In addition Daimler-Benz's expansion of production globalization raised threats to the so-called "Standort Deutschland" (location Germany), which perceived the major economic strength in its ability to manufacture high-quality goods for export. The threat to Germany as a manufacturing location would jeopardize the foundations of industrial peace within the country as evidenced later by Opel and Nokia. Furthermore, with the inclusion of 1400 senior executives in Daimler-Benz's stock option plan in 1997, managers started to follow the fate of the company's stock daily for the first time in the 112 year history of the company (Daimler-Benz AG Annual Report 1997). At first glance it appeared that CEO Schrempp was indeed radically changing the German business mindset.

The wave of cross-border mergers and acquisitions, increasing globalization of the workforce, combined with radical financial risks to the country's pension system and the expressed need to deregulate Germany's financial markets all led to an increased perception, that the historical benefits of Germany's long-term focus on corporate governance was outdated and in need of restructuring. Moreover, the increasing Europeanization of the German economy within the EU raised questions of the possible creation of a new non-German corporate charter for all European companies.

Still, the emergence of DaimlerChrysler AG and its primary focus on profit maximization represents an anomaly within the German economic environment in terms of its sudden focus on shareholder value (Der Spiegel 15, 1995). Management behavior can only be impacted in countries where a sufficient part of the corporate sector is stock-market quoted and where the major investors are oriented in their decision making primarily driven by value enhancement. Before the takeover, the value of the stock market in Germany in 1997 accounted for only approximately 30% of gross domestic product, compared to 100% in the USA (Jürgen *et al.* 2000). Only 700 companies were listed and the DAX 30 listing of Germany's largest blue-chip companies, including the largest member of the group Daimler-Benz, accounted for over 70% of total market capitalization. So although CEO Schrempp's vision of shareholder value appeared to be revolutionary within a German economic context, it was still a relatively minor phenomenon. Despite a slight increase in private household's interest in the stock market at the start of the dot.com frenzy, only 15% of all shares were held privately. Germans invest traditionally in short-term savings (28% in 1998) and insurance policies (19% in 1998). In addition, over 50% of all shares are owned by banks, insurance companies and other companies, closely integrated together within a network of long-term cooperation, guaranteed by cross-holdings of shares and the two-tier Board system, with its guarantee of co-determination and strong labor presence. The dominating role of the banks is underlined not only by their own ownership of shares in large companies, but also by the German system of proxy voting (Depotstimmrecht), which gives them a majority of the voting rights at the annual general meetings of companies. This power is reinforced by the network of Germany's business elite, which effectively protects them from the outside world and decreases the need for a focus on market value orientation. The system of co-determination including the separation of power of the management and supervisory board, the rights and influence of labor in institution such as the works council and the supervisory board all seem to generate a focus on long-term stakeholder oriented stability. The members of the supervisory board have to control company management and to prevent the misuse of power. At the same time, they are part of an encompassing network which functions as a means of social integration and cohesion among the business elites and to which they owe the position they have (Jürgen *et al.* 2000). This particularly German variety of capitalism has often been questioned by Anglo-American critics, most predominantly by Jensen and Meckling (1979). If co-determination is beneficial to both stockholders and labor, why do we need laws which force firms to engage in it? Surely they would do so voluntarily. The fact that stockholders must be forced by law to accept co-determination is the best evidence we have that they are adversely affected by it. Despite this critique, Jürgens et al. (2000) find no substantial evidence to support this claim, arguing instead that the implementation of the instruments of corporate governance can vary substantially from company to company. So how can we explain Daimler's attempt to focus on shareholder value, starting with its listing on the New York Stock Exchange in 1993, its introduction of the American accounting system GAAP and its issuing of quarterly reports?

Certainly Daimler as Germany's largest company at the time wanted to throw in its weight in the ongoing discussion and attempts to liberalize the regulation of the country's financial markets. These changes included the creation of the "Neuer Markt" (new market for venture capital) and an exodus of the major banks from industrial holdings, such was the case of Deutsche Bank in December 1998. The Neue Markt, created in 1997, aimed to allow new and developing companies easier access to venture capital in the form of Initial Public Offerings and in its first two years of existence outperformed the DAX by 400%. DaimlerChrysler AG and Schrempp viewed themselves as leading forces in an attempt to create a new business culture more suitable to an increasingly globalized world characterized by a significant increase in cross-border mergers and acquisitions focusing on the purpose of value creation. Particularly the Mittelstand (medium-sized companies) in the automobile industry was particularly affected adversely in the 1990's. Large American first-tier suppliers had been utilizing their capital to cherry pick the jewels of German engineering. Daimler was increasingly being forced to deal with the likes of Magna, Delta, Johnson Controls and Oxford as suppliers, as their traditional Swabian middle sized supplier companies disappeared one by one. At the same time, Daimler-Benz's DAX presence made them a potential takeover victim, with Ford in particular buying up a number of luxury brands to consolidate their overall market competitiveness. The hostile takeover of Mannesmann and Pirelli's attempt to takeover Continental was a wake-up call for corporate Germany and the allegedly invincible image of DAX 30 companies.

However, Schrempp was not only facing changes and threats from the outside financial world of investing. The decision by the Deutsche Bank in December 1998 to liquidate all their industrial holdings and create a subsidiary, DB-Investor, represented a radical break from their hitherto relationship with Daimler-Benz. It was a decision to shift the bank's focus to global shareholder value orientation, independent of any concern for German economic prosperity. This development by Daimler's largest shareholder paralleled and, for the time being, supported Schrempp's Welt AG strategy. These parallel strategies of Deutsche Bank and DaimlerChrysler had numerous practical ramifications, including the introduction in March 1999 of a new value oriented controlling system. This system defined a Return on Net Assets (RONA) of 15.5% before taxes for the company's 24 business units. In addition to this profitability goal, stock options and performance-based salary systems were introduced to a larger selection of managers within the company. DaimlerChrysler AG was anxious to lead a paradigm shift away from the traditional tools of German corporate governance to a world in which "the investors have won the power struggle against the managers". The failure of

DaimlerChrysler AG to enhance shareholder value is evidence of the enormous difficulties of implementing changes within German economic institutions (Hall and Soskice 2001).

Whereas Schrempp focussed on trying to change German attitudes to shareholder value, he completely underestimated the reception of his DCX strategy on the other side of the Atlantic. On the American side the reaction to DCX was one of complete disinterest (Karoyli 2003). As already discussed, the Standard and Poor's 500 decision caused investment and trust funds to sell their portfolios. Secondly, the attempt to establish DCX as the first Global Registered Stock posed a threat to American banks in the area of foreign investment, who had a lot to lose if the traditional system of American Deposit Receipts would disappear (Karoyli 2003). At the time of the takeover about 12% of investment on the NYSE was accounted by foreign investment. These institutional reactions provoked Schrempp, who was not used to having his plans questioned. Indeed his own behavior changed radically when things started going wrong both at Chrysler and on the NYSE in the second half of 1999 and through the year 2000. Whereas he originally went out of his way to remind potential investors about the strengths of his Welt AG strategies and the potential synergy savings, he suddenly went silent and become even openly aggressive towards the investment community. Investors, on their part, reacted negatively to events at Chrysler and Schrempp's decision to invest in Mitsubishi Motors Corporation (MMC) and Hyundai.

> Yet investors gripe that Schrempp is not forthcoming enough about the merger's synergies. After announcing that DaimlerChrysler had saved $1.4 billion in 1999, the first full year of the takeover, through joint purchasing of steel and other commodities, Schrempp says he will no longer disclose any information on synergies because it is now one company. "DaimlerChrysler's unwillingness to break out synergies creates the impression that they're not coming through at the anticipated rate," says Christian Breitsprecher, an auto analyst at Deutsche Bank (Business Week August 6th 2000).

The general situation escalated when the Securities and Exchange Commission, the control instrument for the New York Stock Exchange and the United States government started investigating DaimlerChrsyler for bribery and other illegal trading practices (DaimlerChrysler AG Internet Appendix 5.1). The investigation resulted in a $185 million penalty in 2010 and reinforced American criticism about the failure of corporate governance stipulations to actually control German companies (Wall Street Journal May 18th 2010). At the time of Schrempp's resignation in July 2005 DCX had been trading at around $44 dollars compared to its high of $ 108 dollars in January 1999 (Wall Street Journal July 29th, 2005). In addition Deutsche Bank's investment holding had at the same time begun the sale of 35 million shares of DCX, which was aimed at reducing its stake from 10.4 to 6.9%. Schrempp, the preacher of shareholder value, ironically caused the biggest jump in the price of the share in years by announcing his retirement as CEO. DCX jumped 9.8% on that day (Wall Street Journal July 29th, 2005). Schrempp's failure to establish DCX and a strategy of enhanced shareholder value as heuristic strategical tool had negative ramifications for the liberalization trend in German investment in industrial firms. By 2005 it was clear that his strategy of creating a truly global share had failed.

5.1.4 DCX after Schrempp

Although Daimler had been listed since 1993, share trading activity in the United States never moved above 5% of the total activity in any given year. In fact, as Karoyli (2003) has shown, activity on DaimlerChrysler AG's DCX listing as the world's first "global" share shifted to less than 1% within six months after its launch in November 1998. DCX was removed from the NYSE in 2007 after Daimler had sold 80% of its stake in Chrysler to Cerberus Capital Management.

Initially German companies perceived a NYSE listing as an opportunity to gain exposure to larger equity markets and provide a platform for enterprise expansion within the NAFTA region, but that turned out to be an illusion (Wall Street Journal May 18th, 2010). The Daimler delisting was not solely about Daimler, but was symptomatic for a shift in thinking in corporate Germany. Before Daimler a dozen companies including Deutsche Telekom had decided to delist. Deutsche Telekom is also interesting because it had attempted unsuccessfully to trade GSR's shares, which had been DaimlerChrysler AG's strategy to circumvent the traditional means of foreign investing at the NYSE using American Deposit Receipts (Karolyi 2003). The departure of Daimler left only 4 German companies listed at the NYSE, namely Deutsche Bank, SAP, Fresenius Medical Centres and Siemens (Wall Street Journal May 18th, 2010). On the one hand international trading markets had become more global and efficient, while the USA had made it more complicated and expensive to meet investment regulations such as defined in the Sarbanes-Oxley Act. In addition, the financial crisis and scandals such as Enron had caused a loss of standing for the NYSE for foreign investors. In May 2010 Daimler announced its decision to delist its stock from the New York Stock Exchange (NYSE). In the official Daimler press release the company mentioned two reasons for the decision, lack of trading activity and the advantage of having only one form of financial reporting instead of the two forms it had had to employ since 1993 (Daimler Press Release from May 14th, 2010). The delisting had however one additional advantage for Daimler-Benz. Not being listed on the NYSE removed the company from the careful scrutiny by the Securities and Exchange Commission (SEC), which had documented wide scale practices of international corruption at DaimlerChrysler and Daimler-Benz since 1998, which resulted in legal proceedings against the company (DaimlerChrysler AG Internet Appendix 5.1).

5.2 If Mercedes knew what Mercedes knew: lack of standards

The paradigm of lean production and mass production shaped the merger and takeover strategies of the 1990s (Womack, Jones and Roos 1990). Cost reductions could only be achieved by leveraging economies of scale. Chrysler had achieved success in this area and the development of the Chrysler Operating System (COS) with the creation and optimization of its platform strategy beginning in 1992 (Lutz 1998). Platforms allowed Chrysler to overcome traditional rivalries between stylists, design engineers, engineers, production planning IT and marketing by grouping every facet of car production and development on one “platform”. This led to a dramatic reduction in development times and offered a maximum in flexibility in order to react to changes in market demand. Platform strategies at Chrysler included “badge engineering”, which involved the production of identical vehicles differing only in the use of company logos or so-called “badges”. Chrysler had been building identical vehicles with Mitsubishi since 1995. There was also extensive component and technology sharing across the Jeep, Plymouth and Chrysler brands. Plymouth was the most affordable brand within the group.

Platform strategies have one major weakness. They thrEaton the integrity of existing brands. The critical question is the extent to which customers care about parts being used in vehicles with differing price tags. Volkswagen’s (VW) use of common platforms with Seat and Skoda models did thrEaton VW’s Passat and Golf higher price tags in the late 1990s. This issue was also at the centre of the DaimlerChrysler AG takeover. Whereas CEO Bob Eaton optimistically spoke about “definitely sharing components, engines and transmissions” and “ultimately maybe a few platforms”, Schrempp actually voiced a classical slip of the tongue with his statement that Daimler and Chrysler would “possibly, NO surely share components”

(DaimlerChrysler AG Video Appendix 1.1). In that initial press conference Schrempp went on to emphasize the importance of protecting the Mercedes brand.

> Mr. Schrempp made it abundantly clear today that one thing would remain separate from Chrysler: the prestige of Mercedes. Despite a wall-sized video presentation that showed Chrysler and Mercedes stars intermingling, Mr. Schrempp vowed to block any activity that might allow Chrysler's middle-Class brand to tarnish the luxury image of Mercedes. (...) But that will make it more difficult for Mercedes to expand its presence in the United States and Chrysler to expand in Europe. Each company has only about 1 percent of the market in the other's territory, and they could take advantage of each other's extensive network of dealerships. But that will not happen, Mr. Schrempp said, because it poses too much risk of mixing brand identities (...) "It is very important that we keep the brands separate," he said. (New York Times May 8th, 1998)

This emphasis stood in direct contradiction to the possibility of realizing major operational synergy effects. This stance confirmed the extensive studies carried out during the merger discussion back in 1995 had come to the conclusions that were few possibilities of achieving synergy effects (Vlasic and Stertz 2000). In addition to the question of brand protection, a deeper issue faced the DaimlerChrysler AG takeover. At Mercedes in 1998 there was neither a common approach in engineering nor in production across model lines. Daimler-Benz had a long history of plant autonomy and model-line autonomy (Clarke 2005; Grunow-Osswald 2006). Although Daimler had very few production lines, each of them was unique, even within the confines of the same facility such as the Sindelfingen plant near Stuttgart. Furthermore, engineers developing lighting systems for the C-class had very little contact with engineers developing lighting systems for the S-Class. One concrete result of the takeover was an increased consciousness of the need to standardize and define a Mercedes Production System (MPS) and Mercedes Development System (MDS) (Clarke 2005).

Clarke describes the Mercedes Production System (MPS), which was introduced in 2000, as an attempt to introduce a company-wide common DaimlerChrysler AG production system. In actual fact, MPS addressed discrepancy issues only within the Mercedes organization. These issues were becoming increasingly critical with attempts to radically break out of German production systems with the introduction of the A-Class, Smart and M-Class. Although there were attempts to nominally adapt an umbrella DaimlerChrysler AG Operating Model, which included the Chrysler Operating System, within the context of post takeover integration projects in 1998 and 1999, MPS never concerned itself with the possibility of integrating the Chrysler system. It was clear from the very beginning that the two production systems were simply incomparable as a result of the differences in degrees of production sophistication between the two companies. The development of a company-wide production system was identified as a priority of the post takeover integration process, but the situation at Mercedes did not permit a comparison between “Mercedes” and “Chrysler” models (Appel and Hein 1998). Whereas Chryslers benchmarking and adaptation of Honda production models allowed the emergence of a unified platform production system (Lutz 1998) the situation at Mercedes was less transparent.

> In an interview I (Clarke) conducted with a former member of this team, it was pointed out that Chrysler had defined the topic Operating System as a Post Merger Integration Project (PMI) with the intention of driving home potential synergies. As pointed out above, Chrysler already had an operating system and in the context of the takeover, the question now arose, as to whether Daimler had something similar and if the two systems could be merged into one. However, as already stated, Daimler did not have one standard operating system and was now somewhat in a tight spot. Moreover, this shows that the creation of the common operating system was driven by Chrysler and the company’s positive experience with the Chrysler Operating System (Clarke 2005: 135).

The Mercedes side of DaimlerChrysler AG was under tremendous pressure to create a unified approach to production, but given the time pressure involved and compared to the decades it required for the evolution of the industry benchmark Toyota Production System (Clarke 2005) it is not surprising that the “new” DaimlerChrysler AG Operating System presented to management in May 1999 merely documented and codified existing differences (Clarke 2005).

Figure 13: Proposed DaimlerChrysler Operating System

Source: DaimlerChrysler AG Figures Appendix 5.1; Clarke 2005 139

As the following passage from Clarke's study shows, there never was a unified and merged DaimlerChrysler AG operating system. The concept was merely a convenient means of grouping two completely different approaches to production systems. More damaging was the fact that the Mercedes Production System (MPS) had not started to impact the different approaches to production within the different model lines. Clarke's study focuses on the MPSprocess within the Untertürkheim facility, which has no passenger car assembly and therefore does not adequately take into account the difficulties involved in communizing model line production discrepancies.

The Mercedes Production System project (MPS) and the parallel Mercedes Development System (MDS) project primarily addressed the tremendous variety of production and development systems within the Mercedes world. In addition to differences between locations there were also radical differences within the same facility between model lines and until the 1990s there seemed no reason to question these differences. The Untertürkheim plant in Stuttgart was the producer of powertrains, which makes all of the axles, engines and transmissions for Mercedes passenger cars. There was no other Mercedes plant to be compared with. The axle, transmission and engine facilities within the commercial vehicle section had no central production facility. In terms of assembly, only the C-class production facilities in Sindelfingen and Bremen are similar, although the differences reflect the differences between sedans (Sindelfingen) and station wagons and convertibles (Bremen) respectively. Furthermore, the Sindelfingen facility also had radically different production facilities and development systems for the S- and E-Class, which reflected the rhythm of car development within the Mercedes system. In the 1990s each model had roughly a 6-year cycle, with 2 year breaks between new ramp-ups of the C-, E- and S-Classes respectively. As a result of Mercedes dedication to innovation each new model incorporated the innovations, which had appeared in each aspect of production or development. Therefore it was normal that, for example, robots from the same supplier were completely different due to the varying production startup times. This situation was exacerbated with the introduction of greenfield factories such as Rastatt (A-Class). Rastatt 1 was modeled on benchmarking results with Volvo (Jürgens 1995) and the need for some form of standardization was as much the result of complex works council issues as some need to coordinate production facilities between the A-Class and other model lines (Clarke 2005). In particular Rastatt's complex system of shift flexibility and the higher degree of integration of suppliers in production areas required works council approval. Mercedes experimented initially with a team-oriented approach to assembly in areas such as wire harnessing, similar to the Volvo approach at its Uddevalla plant, but then reverted back to a more classical assembly line approach. The arising problems were primarily protests centered on union and works council's demands rather than the definition of production processes (Fischer, Zinnert and Streeb 1996). Furthermore, plans to establish a second A-plant production facility in Brazil required commonization and simplification both in the design and production processes of the vehicle. In addition, the new M-Class production facility in Tuscaloosa Alabama presented Mercedes with a completely new set of problems. Tuscaloosa was modeled on hybrid Toyota factories in the USA and the use of unskilled and poorly trained labor required a systemized documentation of even the simplest work processes, which was completely unnecessary at a German plan. The 1998 takeover of Chrysler and ensuing post merger integration projects made one thing clear, namely that there was no unified "Mercedes" approach to either production systems or passenger car development at Daimler-Benz.

Within the context of a radically decentralized world of production systems at Mercedes and the pressure to create a "Mercedes" system as quickly as possible, it is not surprising that the results were hurried efforts to reach an acceptable level of minimal consensus. As Clarke correctly points out, such a solution remains necessarily vague and unclear in terms of its practical implementation.

> Keeping in mind the intention of the MPS, to represent a production system for the Mercedes-Benz passenger car production, the arbitrarily selected examples show that the methods the MPS contains are all kept at a very general, descriptive level. This runs like a red threat through all descriptions contained in the MPS. They do not specify HOW standards are to be drawn up, what further details are needed and what particular steps should be undertaken. By failing to describe standards in-depth, the MPS standards in my opinion fail to provide regulatory control for production processes. They are far too general and indeed far too ambiguous to be considered as regulatory instruments. Indeed, the responsibility of defining standards in detail is, in some instances such as for example in "Tool 2.1.6 Standard Shift Change Procedure", is to be "defined locally" (ibid.). That is, the standard as framework is given, but its content that is how this standard ought to be performed is defined locally, in other words, on the shop floor (Clarke 2005: 164).

The DaimlerChrysler AG takeover certainly contributed to a growing awareness within the Mercedes organization concerning the liabilities of a decentralized approach to production and development in terms of the failure to realize synergy effects. The resulting paradigm shift would eventually impact development processes more than production processes. In 1998, development engineers working, for example, on doors in the S- and C- class respectively, had little or no contact with each other. In fact, it was often the case that a system supplier had more information regarding the overall situation at Daimler than the respective Mercedes engineers. That started to change with the inception of MPS and MDS. At the same time it is salient to remark, that this was just the beginning of a paradigm shift, which would take years to implement. The lack of a unified approach to both production and development at Mercedes at the beginning of the takeover made it impossible to realize any positive synergy effects quickly in these areas with the Chrysler group. In particular MDS would help Mercedes achieve important synergy effects within its development processes. However any synergy fallout would not start until Zetsche's arrival at Chrysler in late 2000 early 2001 and the creation of the Executive Automobile Committee (EAC) in the same year (DaimlerChrysler AG Annual Report 2000 6).

5.2.1 The Executive Automotive Committee and brand protection

The formation of the Executive Automotive Committee (EAC) in early 2001 is revealing because it embodies the integrative Board-level involvement in issues of operational synergies one would have expected at the time of the Chrysler takeover in 1998. The need to create this body is proof of the failure of the operative post takeover integration projects between 1998 and 2001, a period covering almost three years of lost time. It also shows the idealized nature of chief DaimlerChrysler strategist Grube's own published reports of post merger integration processes (Grube 2003).

The EAC aimed to define and install an implementation platform for overall group strategy (DaimlerChrysler AG Annual Report 2001 16-18). At the time of its creation, there were only two Americans (Sidlik and Valade) left on a reduced 13 member board. The EAC, headed by CEO Schrempp and Mercedes boss Hubbert had 5 members, all of whom were German. Chrysler was represented by their German CEO Zetsche and Mitsubishi was represented by another German, Bischoff. Although Bischoff was one of three German members of the Board at Mitsubishi, his actual responsibilities were in Aerospace and Industrial Businesses. Mitsubishi CEO, Rolf Eckrodt, was not a member of the DaimlerChrysler AG Board of Management. The EAC was created at a point of crisis in Schrempp's Welt AG, where there were no illusions regarding a "merger of equals" or "strategic alliances". Both Mitsubishi and

Chrysler were struggling for survival under German leadership and fighting against significant quality issues (DaimlerChrysler AG Annual Report 2001). The results for the first quarter of 2001 provide transparency regarding the severity of the situation. DaimlerChrysler AG posted a loss of €600 million compared to profits of €2.5 billion for the same period in 2000. Despite a massive advertising campaign and price rebate offers Chrysler sales had fallen 28% in the same first quarter (The Telegraph April 26th, 2001). Notwithstanding the restructuring and cost-saving measures at Chrysler and Mitsubishi, Mercedes head Hubert was still primarily concerned with preserving the unique identity of the Mercedes brand within the complete framework of DaimlerChrysler AG. It was Hubbert who had insulted the American side of the company in April 2001 with his Süddeutsche Zeitung interview. He claimed that his mother-in-law's Plymouth had started falling apart after 2 and half years (Finkelstein 2002).

The goals of the EAC were to achieve potential cost-saving synergies as a result of knowledge transfer. The areas of activities were basically the same that former Chrysler CEO Eaton had openly embraced and CEO Schrempp had cautiously avoided at the takeover press conference in May 1998 (DaimlerChrysler AG Video Appendix 1.1)

- Coordinating and optimizing the product portfolio
- Identifying new technologies and innovations and selecting the products and brands in which they will be applied
- Standardizing components
- Steering the global production capacities of the DaimlerChrysler AG Group
- Coordinating our global sales and marketing activities

(DaimlerChrysler AG Annual Report 2001 16-18)

It is significant to note that the three major cross-divisional segment strategies decided upon in 2001 did not involve any vehicles from the Mercedes brand. It was decided that Mitsubishi would provide Smart with the platform from the so-called B-segment to develop a four-seater version of the Smart. The vehicle was to be built at the existing Volvo-Mitsubishi facility in the Netherlands, which had been acquired when DaimlerChrysler AG purchased Volvo's 3.3% share of the Japanese company (Gill 2012). Secondly, it was decided to create a common platform for the Chrysler Neon and Mitsubishi Lancer, with an estimated production of 500,000 vehicles per year. The third decision also involved the Chrysler Group and Mitsubishi Motors Corporation. In the D-segment both companies were to develop a common platform for the successor models of the Chrysler Startus/Sebring and Mitsubishi Galant. There was very little evidence of a major change of focus in these decisions. Chrysler and Mitsubishi had been practicing so-called “badge engineering” before the creation of DaimlerChrysler with the Status/Sebring and Galant since 1995 at the Mitsubishi facility in Normal, Illinois. The American and Japanese models were identical vehicles, differing only with the logo on the cars’ grilles.

The one project involving a German brand, the Smart four-seater project was also difficult to comprehend within Schrempp’s Welt AG strategy. Instead of tapping into Mitsubishi small-car production experience in order to create a vehicle for the opening Asian markets in India and China, the ForFour was aimed at an already saturated European market. Moreover, by positioning the four-seater within the Smart brand, DaimlerChrysler AG risked diluting the unique two-seater brand identity of the Smart concept. Although the project did achieve a 40% common platform target, the ForFour was a commercial failure and production only lasted from April 2004 until June 2006. Losses at Smart were over €4 billion in 2005 and ForFour sold only 14,000 units in the first quarter of that year (Der Spiegel 18, 2005).

The EAC’s projects involving the Mercedes brand in the area of standardization and shared components in 2001 are also highly informative (DaimlerChrysler AG Annual Report 2001). It was announced that a modified version of the Mercedes 5-speed automatic transmission would be integrated into Chrysler models. However, at that time, Mercedes was developing a seven-speed automatic transmission, which was introduced into Mercedes models in 2003. A second decision also provides evidence of Mercedes boss Jürgen Hubbert’s brand strategy. The Chrysler model Crossfire was to combine American sports car design with Mercedes engineered parts. These parts, however, were taken from the outdated predecessor of the 2001 Mercedes SLK. Back in 1998 and 1999 Mercedes had rejected Chrysler’s suggestion to integrate development and production of the Mercedes M-Class and Jeep Grand Cherokee. The Board also rejected a suggestion to produce a modified version of the Mercedes E-class at the same time (W210). A quote from the 2001 Annual Report underlines the continued determination to protect the uniqueness of the Mercedes brand:

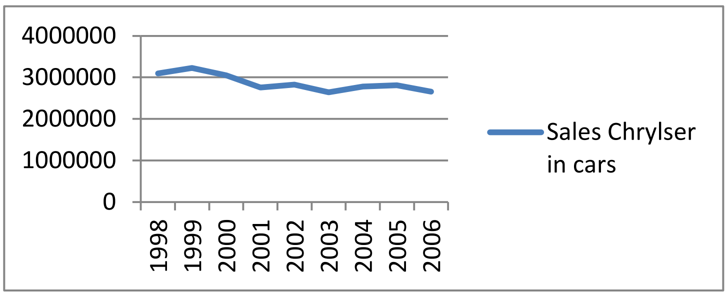
> A product example is the Chrysler Crossfire, in which Mercedes-Benz components are also used. In this case in particular, a crucial condition was that the interests of both brands, Chrysler and Mercedes-Benz, were fully taken into consideration.
> (DaimlerChrysler AG Annual Report 2001 17)

It would be new German Chrysler CEO Zetsche who would finally force a higher degree of integration starting in 2001, but the new models would not be launched on the market until 2004, at a time when the fate of Schrempp's Welt AG had already been decided.

5.2.2 Marketing and the last attempt to merge

Between 1998 and 2006 there was no single marketing strategy, which pointed to DaimlerChrysler as the result of a merger between German and American engineering (DaimlerChrysler AG Video Appendix 4.1). It was not until Dieter Zetsche took over from Jürgen Schrempp that DaimlerChrysler AG mentioned the Mercedes and Chrysler brands in an advertising campaign. Staring in the summer of 2006, 8 years after the creation of DaimlerChrysler, the company launched a $225 million television and internet campaign (Spiegel Online July 10th, 2006). Speaking with a strong German accent and ending each spot with "Auf Wiedersehen", CEO Zetsche personally tells his American audience that all the new Chrysler models combine the very best of "German and American engineering". Zetsche attempts to tap into the tradition of CEO direct advertising, which started with CEO Iacocca in the 1980s. Whereas Iacocca stressed American patriotism and improved quality, Zetsche concentrates on trying to be funny by mocking his Germanness. At the same time he focuses on the role of German engineering in improving Chrysler quality. In addition to a series of TV commercials (DaimlerChrysler AG Video Appendix 5.2.), DaimlerChrysler AG launched a web site www.AskDrZ.com, featuring a comical trick film version of Zetsche. The campaign broke with the hitherto company policy of maintaining a strict demarcation between brand marketing, with a special focus on protecting the exclusiveness of the Mercedes brand in terms of innovation and safety. The break came at a critical point in the attempt to save Chrysler. Whereas Zetsche had radically downsized the American division of DaimlerChrysler AG during his tenure as CEO, sales still remained sluggish (Figure 14).

Figure 14: Chrysler Car Sales 1998-2006



Source: Compiled by John Riach. DaimlerChrysler AG Figures Appendix 5.2

In an effort to boost the attractiveness of Chrysler products, Zetsche created the phrase "Disciplined Pizzazz", which was used to define the unique blending of Mercedes (the "discipline") – engineering and technology –with the strongest characteristics of Chrysler (the "pizzazz") – American styling innovation and engineering (AutoBlog and DaimlerChrysler AG Press Release June 30th 2006). The Zetsche-led advertising campaign was combined with a $3,500 rebate offer (employee discount rate) and a 30-day bring back guarantee. The campaign was judged to backfire, especially with strong Chrysler brands such as Jeep and Dodge. Both brands build on their tough and proud and unbeatable "Americanness". The message of German innovation and engineering competence improving these vehicles confused brand loyalists and contradicted their basic brand values as evidenced by the following Autoblog comment:

> Do they really think that the average Dodge buyer "Joe American" is going to want to be reminded he is buying a car made by a German company? He doesn't want any "Jap Crap" or anything built by "Nazis". Afterall, his daddy has plenty of stories about fighting those evil people in WWII. Yes, yes I know that is incredibly insensitive to modern German people, but living in the south has taught me that most people around here (and other more rural areas that aren't in the south) have this type of mindset. Convincing them otherwise is almost impossible. I think they were better off playing the American and especially the historical (It's got a Hemi, 300C, Charger, Challenger) cards. It sits better with their biggest market of buyers. (DaimlerChrysler Internet Appendix 5.2)

Chrysler studies were pleased with the ads, claiming 600,000 visitors to the www.AskDrZ.com website in the first 6 weeks and a higher than industry average approval rate for the whole campaign (DaimlerChrysler Internet Appendix 4.3). However, despite interest in an Internet cult event and the chance to win cars for nothing, the results remained disappointing in terms of sales. Chrysler sales were down 17% in July 2006 compared to July 2005. Similarly, the comical figure presented by Zetsche was confusing to people, who expected a more serious image from a CEO. In addition about 80% of people polled believed that Zetsche was only a fictional character. More disturbing was the fact that few believed the message regarding the combination of American and German engineering (Business Week January 29th, 2007; DaimlerChrysler Internet Appendix 5.3). The advertising campaign and Internet site were stopped in September 2006. 6 months later Daimler announced its intention to sell Chrysler.

5.3 DaimlerChrysler AG and quality issues

The third goal of the takeover was to enhance customer satisfaction. It was this aspect of the takeover failure that perhaps had the most long term impact, namely the loss in value of the Mercedes brand. The drop in quality was clearly measurable and exhibited across the board of Mercedes, Chrysler and Mitsubishi products for most of the period of Schrempp's Welt AG.

5.3.1 **Measuring quality**

One of the three most important goals to be announced at the press conference of the DaimlerChrysler AG takeover in May 1998 was to improve customer satisfaction (DaimlerChrysler AG Video Appendix 1.1). However, one of the most obvious shortcomings of the paradigm of lean production and mass production in the 1990s was quality at both Chrysler and Mercedes. At the time of the takeover announcement in May 1998, Chrysler had reduced its development times to 24 months. At the same time Mercedes had brought out 10 new models in the previous 3 years. That compares significantly with the three new models, which had been launched in the previous ten years before 1995. Although both companies were able to achieve commercial success, quality issues started to crop up very quickly.

The measurement of quality of a particular vehicle is widely accepted within the industry. In the United States of America customers turn to J.D. Power (Initial Quality Study and APEAL) and Consumers Report, two institutions that monitor customer satisfaction and measure technical reliability respectively. J.D. Power's Initial Quality Study (IQS) is particularly telling, because it measures defects, malfunctions and design-based issues within the first 90 days of ownership. Their benchmarking provides an industry-wide comparison of mistakes per vehicle, which is generally accepted as an objective measurement of vehicle quality. In the case of Mercedes models, specially prepared cars are tested at the company's Long Beach Vehicle Preparation Centre (VPC) in California. So if these vehicles have problems they are truly indicative of general manufacturing and quality issues. In addition J.D. Power's APEAL direct customer survey measures the rate of satisfaction of customers after the first ninety days of ownership of the vehicle of their choice. APEAL results have always been more controversial than IQS results because APEAL does not measure whether a Toyota is better than a Mercedes APEAL rather measures whether Mercedes customers are more satisfied with their Mercedes than Toyota customers with their Toyotas. Since dominating the rankings in the late 1980s and early 1990s J.D. Power rankings both for IQS and APEAL have always been considered internally at Mercedes as the year's most important quality event. CEO

Jürgen Schrempp constantly defined and reiterated the goal of Mercedes' quality offensives to reach the Number 1 ranking (DaimlerChrysler AG Annual Meeting April 6th 2005). J.D. Power also conducts a Vehicle dependability Study (VDS), which monitors reliability after three year's ownership, but this study does not match the industry's focus on IQS and APEAL. Moreover, the increasing globalization of J.D. Power's activities with expansion of its survey to Europe and Asia has also augmented its influence within the global automobile industry. Toyota, for example, used their high J.D. Power rankings in their attempts to expand their share of the German market.

Although Consumers Report is less known in Europe than J.D. Power, it is a major annual publication for the car industry in North America. The magazine is published by Consumers Union, which is a non-profit consumer advocacy organization, acting in the interests of consumers since 1936. The magazine's rejection of outside advertising has allowed it to achieve a reputation for fairness and objectivity. As will be shown further below, the negative ratings for Mercedes vehicles in the first decade of the 21st century contributed to the devaluation of the Mercedes brand.

A third instrument for measuring quality is the governmental National Highway and Traffic Association (NHTSA), which provides open access to its database documenting comprehensively all safety recalls and technical defect investigations for all makes and models of vehicles registered in the USA. One example from the Mercedes-Benz M-Class (Figure 15) is included here to illustrate the comprehensive nature of NHTSA reporting. A full list of recalls for the Mercedes M-Class and E-Class vehicles during the critical years for Mercedes quality under Schrempp is included in the NHTSA Recalls Appendix (281 ff.). Because NHTSA recalls draw attention to serious safety issues, they are indicative are further underlying quality issues at any manufacturer. Safety doubts are particularly damaging to brands, such as Mercedes, which make safety a central component of their overall brand image. Recalls affecting the E-Class were particularly damaging to the overall customer perception of Mercedes quality in the USA.

Figure 15: NHTSA Recall Mercedes-Benz M-Class (2003)

Make: MERCEDES BENZ **Model:** M CLASS

Model Year: 2003

Manufacturer: MERCEDES-BENZ USA, LLC. **Mfr's Report Date:** MAR 26, 2003

NHTSA CAMPAIGN ID Number: 03V121000 **NHTSA Action Number:** PE03006

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
ON CERTAIN PASSENGER VEHICLES, THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP.

Remedy:
DEALERS WILL INSTALL A NEW HOSE CLAMP ON THE POWER STEERING HOSE TO THE POWER STEERING COOLER. DURING CLAMP REPLACEMENT, THE POWER STEERING COOLING HOSE WILL BE INSPECTED AND REPLACED AS NECESSARY. OWNER NOTIFICATION BEGAN JUNE 16, 2003. OWNERS WHO TAKE THEIR VEHICLES TO AN AUTHORIZED DEALER ON AN AGREED UPON SERVICE DATE AND DO NOT RECEIVE THE FREE REMEDY WITHIN A REASONABLE TIME SHOULD CONTACT MERCEDES-BENZ AT 1-800-367-6372.

Notes:
MERCEDES-BENZ RECALL NO. 2003-040005. CUSTOMERS CAN ALSO CONTACT THE NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION'S AUTO SAFETY HOTLINE AT 1-888-DASH-2-DOT (1-888-327-4236).

Make: MERCEDES BENZ **Model:** M CLASS

Model Year: 2003

Manufacturer: MERCEDES-BENZ USA, LLC. **Mfr's Report Date:** SEP 16, 2008

NHTSA CAMPAIGN ID Number: 08V465000 **NHTSA Action Number:** RQ08002

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
MERCEDES-BENZ IS RECALLING 125,228 MY 1998-2004 M-CLASS VEHICLES. THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP. THIS COULD RESULT IN A LOSS OF CONTROL AND A CRASH WITHOUT WARNING.

Remedy:
AN EARLIER RECALL REPAIR PERFORMED ON THESE VEHICLES MAY NOT BE SUFFICIENT TO PREVENT A FUTURE LEAKAGE OR FAILURE OF THE POWER STEERING HOSE CONNECTION (PLEASE SEE 03V121). SINCE IT IS NOT POSSIBLE THROUGH INSPECTION TO IDENTIFY SPECIFIC VEHICLES THAT MAY NOT HAVE BEEN PROPERLY REPAIRED, ALL VEHICLES REPAIRED PRIOR TO NOVEMBER 15, 2003, WILL BE REPAIRED AGAIN. THE RECALL IS EXPECTED TO BEGIN DURING NOVEMBER 2008. OWNERS MAY CONTACT MERCEDES-BENZ AT 1-800-367-6372.

Notes:
MERCEDES-BENZ RECALL NO. 2003040005. CUSTOMERS MAY CONTACT THE NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION'S VEHICLE SAFETY HOTLINE AT 1-888-327-4236 (TTY: 1-800-424-9153); OR GO TO HTTP://WWW.SAFERCAR.GOV.

Make: MERCEDES BENZ **Model:** M CLASS

Model Year: 2003

Manufacturer: MERCEDES-BENZ USA, LLC. **Mfr's Report Date:** MAR 31, 2011

NHTSA CAMPAIGN ID Number: 11V208000 **NHTSA Action Number:** PE10050

Component: VEHICLE SPEED CONTROL:CRUISE CONTROL

Summary:
MERCEDES-BENZ IS RECALLING CERTAIN MODEL YEAR 1999-2002 M-CLASS AND MODEL YEAR 2000-2003 M-CLASS AMG VEHICLES. THE CRUISE CONTROL SYSTEM IN THE AFFECTED VEHICLES ALLOWS THE DRIVER TO DISENGAGE THE SYSTEM IN A NUMBER OF WAYS, INCLUDING TAPPING THE BRAKE PEDAL, USING THE CRUISE CONTROL STALK, OR BRAKING THE VEHICLE ENOUGH TO REACH A CERTAIN RATE OF DECELERATION. MERCEDES-BENZ HAS DETERMINED THAT UNDER CERTAIN CIRCUMSTANCES USE OF THE BRAKE PEDAL MAY NOT AUTOMATICALLY DISENGAGE CRUISE CONTROL AS EXPECTED BY THE DRIVER, ALTHOUGH THE OTHER MEANS OF DEACTIVATING CRUISE CONTROL REMAIN FULLY OPERATIVE. SPECIFICALLY, WHERE THE DRIVER PUMPS THE BRAKES RATHER THAN APPLYING CONSISTENT PEDAL FORCE, THE LEVEL OF FORCE REQUIRED MAY BE UNUSUALLY HIGH.

Consequence:
DIFFICULTY OR DELAY IN DISENGAGING CRUISE CONTROL CAN INCREASE THE RISK OF A CRASH.

Remedy:
DEALERS WILL REPAIR THE VEHICLES FREE OF CHARGE. THE SAFETY RECALL BEGAN DURING OCTOBER 2011. OWNERS MAY CONTACT MERCEDES-BENZ AT 1-800-367-6372.

Notes:
MERCEDES-BENZ CAMPAIGN NUMBER IS 2011090001. OWNERS MAY ALSO CONTACT THE NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION'S VEHICLE SAFETY HOTLINE AT 1-888-327-4236 (TTY 1-800-424-9153), OR GO TO HTTP://WWW.SAFERCAR.GOV .

1200 New Jersey Avenue, SE, West Building Washington DC 20590 USA
1.888.327.4236 TTY 1.800.424.9153

United States Department of Transportation USA.gov Government Made Easy

Source: NHTSA Recalls /nhtsa.gov: DaimlerChrysler Figures Appendix 5.3

A fourth source of quality "information" is certainly the numerous Mercedes owners' forums and Internet chatrooms. Although the objective understanding of the precise technical nature of certain issues cannot be trusted, the growing amount of "bad noise" between 1998 and 2005 does indicate to a certain extent the general level of customer dissatisfaction.

On the German side, the situation is less objective. Privacy laws are much tighter than in the USA. Furthermore, the industry tends to limit studies for internal use only and there is an understanding within the German car industry not to use this information against competitors (Wall Street Journal February 4th, 2001). Furthermore, studies such as the German Automobile Association's ADAC "Pannenbericht" (car breakdown report) are less reliable instruments of quality and tend to put non-German manufacturers at a disadvantage. If a Mercedes driver has a breakdown, for example, they can notify the Mercedes call centre directly and that defect does not appear in the official statistics. Secondly, vehicle recalls are triggered by OEMs themselves and no public database is available as is the case with NHTSA. Thirdly, German car magazines depend heavily on advertising investments from the German OEMs and there is a close relationship between the magazines and the OEMs. The current head of Mercedes-Benz motorsport, for example, Norbert Haug, was the former head of Auto, Motor and Sport magazine. Fourthly, critical consumer publications such as Stiftung Warentest do not have the facilities to test cars in the same manner as Consumers Report. Consumers Report's April issue on car quality and dependability is an annual event in the USA and the most important issue of the year for car buyers. Within this coordinated network of "protected" information in Germany, monitoring newspaper reports of consumer dissatisfaction provide important clues to the current quality status and customer satisfaction. In the case of Mercedes one of the most important customer bases are German taxi drivers. Perhaps more than any other customer segment, German taxi drivers helped to contribute to the brand's reputation for product quality, reliability and durability. It is therefore worth noting the increasing dissatisfaction of this group beginning with public protests against the bad quality of the W124 in the 1980s (Der Spiegel 48, 1986). This public and vocal dissonance grew louder in the 1990s and first decade of this century.

Using all of these instruments the next sections will attempt to show that the DaimlerChrysler AG takeover did not cause "quality" problems at Mercedes and Chrysler, but rather served to augment and deepen the quality crisis at each company respectively. The discussion will focus on the Mercedes brand because its dramatic drop in industry ratings was the most critical quality event during the existence of DaimlerChrysler AG. It is also significant that Mercedes quality ratings started to improve after the disbandment of DaimlerChrysler AG.

5.3.2 **DaimlerChrysler AG and Mercedes quality**

The idea of a "merger of equals" could only have one result in terms of quality in the eyes of most customers. The DaimlerChrysler AG takeover would result in Chrysler improving its quality a little bit and Daimler worsening its quality. Paradoxically, Chrysler had no impact on the initial loss of quality in Mercedes products. The two vehicles most responsible for a loss of confidence in Daimler-Benz's legendary reputation for reliability were being developed before the DaimlerChrysler AG takeover, the 1997 M-Class (W163) and the 2002 E-Class (W211). Chrysler engineers had no impact in the development of these two vehicles. Quality problems at Chrysler and Mitsubishi would indeed drain management energy at Mercedes after 2000/2001, but these issues did not create quality issues at Mercedes. The roots of the eventual deterioration of quality at Mercedes stem from the early 1990s and measures implemented to increase production capacity.

In 1990 Mercedes was ranked number 1 in the industry's most important APEAL and IQS quality indexes, the J.D. Power surveys. The name "Mercedes" was synonymous with quality of the highest order. You used to say in English "It is the Mercedes of …" which meant "the best of ...". Indeed this linking of quality with the name Mercedes had been responsible for the success of the brand in the United States for decades. This situation changed in the 1990s. The crisis of 1992 at Mercedes led to a radical refocusing of strategy. Over 35,000 jobs were cut and for the first time in the company's history financial controllers concentrated on finding cost cutting measures in development and production processes (Grunow-Osswald 2006). Despite this focus on cost cutting, at the same time Mercedes accepted the paradigm of high-volume growth, which had been embraced by the industry after the appearance of the MIT automobile study (Womack, Jones and Roos 1990). The car industry accepted the paradigm that no company with sales volumes under 1 million cars would survive in the future. This "knowledge" led BMW to take over Rover (Brady and Lorenz 2000) and powered Daimler's decision to introduce smaller, cheaper, niche models to its brand, the A-Class, Smart and the M-Class (Brady and Lorenz 2000). Daimler had no experience in building small cars or SUVs and faced enormous quality issues. Hitherto the precursor of the M-class had been part of the commercial vehicle division and the shift to the passenger vehicle division was a major revolution for the engineers. Moreover, with the opening of the new production facilities in Alabama (M-Class) and the upgrading of the East London CKD facility for full-scale C-class production, Mercedes started producing cars outside of Germany with employees who lacked the background of Germany's vocational training system and little or no experience in building cars. The ensuing troubleshooting measures drained manpower resources in the German plants, which had a further negative impact on quality at home. Furthermore, by the mid 90's the financial controllers had wrested control of car development from the engineers. Armed with Schrempp's ideology of a 12% ROI, targets unrealistic for almost all models except the S-Class, development and production centres started to make dangerous compromises in terms of quality in order to meet budget targets. Cost-saving measures in each department led to an avalanche of quality problems in development, production planning and production, such as the corrosion problems with cars built between 1995 and 2001. This problem has not been documented comprehensively for the general public, but the avalanche of negative comments in Mercedes Internet forums does provide an indication of the severity of the problem. The press shop, body shop, paint shop and final assembly all introduced cost-cutting measures which turned a brand with one of the best corrosion ratings into one of the worst. Even new vehicles showed massive corrosion problems in corrosion prone environments such as Dubai, England and Canada as evidenced by one British Mercedes customer:

> Quite simply, most mercs from about 1995 onwards are not as well protected as they should be. There is little or no evidence of cavity-wax protection. The amount of primer on the metal is very little, especially on internal panel surfaces. And, of course, Mercedes changed to brittle water-based paints applied in extremely thin coats. Part of some general cost-cutting, which also included a downgrade in material quality, fit and finish of the interiors. I think it's only now with the new 2003 M-Class that MB seems to have realised the error of their ways.
>
> All this is OK for sunny California, but in the UK and most places where salt is used on winter roads, it's very bad news. I was surprised to see just how much rust had formed

> on a nearly new SL320, just after 18 months. Even the brite-metal galvanise that MB use on most engine fittings, including nuts and bolts is not up to the job. Sorry to say this but if you compare with a BMW of similar vintage, you will see a different story (DaimlerChrysler AG Internet Appendix 5.2)

Official reports of Mercedes quality issues were only based on press leaks (Wall Street Journal February 4th, 2001). Such reports revealed that the Mercedes brand had serious problems as early as 1998, the year of the takeover. These reports focused on Mercedes lack of experience with models such as the A- and M-Class. The European-based New Car Buyer Survey from the beginning of 2001 showed that Mercedes has more negative points than Opel, a brand notorious for its poor quality image in Germany. (Wall Street Journal February 4th, 2001). A further study by the German auto-inspection and research association (TÜV) put Mercedes in 12th place in terms of quality, reliability and durability (Wall Street Journal February 4th, 2001). Ironically the increase in quality issues coincided with an increase in sales. The appearance of lower cost models such as the A and M-Class and the Smart made the Mercedes brand more accessible to the general public, but many would be disappointed with the results. This is best evidenced with the M-Class, which appeared on the American market in 1997.

5.3.3 M-Class quality issues

The initial commercial success of the 1997 M-Class created paradoxically major concerns regarding the Mercedes brands as a result of numerous quality issues. Two factors emerged as the major sources of the problems. Firstly, Mercedes had never designed a SUV before and secondly, Daimler had never designed a Mercedes to be fully assembled outside of Germany. The employees of the new Tuscaloosa, Alabama facility had had no experience building cars. The first review by BBC television's Top Gear television series was devastating (DaimlerChrysler AG Video Appendix 5.3). The steering, brakes, and engine were considered substandard, with steering issues the focus of NHTSA recall measures (Mercedes Quality NHTSA Recalls Appendix). The car was judged to be cramped and noisy and even some parts fell off the car during the show's off-road test. BBC Top Gear presenter Jeremy Clarkson, himself a Mercedes enthusiast, openly questioned the rationale of building a Mercedes outside of Germany and found gaps between parts that were so big that you could see "people living down there" (DaimlerChrysler AG Video Appendix 5.3). In addition, the car was deemed simply too expensive. Despite numerous changes, the M-Class remained at the bottom of the program's quality ratings list for many years. The M-Class was also the focus of criticism of J.D. Power and Consumers Report.

5.3.4 E-Class quality issues

Whereas M-Class quality issues were the predictable result of the brand's globalization of production, quality issues with the 2002 E-Class (W211) revealed deep structural contradictions in the brand's production and marketing strategies. As the Wall Street Journal warned in 2001, it was one thing for Mercedes to have quality issues with the A- and M-Class, but the new E-Class would have to meet other standards:

> The company may soon face the toughest test of its quality. Mercedes is preparing to launch the latest edition of its E-Class line of full-size sedans – for years a symbol of the brand. Unlike the M-Class, which is made in the U.S., and the A-Class, a daring venture downmarket, Mercedes will have no excuses if the E-Class hits a snag. (Wall Street Journal February 4th, 2001)

The E-Class had a tradition dating back to the 1960s and targeted the luxury market for company fleet cars (Grunow-Osswald 2006). By the 1990s the E-Class had become the "cash cow" of the Mercedes group (DaimlerChrysler AG Annual Report 1997). Part of Mercedes reputation is based on its innovative "first to market" approach. This approach backfired in the case of the W211 (E-Class from 2003), particularly concerning the number of electronic issues. This is evidenced both by the number of NHTSA recalls (Mercedes NHTSA Recalls Appendix 5.2) and the reaction of Mercedes owners in their Internet forums. In one case, even a Mercedes employee admitted the seriousness of the situation:

> I really am sorry you feel this way about both Mercedes-Benz as a company and the product. I know I am probably biased because I work for them. I see so many vehicles with faults on, being a Service Team Manager, and I have learned (and educated others) to think in terms of how many vehicles we see with regards to how many are out there on the roads all over the world. I know it doesn't help you in any way shape or form but at the end of the day, it's true, there are far more faultless vehicles than faulty. The 211, in my opinion, was brought out far too early, and as opposed to going through the strict testing regime, it's almost as if DCAG have used the purchasers as the quality controllers. DCAG have learnt their lesson and completely changed their technique on

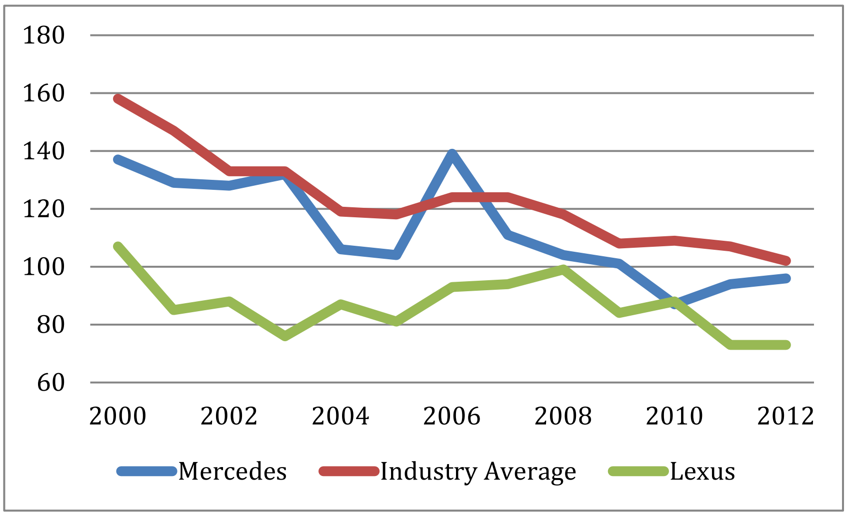
the new SLK, A Class and forthcoming CLS and M Class (DaimlerChrysler Internet Appendix 5.4).

Most notable was Mercedes inability to deliver reliably functioning electronic systems. The vehicle was technically over-complicated. Managers, like taxi-drivers, do not have time to send their cars to the repair shop and the continual flow of minor complaints deteriorated confidence in Mercedes reliability substantially.

5.3.5 **Mercedes and J.D. Power**

J.D. Power and Associates is a global marketing information services firm founded in 1968. It is most famous for its surveys on customer satisfaction in the automobile industry and the rise of Toyota's popularity in the USA is closely connected to their positive showings in J.D. Power studies. Jürgen Schrempp took J.D. Power ratings as the measure of the quality of Mercedes, and their number 1 ranking in 1990 was the in-house benchmark and goal. Most significantly was the drop in quality ratings starting in the year 2000. As a result of a change in J.D. Power's method of measurement in 1998, it is impossible to compare the results from the 1990s with the figures from 2000 onwards. During this time average industrial quality was actually improving as illustrated in figure 16 below, which documents the average number of mistakes per vehicle. The diagram shows Mercedes far behind industry leader Lexus in terms of numbers of mistakes. In addition, the ten-year period documents a lack of consistency in the Mercedes approach to quality. Jumps in numbers of mistakes are linked to the years in which Mercedes launched new models (i.e. E-Class 2002, S-Class 2005). In the intermittent years improvements are made as a result of rework and major face-lifts. However, the critical increases caused major damage to the brand's reputation amongst its most important customer base. It is also pertinent to draw attention to the drop in the number of mistakes in the time period following the cessation of DaimlerChrysler AG in 2007. Daimler then had more people and more energy to focus solely on the Mercedes brand.

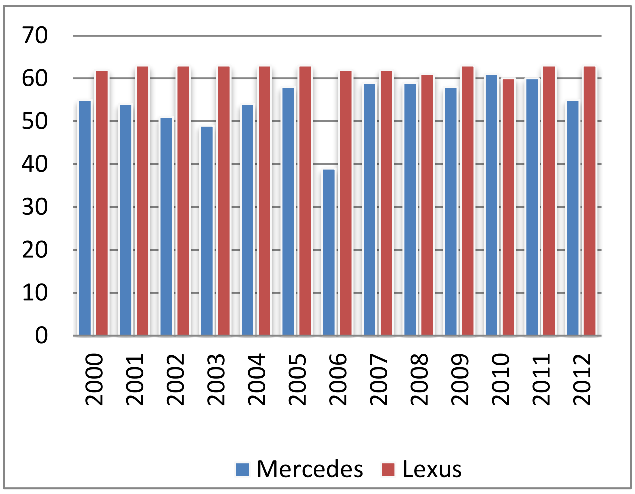
Figure 16: Mistakes per Vehicle (J.D. Power)



Source: DaimlerChrysler AG Figures Appendix 5.4

More telling than the average number of mistakes is the overall ranking of the brand from 2000 to 2012. In the late 1980s and early 1990's Mercedes was consistently placed in the top three. Significant is the fact that between 2000 and 2006 between 6 and 24 other brands were judged to have higher quality. This negative trend was only stopped after the takeover failure, but has not remained stable as the 2012 results show. This is not only an indication of Mercedes quality issues, but points out the extent to which other brands have improved. This has made it more difficult for Mercedes marketing to draw attention to the exclusive nature of quality within the premium car segment.

Figure 17: Rankings Lexus vs. Mercedes 1999-2012 (J.D. Power)



Source: DaimlerChrysler AG Figures Appendix 5.5 ; n=63

Mercedes fixation on J.D. Power made it in part responsible for its own loss of image. The company did not really understand how J.D. Power works and why the APEAL survey in particular makes it very difficult for any European carmaker to do well. J.D. Power does not compare cars with each other. Its customer survey measures the ratio of the customer's expectations and his/her experiences within the first six months of ownership. Americans buying European cars have high expectations and are thus more easily disappointed. Even "good" European cars such as the VW Golf end up far down the ranking due to this fact. On the other hand many Americans are delightfully surprised at the relatively good quality offered by Asian carmakers. So it is surprising that Mercedes placed so much emphasis in being good in J.D. Power. Brands such as BMW and Audi and Volkswagen have always placed less value on the study without any measurable negative impact on reputation or sales. Mercedes lack of local cultural knowledge put them at a disadvantage with the competition. The success of Toyota in America can be partially traced with the Japanese company's relationship with J.D. Power. Unlike Consumers Reports, J.D. Power earns a lot of money by courting the companies it reviews. Toyota structured its customer service to insure the best possible results by inviting customers back to the dealership during the J.D. Power survey period. Most Mercedes dealers never see the customer in this time period. Toyota pays a lot of money to use J.D. Power advertising in its own marketing concept and this strategy ensured that J.D. Power had an interest in giving Toyota top marks. As ratings continued to sink Mercedes became increasingly aggressive towards the rankers, as the case of Consumer Reports illustrates.

5.3.6 **Mercedes vs. Consumers Report**

Consumers Report is a highly respected independent, expert and non-profit publication, which provides consumers with objective information about all kinds of consumer products. Its annual April issue is devoted exclusively to cars. With over 6 million subscribers it is arguably the most influential North American publication in terms of influencing people's choices as to what kind of car they buy. Consumers Reports, as it states in its mission statement, has been able to maintain its independence and impartiality by refusing to print outside advertising, refusing to accept free samples, refusing to allow companies advertise with their results.

> Our mission: Consumers Union (CU) is an expert, independent, non-profit organization whose mission is to work for a fair, just, and safe marketplace for all consumers and to empower consumers to protect themselves. The organization was founded in 1936 when

> advertising first flooded the mass media. Consumers lacked a reliable source of information they could depend on to help them distinguish hype from fact and good products from bad ones. Since then CU has filled that vacuum with a broad range of consumer information. To maintain its independence and impartiality, CU accepts no outside advertising and no free samples and employs several hundred mystery shoppers and technical experts to buy and test the products it evaluates (DaimlerChrysler AG Internet Appendix 5.3).

Consumer Reports has its own testing facilities and obtains the vehicles tested on a random basis, a practice that deviates dramatically from a number of testing institutions, who allow manufacturers to prepare vehicles. Based on a survey of 2006 models, Consumer Reports ranked 3 Mercedes models (S-Class, E-Class, CLS) in their listing of the least reliable luxury cars. Similarly 3 of the 7 least reliable sports cars were from the Mercedes brand, the SL, CLK and SLK. The M-Class is listed as the least reliable SUV. More damaging is the fact that Consumer Report recommended none of the 11 Mercedes models tested in that year giving it the worst record of any automaker with that many models. All of these models were being developed either before the 1998 takeover of Chrysler or in the first years of DaimlerChrysler AG and reflect a general drop in quality for all models, including the most prestigious E- and S-Class. Mercedes belligerent response to the criticism made the story a front page response and negatively impacted the brand’s image.

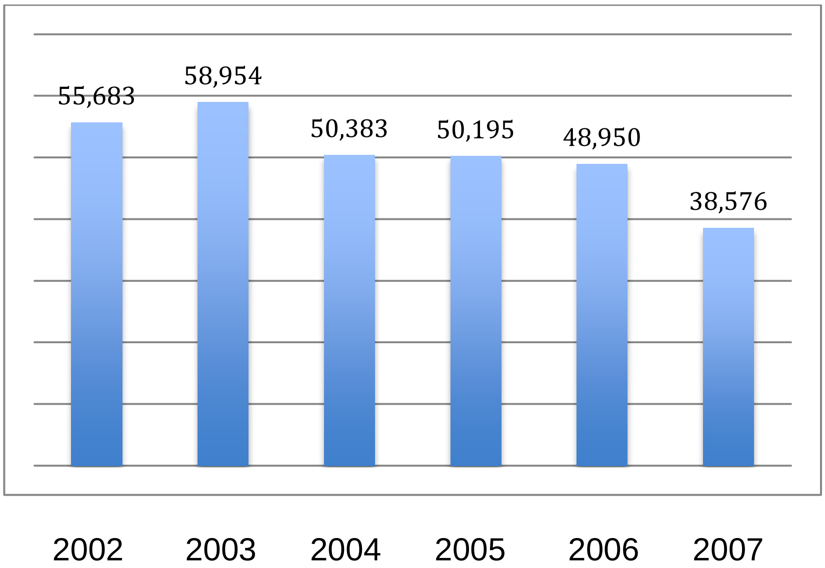
> For the 2007 edition of its New Car Preview, *Consumer Reports* surveyed its six million subscribers about what serious problems they had with the cars they own. Some 1.3 million responded and the results weren’t good for Mercedes-Benz. Here’s a brief blow-by-blow: In a listing of the least reliable luxury cars, based on 2006 models, three of the six cars are Mercedes: the old S-Class (prior to the recent redesign), the CLS and the E-Class Sedan (...) Same thing in sport cars. Mercedes hogged three of the seven slots for least reliable: the SL, the CLK and the V6 SLK. (...) Among mid-sized SUVs, the M-Class, a quality disaster when it first came out, still ranks as the least reliable in its grouping. Quality problems have been a big issue at Mercedes for several years and the company keeps insisting it has a handle on them. But issues keep cropping up. Mercedes still makes superb automobiles - striking in design, sophisticated in engineering, exhilarating in performance. It attracts hugely loyal buyers and its cars retain value better than most. But being a leader means being constantly under attack by those behind you. Along with BMW and Lexus, Mercedes ranks in the top tier of luxury

> brands. But until it can tame the devilish complexity of its cars into more reliable transportation, its position will remain precarious. And it doesn't help to be in denial about the problems you face - or to attack the messenger who delivers the bad news (Forbes November 20th, 2006).

Consumers Report documented what many Mercedes engineers had been complaining about for years. Development at Mercedes since the early 90s had become controller-driven and quality had been sacrificed to the goals of cost reduction in development at the Mercedes Technology Centre and higher output in production. In addition, development processes were being outsourced to first tier suppliers, who were profiting from Daimler know-how and passing it on to other OEMs. At the same time Daimler engineers were spending increasingly more time managing the suppliers instead of developing cars. A radical reduction of the development cycle from 72 to 36 months meant that more and more parts had not reached serial production maturity before being launched.

In the midst of this situation DaimlerChrysler AG's reaction to Consumer reports criticisms was a major intercultural blunder. They decided to question the objectivity of the results. Mercedes claimed that the data in the Consumer Reports rankings "is totally out of sync with what we're seeing in the mainstream research as well as our own customer satisfaction and warranty data" (Forbes November 20th, 2006). Mercedes attempted to shift consumer focus to the positive assessment Mercedes receives for ride, handling, comfort, safety and overall engine performance. However, Mercedes' complaints only contributed to a further spread of the quality crisis in the USA. Suddenly the story was in all the newspapers, televisions programs and Internet sites. Now the word was definitely out, that Mercedes had major quality issues. The bad quality of the vehicles had cost Daimler dearly in its own customer base. The reaction of the company and its vicious attacks on Consumers Reports hurt its reputation. In the whole affair Mercedes came across as very arrogant and unprofessional organization, fitting the negative stereotype images that some Americans have of Germans. The policy of denying that they had any problems and also attacking the deliverer of the bad news soured many Americans on Mercedes, especially as the evidence was overwhelming. The W211 E-Class, the cash cow of the Mercedes Car Group, ended up spending more money on warranty and good will costs than on development cost and the news of this discrepancy in the press would cost the head of Mercedes development his job. The negative impact can be seen in the continuous drop in sales for the American market after the initial 2003/2004 market launch.

Figure 18: Mercedes E-Class USA Sales



Source: DaimlerChrysler AG Figures Appendix 5.6

As the Wall Street Journal commented upon the ocassion of Schrempp's resignation in July 2005. His continued denial of quality issues was also at the centre of his undoing as CEO of DaimlerChrysler:

> Yet in a March interview with The Wall Street Journal, Mr. Schrempp was upbeat. He dismissed questions about whether he'd stay on until 2008, saying, "I don't know why you're asking - I'm sitting here in '05, and I'm in good shape, and I'm very happy." He also insisted Mercedes quality problems were overblown - and fixed. "The quality of the cars coming off the line now is the best ever, 100%," he said. But less than a month later, Mercedes announced a recall of 1.3 million cars, its largest ever, for a variety of mechanical problems (Wall Street Journal July 29th, 2005).

5.4 Failed Welt AG strategy

The next chapter looks at the failure of the so-called Welt AG strategy. The first section will point out the strategical contradiction between the idea of a Welt AG and the promise of a merger of equals between Daimler and Chrysler. The following chapter will examine how the lack of a homogenous "Mercedes" approach contributed to confusion in the interaction with other partners. The third section focuses on the failure of Daimler and Chrysler to agree on the strategical direction of the company. Section four focuses on the failed Asian strategy. Ironically it was the internal critique from the German side of Schrempp's Asian policy in general and his acquisition of Mitsubishi in particular, which would weaken the CEO the most and force his eventual resignation. This criticism stemmed from German shareholders, German members of the Board (*e.g.* Bernhard) and the German media. The final section considers to what extent the failure of the Welt AG can be reduced to the person of CEO Jürgen Schrempp.

5.4.1 Strategical contradictions

The Welt AG strategy refers to the strategical vision presented by Daimler-Benz CEO Jürgen Schrempp as the company's new direction after he succeeded Reuter in 1995. Although most commentaries tend to conflute the Welt AG strategy with Schrempp's takeover of Chrysler, the two strategies are in actual fact contradictory. Daimler's decision to acquire Chrysler was a part of a more comprehensive worldwide strategy. The Welt AG strategy pointed to the vision of a German dominated worldwide expansion of activities concentrating on the commercial and passenger vehicle units of the company. Specifically, the North American and Asian markets were being targeted with the specific aim of reducing the company's dependence on the luxury Mercedes brand. In the emerging Indian and Chinese markets the search was on to find a suitable manufacturer, preferably Japanese, with expertise in the production of small affordable compact cars. Although Mercedes inability to establish proper partners for the Chinese market would continue to hamper expansion in the coming years, the company already had well-established production and distribution network for its luxury brands for many decades (Grunow-Oswald 2006). The expansion of the Mercedes marque to include the A-, B- and M-Class had already been decided on by Werner before Schrempp had the opportunity to exercise his influence on the company's most important business unit. Schrempp's initial focus on a 12% ROCE and increased shareholder value provided criteria for the early elimination for the company's most inefficient business units, but after the Chrysler takeover it became increasingly clear that the Welt AG was to be limited to the company's original strength in the passenger and commercial vehicle divisions. In the coming years most divisions such as the Adtranz (trains) and the creation of EADS (aerospace) would provide evidence of the shift of focus, even though DASA was the largest owner in the newly created European consortium with 33% (DaimlerChrysler AG Annual Report 2000). Even key automobile-related subsidiaries such as the auto-electronics specialist TEMIC were sold in the year 2001. In early 2001 the remaining 10% of Debitel shares were sold to Swisscom (DaimlerChrysler AG Annual Report 2001). In January 2002 DaimlerChrysler AG sold its 49.9% involvement in T-Systems (originally Systemhaus under Reuter) to Deutsche-Telekom. In order to raise equity, DaimlerChrysler AG also sold part of Chrysler's financial service to GE (GeneralElectric) Capital, mostly in the form of real estate assets (DaimlerChrysler AG Annual Report 2001).

Schrempp's prioritization of the vehicle units was evidenced not only by the involvement at Mitsubishi (2000) and Hyundai (2000) but also the American truck maker Freightliner's acquisition of North American truck maker Western Star and Detroit Diesel in the year 2000 (DaimlerChrysler AG Annual Report 2000). In the DaimlerChrysler AG Annual Report for the year 2000, Schrempp could report than now 90% of DC's revenues were coming from the passenger and commercial vehicle units. That ratio would continue to increase in the upcoming years as the reversal of Reuter's 1985 strategical "turn" was completed (DaimlerChrysler AG Annual Reports 2001, 2002, 2003, 2004, 2005, 2006).

The basic idea of the Welt AG, however, stood in stark contrast to the promise of a merger of equals and it is worth drawing attention to the fact that it was Schrempp who discussed Asian expansion at the press conference announcing the takeover, making it clear to insiders that the Chrysler deal was just one part of an overall strategy of world-wide expansion. Chrysler remained a North American based company with now perhaps the hope of increasing their European presence with Daimler's aid. Chrysler had had extensive limks with Mitsubishi stretching back to the early 1970s, when they had acquired a stake in the Japanese company. But under Iacocca in the 1980s these relationships were weakened and limited to production of two Chrysler models (Chrysler Sebring and the Dodge Stratus) at the Mitsubishi factory in Normal Illinois. Although Chrysler engineers were willing to adapt Mitsubishi's ideas to their own practices both companies had continue to reduce and limit their cooperation with each other until the Germans stepped in in the spring of 1999. The idea of expanding to Asia had been analyzed by Chrysler during the 1995 shareholder crisis but judged to be unrealistic (Vlasic and Stertz 2000).

Schrempp's shift of focus away from Chrysler and towards the search for an Asian partner in early 1999 only 7 months after the takeover was a major source of conflict on the Board between Americans and Germans (Blaško, Netter and Sinkey 2000). The NYSE also reacted negatively upon news of Schrempp's plans. Chrysler executive pressure, combined with a sharp drop in the value of DCX, forced Schrempp to abandon his plans, but there was now a clear rift between the two sides. Schrempp's Asian strategy was a clear proof to the Americans that the promise of a merger was only a rhetorical ploy. Eventually Chrysler's most important executive on the Board was forced to resign in September 1999 (Vlasic and

Stertz 2000). The logic of the German Welt AG exposed the emptiness of the promise of a merger of equals. At the same time, the decision not to become involved with Nissan, exerted additional pressure for Schrempp to find another partner.

5.4.2 The Asian dilemma

The Schrempp era from 1995 to 2005 at Daimler-Benz and DaimlerChrysler AG (as of May 1998) is known as the Welt AG era of the company. It included not only the transatlantic acquisition of the American Chrysler Corporation, the main focus of this case study, but also entailed plans for radical expansion in the Asiatic region and the search for suitable Japanese, Korean and Chinese partners, alliances and possible takeovers. In addition, Schrempp intended to expand on former Mercedes CEO Werner's policy of globalizing and stretching the Mercedes brand both in the passenger and commercial vehicle sectors. Schrempp had already been praised for his "ungermanlike" visionary global aggressiveness in his takeover of Chrysler, which earned him the manager of the year award in Germany in 1998. Initially both the stock market and industry observers applauded the symbolic liberation from Germany's post-war Deutschland AG and the implementation of DaimlerChrysler AG's Welt AG strategy (Der Spiegel 20, 1998) under German leadership. The hitherto champions of coordinated market economies in the automobile branch, Japan and Germany, were both perceived to have been suffering in the late 1990s due to their conservative unwillingness to adapt to the emergence of more liberal global economic institutions. Globalization seemed to require a switch to a more liberal variety of capitalism. Schrempp's Welt AG vision was seen by Germans as a welcome step in the right direction.

In 1999 the whole industry saw Asia as the main opportunity for expansion, especially for small cars in the emerging Indian and Chinese markets. Although Daimler was actively stretching its Mercedes brand to include the A-. B-, and M-Class, these models were not expected to penetrate the Asian market. Daimler was looking for competencies in the production of small affordable cars and also competencies in conventional engine technology to match their own competitive advantage in the area of diesel engine technology for larger and heavier vehicles such as the C-, E- and S-Class. The wave of merger and takeover activity in the automobile industry continued into the spring of 2000. In addition to Daimler's €2.1 billion 34% investment in Mitsubishi, General Motors acquired a 20% share of Fiat for $ 2.4 billion, Ford purchased Land Rover from BMW for $2.9 billion and VW bought a 19% interest in the Swedish commercial vehicle producer Scania. The merger frenzy had reached its peak, with both Ford and GM battling over the Korean carmaker Daewoo Motors, whereas DaimlerChrysler AG had set its sights on a strategic partnership with Hyundai in order to create what would be called the General Engine Alliance (GEA) with Mitsubishi.

However this impression of strategic vision and optimism is completely misleading. DaimlerChrysler AG stumbled into the Mitsubishi Motors Corporation deal, part of a Japanese “Keiretsu”, which was failing economically in almost the entirety of its complex network of enterprises (Bremner and Thorton 1999). DaimlerChrysler AG CEO Schrempp had promised an increase of the company’s presence in Asia during the announcement of the takeover of Chrysler in May 1998, but his initial strategy had not been successful. Toyota was clearly not for sale and their Lexus brand had emerged as DaimlerChrysler AG’s most dangerous competitor against the luxury Mercedes brand. Lexus had been eroding Mercedes’ market share in the late 1990s, especially in the critical USA market. The protective nature of the Japanese zaibatsu (family-holding companies) and keiretsu (corporate alliances) made a hostile takeover impossible. DaimlerChrysler AG’s first choice, Honda, had made it publicly clear that it wished to retain its independence. The German carmaker was again focusing on supplementing its resource-based market edge in the area of diesel engine technology with the quality of Honda’s engineering in the area of conventional (Otto) fuel-combustion engines and their innovative edge in styling both in Asian and North American markets. Both Toyota and Honda were protected in a manner similar to the family-held protection offered by Porsche and BMW in Germany. The sole opportunity for foreign investment lay in the deep crisis within the Japanese economy in the late 1990s and especially the increasing awareness of structural weakness of Japan’s top 30 industrial, financial and service companies.

In the late 1980s it appeared as if the Japanese variety of capitalism was about to surpass the USA. Especially in the automobile industry the so-called lean production approach had dramatically impacted the North American market, specifically with the establishment of hybrid factories in Canada and the USA (Womack, Jones and Roos 1990). The Japanese were producing high quality vehicles at more reasonable prices than their Big 3 competitors. And although studies such as the vast MIT survey (1990) of the global automobile industry focused on Toyota, Mitsubishi had also been part of the “revolution”. Throughout the 1980s Japan’s fourth largest automaker had been increasing market share by 27% annually. The electronics arm of the Mitsubishi keiretsu was advancing its share of the television market as well. The feared “Mitsubishification” of America reached its heights with the 51% acquisition of the symbolic Rockefeller Center in New York City in 1989 (Bremner and Thornton 1999).

However, the historical strengths of the Japanese keiretsu system suddenly became weaknesses in the changed global economic situation as of the mid 1990s. In a manner not unlike the emerging structural conservatism of the Deutschland AG coordinated market economy (CME), the intricate connection of industrial and banking cross-shareholdings and family ties made it increasingly difficult for the Japanese to react self-critically and adapt to new challenges. In addition and most risky, each keiretsu groups' own banks had been providing uncovered inexpensive equity, which had encouraged significant overcapacities in Japanese industry. By 1999 there were no less than 11 passenger and commercial vehicle producers. Other industries such as the steel industry and the semiconductor sector were equally plagued with radical over capacities in production (Bremner and Thornton 1999). In the finance segment there were no fewer than 17 investment banks. Mitsubishi was typical for the crisis. By the beginning of 1999 the company was so heavily in debt that it publicly sought help from overseas investors. The difficulties within the automotive division were augmented by Mitsubishi Electric's announcement in February that it expected a $330 million loss as well as losses of $200 million at Mitsubishi Materials Corp. and Mitsubishi Chemical Corp. respectively. The disintegration of the Mitsubishi empire was even more serious than the decline of Reuter's envisioned technology vision at Daimler-Benz in the mid 1990s because it also included a major crisis of the group's Bank of Tokyo-Mitsubishi. In the face of internal meltdown the bank had been forced to acquire $2 billion in additional funds. The focus on achieving higher turnover at the expense of return on equity or Return on Capital Employed (ROCE) could not cope with a situation of domestic zero growth. Whereas US companies expected a return on equity approaching 15%, the rate at Mitsubishi was less than 5% (Bremner and Thornton 1999). In this situation of the seeming collapse of the coordinated market economies in Japan and Germany, industry leader's focus on shareholder value such as DaimlerChrysler AG CEO Schrempp appeared visionary. However, Mitsubishi's decision to allow DaimlerChrysler AG to acquire shares was a humiliation within the context of Japan's protective and patriotic automobile sector and indeed primarily a proof of the serious nature of Mitsubishi's lack of liquidity rather than any attractiveness as a takeover object (Bremner and Thornton 1999).

Moreover, Mitsubishi was not even Daimler's second choice after Honda. In early 1999 Schrempp was attempting to secure a strategic share of Japan's number three automaker, Nissan, which like Mitsubishi was struggling to survive. Talks between the two companies began in January 1999 and when rumors of an impending equity stake acquisition became public the DCX share fell 6% on January 11 (Blaško, Netter and Sinkey 2000). Schrempp's plans were controversial inside the Board, and provided the reason for the first major rift between him and the American members lead by Thomas Stallkamp (Vlasic and Stertz 2000). It was the beginning of an open conflict, which would eventually lead to Stallkamp's forced resignation in September 1999. Chrysler executives were concerned that the integration of Daimler and Chrysler would only become more complex with a premature decision to add an Asian partner. Although Japanese companies had performed well on American soil, there were no major positive examples of industrial American-Japanese mergers. The newly formed DaimlerChrysler AG was less than one year old and the initial market euphoria had been replaced with an increasing consciousness of the enormous difficulties facing an integration of the German and American sides at the operative level. Moreover, at the strategic level chess expert Schrempp's Nissan gambit served as further proof to Chrysler executives, that their company was merely a pawn in a German-led Welt AG. The Board was able to block Schrempp and force a cessation of the negotiations (Vlasic and Stertz 2000). The markets received the announcement of a failure of the talks on March 10th, 1999 positively. Whereas Nissan posted a negative return of 10.9% DCX shares rallied by 5% (Blaško, Netter and Sinkey 2000). When Renault did eventually acquire 37% of Nissan, both financial and industry experts did not expect the new alliance to succeed (Boyer and Freyssenet 2000).

After his failure to acquire Nissan, Schrempp turned his attention to Mitsubishi, Japan's fourth largest vehicle manufacturer. Mitsubishi Motors Corporation chairman Kawasoe initially rejected DaimlerChrysler AG's offers. Similar to Daimler, Mitsubishi could only envisage a possible form of cooperation without any equity dovetailing. However, by the spring of 2000 Mitsubishi was on the verge of bankruptcy and had to accept the German offer of €2.6 billion (later €2.4 DaimlerChrysler AG Annual Report 2000). The initial deal from March 27th, 2000 allowed Mitsubishi to save face and the same time provide DaimlerChrysler AG with *de facto* control of the Japanese company. By acquiring 34% of MMC DaimlerChrysler AG was limited to 3 of the company's 10 Board members, but it obtained veto power allowing the Germans to overturn any executive decisions. In terms of market share the alliance increased DaimlerChrysler AG's proportion to almost 11% in Japan and just under 10% in the remaining Asian-Pacific region. Although the passenger and commercial vehicle maker still had $31 billion in revenues, Mitsubishi had lost over $1 billion in the previous two years and had $17 billion of debt (Bremner and Thornton 1999). The deal did however make DaimlerChrysler AG the world's third largest carmaker, after GM and Ford. In addition, achieving 10% market share fulfilled CEO Schrempp's publicly stated goal in Tokyo in January 1999. The Mitsubishi agreement also entitled DaimlerChrysler AG to increase its share without limitation of the company after a holding period of 3 years. In a separate move in September 2000, DaimlerChrysler AG acquired 9% of the Korean manufacturer, Hyundai Motors (DaimlerChrysler AG Annual Report 2000). On paper, at least, it appeared that a further important mosaic stone in his Welt AG vision had been set.

In April 2001, DaimlerChrysler AG upped its share to 37.3% by acquiring Volvo's 3.3% share of Mitsubishi. This acquisition cost an additional € 760 million, but provided access to the Born plant in the Netherlands, which would be the facility to build the Smart-Mitsubishi Forfour car as part of the Z-car project. Daimler hoped to profit from the Japanese experience in the design, development and production of small 4-seat vehicles. The 6th generation Mitsubishi Colt had a degree of maturity comparable to the VW Golf and initially the plan to produce a 4-seat Smart appeared plausible. Furthermore, in contrast to the lack of a common platform development between Mercedes and Chrysler, the new Colt and Smart's Forfour did share 40% exact same parts. Commonality appeared to have been reached, without the risk of so-called badge engineering in which two identical cars just receive a different emblem (i.e. Chrysler and Mitsubishi vehicles from the Normal Illinois factory). Unfortunately, the car was not a market success. Although it almost succeeded in reaching the sales target of 50,000 in 2004, the goal of 80,000 units in 2005 idled 40,000 vehicles below expectations. The decision to cease production was made in early 2006 and the last vehicle was produced in July 2006.

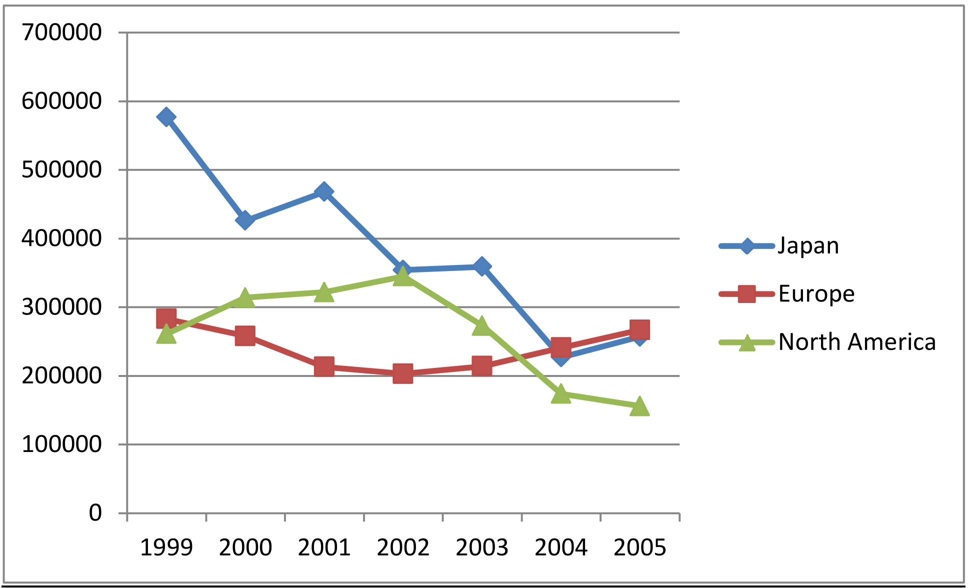
Gill (2012) has raised interesting questions concerning the success of the Renault-Nissan alliance compared to the failure of the DaimlerChrysler AG-Mitsubishi project. The author correctly points out that the former case has received high-profile attention, including a book by one of the main protagonists, Renault CEO Ghosn (Ghosn and Ries 2003). Gill suggests that Ghosn was better able to understand and accommodate the cultural dimensionality of Nissan (Hofstede 2001). Ghosn has certainly been able to express his commitment to saving Nissan in a manner never exhibited by his DaimlerChrysler AG counterpart Eckrodt. However, both turnover plans were dramatic cost slashing restructurings of the fundamental institutions of the Japanese economy. Eckrodt reduced the total number of employees by 16% in his first year as Chief Operative Officer (COO). This abolition of the traditional Japanese life-long work guarantee was continued throughout Eckrodt's tenure, with an additional 9,500 jobs from the remaining 65,000 employees being axed in 2004 (Gill 2012). In addition material costs were reduced by 15% and the number of platforms was reduced by 50%. Eckrodt's measures were able to stop Mitsubishi's losses briefly in 2001, but the seriousness of the situation at Mitsubishi was more dramatic than Nissan and transcended the leeway of management strategy. Gill (2012) is certainly correct in ascertaining that Gnosen took greater efforts to integrate Japanese managers in his turnaround plans. Eckrodts decision to replace senior Japanese managers with younger less experienced German managers certainly added fat to the fires of intercultural humiliation being experienced by Mitsubishi employees. This was worsened by the fact that the German managers were planned for short-term troubleshooting tasks with no transparent long-term commitment to salvaging the company.

Gill (2012) does, however, underestimate the severity of the situation at Mitsubishi Motors Corporation compared to Nissan, which severely limited possible success for German options. Both Nissan and Mitsubishi cultures within the traditional keiritsu exhibit a deep reluctance to scrutinize and adequately control the financial situation of individual projects and budgets. However, Daimler's 34% acquisition of Mitsubishi in March 2000 was plagued by more serious organizational cultural issues of a criminal nature. Just 4 months after the agreement had been signed, Mitsubishi became involved in one of the most serious scandals in the history of the Japanese automobile industry. This led to the arrest of several senior executives. Police authorities found documents revealing that company officials had been systematically and intentionally holding back information from customers about vehicle defects and quality issues going back to the 1970s. The first wave of revelations led to a summer recall of approximately 500,000 vehicles, which was about a third of the company's yearly production in 2000 (DaimlerChrysler AG Annual Report 2000). As a reaction to these developments the stock market price of the company dropped by 13%. A second raid by authorities in August deepened the crisis. More than one million vehicles had to be recalled and the stock market price had now dropped by 30%. The situation was so serious that DaimlerChrysler AG renegotiated the original purchasing agreement from March and was able to acquire its stake for €200 million less than the original price. Furthermore, Mitsubishi's chairman Kawasoe was forced to resign. However, the quality problems continued to worsen, and a further 1.5 million cars had to be recalled in early 2001, including over one million in the USA. Daimler had hoped for a strong Japanese partner, which could help them to leverage their Asian presence in the small car segment. Instead DaimlerChrysler AG inherited a worldwide quality disaster, which would negatively impact group profits. According to the 2000 annual report recall issues at Mitsubishi amounted to €700 million. As announced in the same report the "refocusing" of Mitsubishi would entail cutting 9,600 jobs (-14%) and reducing plant capacity by 20% (DaimlerChrysler AG Annual Report 2000).

Daimler responded by sending in German executives to cut costs and restructure the firm, placing Eckrodt at the head of day-to-day operations. Together with the recalls the planned cuts led to record losses of $2.2 billion for the fiscal year ending March 31st 2001 (New York Times March 31st 2001). Furthermore the recalls would damage Mitsubishi's reputation particularly in Japan and the USA and see a further plummet in sales in 2001 and 2002. The situation in Japan was exacerbated by a general economic recession. Altogether over 2 million vehicles will be recalled in the first year of DaimlerChrysler AG's alliance with the Japanese company. The need to send German executives to Japan in early 2001 was compounded by the dramatic plunge in Chrysler's profits throughout the year 2000 from €5.1 billion in 1999 to €0.5 billion in 2000. The drop led to the installment of Germans Dieter Zetsche and Wolfgang Bernhardt as CEO and COO at Chrysler respectively. The Germanization of both their American and Asian activities severely stretched and weakened management resources at the parent Mercedes brand. The 1998 "marriage in heaven" metaphor used by Schrempp provided increasingly critical employee, press and shareholder observers with an infinite source of satirical rhetoric. Schrempp's polygamy was spinning out of control as early as January 2000, less than 2 years after the takeover and less than 1 year after the 37% acquisition of Mitsubishi. From the perspective of the company's Annual Report for the year 2000, Schrempp and his executives viewed the situation at Chrysler to be more dramatic than the situation at Mitsubishi (DaimlerChrysler 2000). The 126-page document continually refers to the planned "turnaround" at Chrysler, whereas the more mild need for a "refocusing" at Mitsubishi is proclaimed. The upcoming years will prove the inaccuracy of this assessment of the seriousness of DaimlerChrysler AG's dilemmas in the Asia market. The word "turnaround" does not crop up until the 2001 Annual Report (DaimlerChrysler AG Annual Report 2001).

Although Eckrodt's initial measures appeared to eliminate the worst aspects of the Mitsubishi crisis, their success was short-lived. Mitsubishi's reputation was damaged especially in Japan and in the USA. In addition, many models were actually in competition with Chrysler vehicles.

Figure 19 Mitsubishi Motors Corporation Sales (1999-2005)



Source: DaimlerChrysler AG Figures Appendix 5.7

The saturated market situation was augmented by tough rebate offers in this market segment. Mitsubishi embarked on a 0% financing and $0 dollar down payment financing plan in order to attempt to regain its share of the market. The plan backfired completely as customers simply worked away from their vehicles when it came to the first installment. The program had a negative impact of $450 million dollars on DaimlerChrysler AG's operating profits (DaimlerChrysler AG Annual Report 2003). Eckrodt resigned as Mitsubishi COO and left the DaimlerChysler organization. By 2004 the Board was no longer willing to pump more money into Mitsubishi. This decision was the first major public defeat suffered by Jürgen Schrempp since 1995 and signaled the failure of his Asian policy. By 2005 it was clear that DaimlerChrysler AG would sell its 37% share of the company (The Economist July 28th, 2005). The Mitsubishi disaster also impeded the development of a clear strategy for China during this period. In addition, Schrempp's Mitsubishi's disaster weakened his support both at the senior executive and Board levels. His chosen successor, Wolfgang Bernhard, openly challenged the wisdom of continuing to support Mitsubishi. Although this revolt led to Bernhard's resignation, Schrempp's tenure as CEO was now only a question of time. He announced his decision to step down as DaimlerChrysler AG CEO in July 2005, although his contract was valid until 2008.

5.5 Conclusions

The failure of the Welt AG strategy was triggered by a number of negative decisions and negative events at Mercedes, Chrysler and Mitsubishi respectively. All of these factors mirror the failure of the DaimlerChrysler AG takeover to realize any of its proposed goals.

After the initial positive reaction of the stock markets, shareholder value first plummeted independently of the performance of the company. Despite record results for the year 1998, the decision to delist the stock from Standard and Poors 500 scared off American trust and investment fund brokers. The value of DCX was further impacted negatively with rumors of a Nissan takeover in January 1999 and the defection of top Chrysler executives to other companies (Blaško, Netter and Sinkey 2000). The value of DCX shares would remain at less than 50% of its January 1999 high until the announcement of Schrempp's resignation in July 2005. The lack of interest in DCX for American investors was exacerbated by the dramatic drop in third quarter profits in 2000. Suddenly and seemingly unexpectedly, Chrysler sales had become a serious liability.

The results were equally disappointing in the area of operational synergy effects. Mercedes insistence on strict brand separation would cause a delay of 3 years before the Executive Automotive Committee was created to coordinate commonizing activities. Indeed it was only after Mercedes managers Zetsche and Bernhard took over the management of Chrysler that any serious efforts were made to integrate technologies and platforms. Before that American managers had been frustrated by Mercedes rejection of possible cooperation in projects such as the M-Class / Jeep Grand Cherokee or R-class / Pacifica (Vlasic and Stertz 2000). Throughout the history of DaimlerChrysler real synergy effects were neverachieved in the area of engineering, with the possible exception of the Chrysler 300 M, but even those were a case of too little too late.

The drop in Chrysler sales coincided with the takeover of Mitsubishi Motors Cooperation (MMC) in the second half of 2000. DaimlerChrysler's participation in the Japanese firm was disastrous from the very beginning, triggered by massive criminal activity stretching back over 20 years and leading to the recall of more than 2 million vehicles in the years 2000-2002. The case impacted sales the company's reputation in the U.S.A and Japan. The relationship between the two companies ended effectively in the spring of 2004 with the DaimlerChrysler Board's rejection of further financial help for its Asian subsidiary.

Difficulties at Mitsubishi and Chrysler drained management energy from its German parent company Daimler. This drain restricted DaimlerChrysler’s ability to fix quality issues at Mercedes. This was augmented by the speed of Mercedes brand expansion into the development and engineering of vehicles in area where the company had no real previous experience (Smart, A-Class, B-Class, M-Class, R-class). Especially in the USA, the drop in quality had negative repercussions for the perception of Schrempp’s vision of a Welt AG. Despite some signs of an economic recovery at Chrysler under Zetsche, the situation at Mitsubishi and Mercedes caused German shareholders, management and media to pressure Schrempp into resigning in July 2005.

Chapter 6 will now proceed to analyze how the post-takeover strategy of a “merger of equals” created an atmosphere of distrust from the very start of the DaimlerChrysler AG takeover and inhibited the creation of a new DaimlerChrysler AG organizational culture, which would have been necessary to implement successful strategies.

6 THE “MERGER OF EQUALS” LIE AND TRUST

Chapter 6 consists of 5 sections, each dealing with one of the central metaphors of the DaimlerChrysler AG takeover, the promise of a “merger of equals”. Chapter 6.1 discusses the semantic ambiguity in the terms “merger”, “acquisition” and “takeover”. Chapter 6.2 provides an overview of the classical typologies of mergers and acquisitions (Marks and Mirvis 1998) and shows the ramifications of the DaimlerChrysler AG “best of both” post merger strategy for issues of organizational culture and trust. Chapters 6.3 through 6.5 then dissect how the inherent contradiction of the alleged “merger of equals” and the Welt AG takeover strategy poisoned the organizational culture within the new company and resulted in a destruction of any trust, which may have been left. These sections apply approaches to the phenomena of trust as a factor of successful organizational culture from an economic perspective.

In order to accomplish this task the section will utilize Cohen and Prusak’s concept of “social capital” (2001). The analysis of social capital will consist of an examination of the functions of the 4 factors Cohen and Prusak consider essential in order to create the high social capital that is necessary to deal with volatile and demanding issues of change management such as a “best of both cross-border mergers”. Those factors are trust, networks and communities, space and time to connect, and fourthly, social talk and storytelling. The four factors will be applied to the DaimlerChrysler AG case to demonstrate how all four actually led to the destruction of whatever levels of social capital were available at the beginning of the takeover within the Daimler and Chrysler organizations respectively

6.1 Semantic differences between mergers, acquisitions and takeovers

One of the most salient aspects of all discussions on mergers and acquisitions (M&As) is the semantical asymmetry between the two terms. The word “merger” is sometimes the exact opposite of the word “acquisition”. The word “merger” means a voluntary and reciprocal coming together of two or more parties. It’s the kind of “you scratch my back, I’ll scratch yours” (DaimlerChrysler AG Video Appendix 5.1) relationship which constitutes the foundation of market-based economic life. The term “merger” implies an equal balance of power between the contracting parties. On the other hand the term “acquire” leans in the direction of one-sidedness and implies a kind of domination by one party. Why is it possible that we use two different terms to discuss one economic event?

The economic area of activity known as Merger and Acquisitions (M&As) necessarily confounds semantically a wide range of intentions. This confusion often intentionally serves to conflate the multi-layered justifications, threats and opportunities, which are being communicated to the employees of both firms involved and to external shareholders and stakeholders. Such conflation arises naturally in such radically changing situations. The term "merger" serves to alleviate any pain and uncertainty.

Despite this intermixture there is nevertheless a spectrum of meaning stretching from the more positive connotations of the word "merger" via the more neutral connotations of the word "acquisition" to the more definitely negative association of the word "takeover". In a personal conversation the linguist Scot Bell once explained the difference between the three words in terms of marriage as follows; "When I first met my wife it was an "acquisition" because I had never had a bird before. When we decided to get married it was a "merger". Now that she is clearly in charge of things it is obviously a "takeover". This anecdote from a scholar who has obviously led an "examined life" helps to explain why we say M&A in business activity and not M&A&T. The word to be avoided at all costs is the taboo T-word, "takeover". An "acquisition" can be friendly or unfriendly, a "takeover" sounds unfriendly and forced and entails, even when a company wants to be taken over, that one side has to relinquish its autonomy. This differentiation is extremely helpful when applied to the DaimlerChrysler AG case. The DaimlerChrysler AG story travels through both radical ends of the M&A&T spectrum, as the main protagonist, CEO Jürgen Schrempp, announces a "merger of equals" (1998) and later admits to a "takeover" of Chrysler (2000).

The two memorable phrases and metaphors emerging from the initial press conference on May 7th 1998 announcing the creation of DaimlerChrysler AG was Schrempp's declaration of a "marriage made in heaven" and his promise of a "merger of equals". The image of the "marriage made in heaven" would gift newspapers and economic journals with hundreds of wonderful headlines for the upcoming years, whereas the metaphor of a "merger of equals" would provide a barometer of trust for employees on both sides of the Atlantic in their interaction with each other. The "trust" timeline would end in October/November 2000, with Schrempp's admittance in a Financial Times newspaper interview that his intention had been to "take over" the company from the very beginning and that his talk of "merger" had been purely tactical (Financial Times October 30th , 2000).

6.2 Strategies for post-merger outcomes; the "merger of equals" dilemma

The classical literature on mergers and acquisitions (Marks and Mirvis 1998) distinguishes between the degrees of changes between the acquired and the acquiring company in order to define five unique strategies for post-merger outcomes. In the matrix below (Figure 20) it is essential to see that a "perfect" theoretical balance between acquired and acquiring company is only realized in the Type 5 "best of both" merger strategies. This was precisely the strategy that DaimlerChrysler AG proposed to implement.

Figure 20: Models of Mergers and Acquisitions

HIGH

Degree of change in ACQUIRED **company**

LOW

Type 2 **Absorption** Acquiring company conforms to acquirer- Cultural assimilation		**Type 3** **Transformation** Both companies find new ways of operating- Cultural transformation
	Type 5 **Best of both** **Additive from both sides-** **Cultural integration** **DaimlerChrysler AG**	
Type 1 **Preservation** Acquired company retains its independence- Cultural autonomy		**Type 4** **Reverse merger** Unusual case of acquired company dictating terms- Cultural assimilation

LOW **Degree of change in ACQUIRING company** **HIGH**

Source: John Riach; Adapted from Marks, M.L. and Mirvis, P.H. (1998). DaimlerChrysler Figures Appendix 6.1

A merger or acquisition involves implementing processes of “assimilation” or “integration depending on the degree of change in the “acquiring” and “acquired” firms (Harzig and Ruysseveldt 2004). In a Type 1 merger illustrated above, the degree of change in both companies is low and the acquired company is permitted to preserve its independence and retain its cultural autonomy. This has been more or less the case with Daimler’s acquisition of both the American truck builder Freightliner (1980) and the Japanese commercial vehicle sector of Mitsubishi Fuso (2000). In contrast to Daimler’s acquisition of Chrysler, both of these takeovers have been successful. The market for commercial vehicles is highly regionalized and regulated and thus it makes little sense to try and implement European market customization in the Americas or Asia. So Freightliner cabs are made out of aluminum because of high consumer corrosion sensitivity and the heavy use of aggressive salt on North American roads. Cab size and freewheeling “cowboy” individuality are key factors in the USA markets, whereas the European market is defined by legal restrictions and regional differences. The dream of a “universal” cab stumbles over trite details such as differences in highway networks, travel distances and the physical size of truck drivers in different parts of the world.

A type 1 merger does not rule out cross-border cooperation as evidenced by Freightliner’s cooperation with the Daimler commercial vehicle division in Argentina. In addition, even brand sensitive firms such as IBM can choose this strategy if the acquired company is heavily dependent on its unique company culture and brand as was the case with the takeover of Lotus Notes.

Marks and Mirvis (1998) refer to the Type 2 merger as “absorption”, if the changes at the acquired company are high while those of the acquiring company remain low. This is particularly the case if the culture of the acquiring firm is so strong that it simply cannot accommodate any internal competition in order to continue functioning efficiently. This was the case when Daimler-Benz acquired Hanomag-Henschel in 1969. Daimler assimilated their product segment into the existing commercial vehicle production facilities before turning the acquired Bremen facility into a factory for car production of the new “Baby Benz” line (Grunow-Osswald, 2006). The acquisition was motivated by British Leyland’s talks with the parent company Rheinstahl and the threat that Leyland could gain entry to the lucrative German market. The Hanomag-Henschel brand disappeared from the market in 1974.

This is also true of Chrysler's takeover of the British Rootes Group in the late 1960s as a means of gaining entry to a new overseas market; a traditional weakness of Chrysler that has been previously discussed. By 1971 Rootes had simply vanished from the market. Type 2 mergers are particularly predominant when operational activities and cooperate identity are closely connected such as at General Electric and Siemens. In the car business the importance of brand identity tends to determine the degree of absorption. Although Chrysler acquired Dodge in 1928, the brand continues to exist till this day. The same is true of GM's acquisition of Opel in 1929. The Plymouth brand was not so fortunate. The economy price member of the Chrysler family was discontinued in 2001 in an attempt to get customers to focus on Chrysler as the name of a brand rather than the name of a company (DaimlerChrysler AG Annual Report 2001).

A third possibility for post-merger assimilation is the case if both companies decide to change drastically. Marks and Mirvis (1998) refer to this type as "transformation". In the history of the car industry this Type 3 merger has been relatively seldom. Radical transformations in the car industry more often take the form of joint ventures rather than mergers. The NUMMI joint venture between Toyota and General Motors from 1984 until 2010 exemplifies how both companies wanted to achieve something dramatically new. This was Toyota's first plant in North America. GM wanted to gain first-hand experience of Japanese production methods with American workers.

In addition, fundamental change in the automobile sector has often taken the form of new companies being founded rather than merging. Walter Chrysler left GM and Ferdinand Porsche resigned from Daimler-Benz in order to establish two entirely new companies respectively. Transformation means losing brand power and this only makes sense if a brand is deeply in trouble. This is perhaps the case in the late 1960s with the creation of "British" Leyland as part of the ill-fated attempt to stave off the complete meltdown of the British car industry.

In the chemical industry, the merger of Ciba-Geigy and Sandoz paralleled a radical shift in branding with the creation of the "life sciences" concern Novartis in 1996. In particular, Sandoz's image had been suffering significantly since the fire in its productions facilities in 1986 and the resulting pollution of the Rhine River.

The vision of DaimlerChrysler AG as a “multi-brand” company as proclaimed at the initial press conference in 1998 made this Type 3 merger impossible. There are a number of studies documenting the danger of brand “corrosion” and “dilution” in the car industry as the result of mergers and acquisitions (Strach and Everett 2006; Homburg and Bucerius 2005; Chen and Chen 2000). The German side of the new company was acutely aware of this problem. Indeed, the absence of the name “Mercedes” in the new name DaimlerChrysler AG was perceived as a conscious effort to protect the world’s most famous luxury car brand. At the time of the merger most Americans would have associated the name “Daimler” with a Jaguar brand. Even CEO Robert Eaton pronounced the name of his new company “Dameler-Benz”, thus using the English pronunciation of the Jaguar brand in the first press conference (DaimlerChrysler AG Video Appendix 1.1). Indeed, the name of the new company DaimlerChrysler AG led to a legal dispute and it wasn’t until 2007 that DaimlerChrysler AG obtained the rights to the name “Daimler” from Ford. Although German manger Dieter Zetsche would attempt to modify a strict separation of the brands with his “Ask Dr Z” strategy at Chrysler, which was analyzed in chapter 5, at the time of the takeover it was clear that a Type 3 merger was to be avoided at all costs.

Fourthly, it is also possible for the acquired company to retain its identity while the acquiring company is revolutionized. Marks and Mirvis (1998) refer to this Type 4 merger as a “reverse merger”, where the acquired company dominates and dictates the new strategy. This may be possible if the acquiring company is desperately in need of a shift in direction, perhaps in the form of innovative technologies or management available from the smaller acquired company (Prabhu *et al.* 2005). This happened to a certain degree at Chrysler with their acquisition of American Motors Company (AMC) in 1987. When the decision was made to take AMC’s study of production platforms at Honda as their future model, former AMC management took over major roles at Chrysler and replaced Iacocca and his Ford team (Lutz 1998).

In the case of DaimlerChrysler AG we witness a fifth possibility. The Type 5 “merger of equals” suggests that there is no dichotomy between the acquiring and acquired companies. A merger of equals envisages a mutually agreed upon selection of best practices at both companies. This intent to create a “best of both” merger is outlined in the DaimlerChrysler AG Chairman’s Integration Council 10 principle guidelines for post-merger activities (Meyer *et al.* 2002). This council was the core of the Board’s team members directly responsible for the implementation of post-merger integration activities (Grube 2003; Dowling, Festing and Engle 2008).

10 Guidelines for Post Merger Integration

1. Speed, speed, speed

2. Attend to the day-to-day business

3. Merger of equals. There is neither a “German” nor an “American” side; do not look for “DaimlerBenz” or “Chrysler” decisions. Look only to make the right decisions.

4. Walk the Talk: DaimlerChrysler AG top executives will set the tone for the integration by their example and personal behavior.

5. Accountability and transparency: Involve all top executives in leading the integration, with clear responsibilities for implementation and delivery of financial performance targets.

6. Leverage the strength of both. Only by combining our strengths will DaimlerChrysler AG achieve its purpose of being “a global provider of automotive and transportation products and services, generating surplus value for our customers, our employees, and our shareholders.”

7. Maximum autonomy to the integration task forces. Financial performance targets must be delivered on time.

8. Principle of minimal intervention. Concentrate on few changes for major impact (the 80/20 rule)

9. Responsiveness. Listen to the other side at all times and watch the tone-setting

10. Openness: Don’t mess around and don’t play games. There will be no place to hide.

Notwithstanding the threat in Guideline number 10, it is essential to consider the critical pre-requisites for the success of a “best of both mergers”. Stahl *et al.* (1998) point out with explicit reference to DaimlerChrysler AG that this “promise of no pain” is very rare and very difficult. Can both sides trust each other? They see the necessary “degree of fairness”, “strong mutual respect” and “similar culture” being fulfilled in cases such as AstraZeneca and Exxon/Mobil but not in the DaimlerChrysler AG takeover.

> The strength of a culture comes from the internal consistency of the practices, which may not be there when the “best” parts are put together. Another danger in the “best of both” integration process is that it may become too political and time consuming. Who decides what is “best”? The process of making the decisions can be very complex. If both companies declare that the merger is one of equals, does that mean that top management is split 50/50, even in terms of excellence the split is 80/20? The controversy surrounding the DaimlerChrysler AG merger is a visible example of this frequent dilemma. Without strong mutual respect for the knowledge and skills of each company, this kind of strategy will not work. (Stahl *et al.* 2000 96)

As the authors point out, the very term itself “best of both” is vague and must be interpreted by both sides in the same way. A more exhaustive discussion particularly of the complex of factors concerning organizational culture and trust will be conducted in the next chapter, but here it is also important to remark that many of the clear decisions actually made in the initial phase of the DaimlerChrysler AG takeover had nothing to do with a “best of both” type of merger, but were normal “hierarchical” decisions as explained by Williamson (1981). The question is whether these hierarchical decisions served to foster a climate of trust or not. In certain areas of a newly merged company certain commonalities are necessary and self-evident in order to do anything. A merged company cannot i.e. maintain distinct e-mail systems or distinct legal identities. In the case of DaimlerChrysler AG, IT was placed in American hands and Chrysler’s Lotus Notes quickly replaced Daimler’s Outlook software environment. There are a number of reasons for having one or the other system, but someone has to decide. The basis for the decision was not mutual agreement, because there was only one Chief Information Officer at DaimlerChrysler AG. Similarly, the option of becoming registered simultaneously as both an American and German or a German-American company did not exist. As Blaško, Netter and Sinkey (2000) have pointed out, no true merger between Daimler-Benz AG and Chrysler Inc. ever occurred. Chrysler became a fully owned subsidiary of DaimlerChrysler AG.

Despite these two “hierarchical” examples, there were still more than a 1,000 post-merger integration projects to assess the success of the takeover. Interestingly enough, less than 50 of these groups were in the area of human resources (Dowling, Festing and Engle 2008) and the members of the Board responsible for Human Resources were not members of the Chairman’s Integration Council, the most important committee for designing and implementing the post merger integration strategy.

Two issues picked out by Stahl *et al.* (1998) as criteria for the failure of a Type 5 merger of equals will be analyzed in the next chapter; differing organizational culture and lack of trust. It will be argued that although the organizational cultures of Chrysler and Daimler varied greatly, that is in itself is not enough to explain the failure of the takeover. At the heart of the inability of the two companies to "share a common vision" (co-CEO Robert Eaton) is the role of "trust". Trust is part of one of the "animal spirits" described by Akerlof and Shiller (2009) in their adaption of the Keynesian term (Keynes 1936). Just as Akerlof and Shiller employ the "animal spirits" to uncover the source of underlying instability in Adam Smith's reliance on the efficiency and fairness of the invisible hand, so too does this upcoming chapter point to the "animal spirits" as the critical source of the destruction of trust and the DaimlerChrysler AG myth of a "merger of equals".

6.3 Differing organizational culture and trust at DaimlerChrysler AG

As we noted in the previous chapter, the Type 5 DaimlerChrysler AG merger of equals is the most difficult of mergers because it relies on similar corporate cultures and the perception of the principle actors that decisions are being made in a framework of trust. The next section will therefore take a look at these factors to determine if all or any of them are necessary and sufficient conditions to determine the failure of a "best of both" cross-border merger. The following aspects will be examined; the first section will briefly consider some aspects of organizational culture. Organizational or corporate culture is not a self-explanatory category for economists (Hermalin 2000) and is often relegated to the "sloppier" realms of sociology (Schein 1980) or political economy (Hall and Soskice 2001). However, building on the work of Porter (1980), Kreps (1980) and Baron and Kreps (1999) a consistent framework will be generated for an analysis of the roles of differing organizational cultures in the success or failure of cross-border mergers from the perspective of economic theory. Specifically, it will be argued that although organizational culture plays a significant role in the fate of a merger, it is not a showstopper in itself. It is rather the case that the greater the cultural differences in a "merger of equals" the more important it becomes to build on the creation of trust in order to both facilitate reciprocal decision-making and enable the possibility of overcoming incomplete and inefficient contracting.

In a further step the second section will consider the organizational pre-requisites that are necessary for an atmosphere of trust to be created and allowed to exist, to be maintained, and to thrive or to decline. As can be shown from the structure of organizations, any form of reciprocal interaction requires a certain amount of trust and fairness. Company organizations are more complex than the micro-economic tools of game theory and agent theory suggest. Game theory helps to explain how self-interest can generate trust and cooperation between contracting parties, but even a transaction cost approach has to admit its limitations (Baron and Kreps 1999), as will be illustrated in the next section. Although Leeson (2009) has shown how pirates can generate some common denominators of trust, the existence of “animal spirits” should not make it surprising that piracy or membership in a political organization, for example, is often less stable than being a member of more internally consistent organizational cultures such as the Mafia or working for Daimler-Benz. Therefore in a further step, the following section will look specifically at the amounts of trust necessary in order to deal with radical changes in organizations such as mergers. In order to accomplish this task the section will utilize Cohen and Prusak’s concept of “social capital” (2001).

The analysis of social capital will consist of an examination of the functions of the 4 factors Cohen and Prusak consider essential in order to create the high social capital that is necessary to deal with volatile and demanding issues of change management such as a “best of both cross-border mergers”. Those factors are trust, networks and communities, space and time to connect, and social talk and storytelling. The four factors will be applied to the DaimlerChrysler AG case to demonstrate how all four actually led to the destruction of whatever levels of social capital were available at the beginning of the takeover within the Daimler and Chrysler organizations respectively. Without this social capital the promise of a merger of equals was over as early as November 2000, when Schrempp’s interview publicly documented a clear breach of trust. As of January 2001 the focus shifted to a fight for the survival of Chrysler under German management.

6.3.1 An economic framework for organizational culture

The discussion of the Varieties of Capitalism approach (Hall and Soskice 2001) already encountered a concept of organizational culture. In their attempt to unite the disciplines of economics and political economy their understanding of organizational culture plays a central role in Hall and Soskice’s differentiation between liberal market (LME) and coordinated market economies (CME). Following Milgrom and Roberts (1992) the Varieties of Capitalism approach emphasizes the continued existence of coordination issues even within hierarchical settings, problems that can only be explained through the existence of other factors such as “culture, informal rules and history”.

> Many actors learn to follow a set of informal rules by virtue of experience with a familiar set of actors and the shared understandings that accumulate from this experience constitute something like a common culture. This concept of culture as a set of shared understandings or available “strategies for action” developed from experience of operating in a particular environment is analogous to those developed in the “cognitive turn” taken by sociology (Swidler 1986; DiMaggio and Powell 1991). Our view of the role that culture can play in the strategic interactions of the political economy is similar to the one Kreps (1990) accords it in organizations faced with problems of incomplete contracting. (Hall and Soskice 2001 13)

This definition is compatible with that of the leading sociological theory of organizational culture as expressed by Edgar Schein (1980; 2004).

> A pattern of shared basic assumptions that the group learned as it solved its problems that has worked well enough to be considered valid and is passed on to new members as the correct way to perceive, think, and feel in relation to those problems (Schein 2004).

Although Schein’s wording is not identical to that of Hall and Soskice, the intention is the same. Both approaches are trying to grasp holistic phenomena, which play a role in decision-making and which cannot be derived from the atomistic assumptions of either contracting parties or the interaction of hierarchies. Schein’s complex theory goes beyond the needs of this discussion and an attempt to “match” his theoretical concepts to the DaimlerChrysler AG takeover would run the risk of getting sidetracked in secondary details. It is rather more productive to adhere to Schein’s intention of establishing a rather general definition, in order to avoid the risk of prematurely eliminating factors which may influence organizational culture at Company A or Company B.

From the perspective of micro-economic theory this approach is certainly uncomfortable at best and perhaps inexcusable or just plain “esoteric” at worst. As Hermalin (2000) has pointed out the reasons for this are quite obvious:

> In particular, with a few exceptions (notably Kreps 1990; Cremer 1993; Lazear 1995; Hodgson 1996), economists have ignored the issue of corporate culture in their studies of firms and other organizations. There are many reasons for this lack of attention: culture is not relevant in most economic modeling; culture is not rational (or at least not obviously so) and, hence, does not fit well with the rational-agent methodology of

neoclassical economics; and culture is difficult to define or measure, making it hard to use or control for in econometric analyses (Hermalin 2000: 1)

In his seminal paper on corporate culture and economic theory, Kreps (1990) uses agency theory and the theory of repeated games and reputation as a means of bridging the gap between Williamson's (1985) expanded concept of transaction costs and the need to create a theoretical framework to explain the central role of organizations in making strategic decisions concerning the future. It suffices for this study that Kreps considerations are consistent with factors relevant to the DaimlerChrysler AG takeover situation. Indeed, agency theory and game theory can go a long way in helping economists to understand the nature of reciprocity and reputation in repeated interactions. It can explain the need for simple, clear, concise communication between employees and between generations of employees in an organization. Game theory can also explain conditions under which a hierarchical relationship can be replaced by a more balanced one. However, game theory has severe limitations as Kreps himself points out. Game theory assumes that the parties have the correct expectations about how other parties will act and react. This accounts for the wide variety of equilibrium possible. Game theory does not explain which particular set of expectations will be used. In our analysis of the DaimlerChrysler AG takeover failure it will be shown that the Daimler side, for example, completely underestimated the rationale of top Chrysler executive's strategy to leave the firm. The rationale of their behavior can only be ascertained with knowledge of past reputation and the organizational culture and history of Chrysler. Secondly, game theory provides us no idea as to what determines the objectives of the parties involved. In games such as prisoner's dilemma the parameters are simple and fixed, but in real life intangible factors such as honor, revenge, kin, greed, ego *etc*. play a significant role, even in a real life example as simple as two thieves finking or not finking during police interrogation. In a situation as complex as a takeover involving 400,000 employees it is much more difficult to ascertain the critical objectives. Why did Chrysler employees follow Iacocca in 1980, Lutz in 1992 but not Schrempp in 1998? That is a question only a precise analysis of the case can suggest. In Baron and Krep's (2003) own words these limitations of game theory are where "economics meets the other social sciences".

Nevertheless the nature of DaimlerChrysler AG executive's decisions of how best to implement the goals of a merger of equals do indeed involve factors described and modeled by Kreps (1990). Executives do not decide as individual agents but rather in roles and directives given to them by the firm. The willingness to do so is a "faith" in the authority to do so. This faith is the "glue" which permits transactions that are both mutually beneficial and minimize transaction costs. In order for employees to make decisions about unforeseen circumstances in the future they need a sense of expectation of "how things are done and how things are meant to be done". This is what Kreps refers to as corporate culture. This understanding of corporate culture also corresponds to economist Michael Porter's (1980) definition, which refers to "norms of conduct, work attitudes, and the values and assumptions about relationships that govern behavior at the organization". The ideas of Hall and Soskice (2001), Schein (1980), Porter (1980), Krep (1990) and Baron and Krep (1999) thus provide us with a common sociological, political economical and economical framework, in order to discuss the impact of corporate cultural differences on the DaimlerChrysler AG takeover.

6.3.2 **Conflicting cultures cannot explaining takeover failures**

A number of studies point to conflicting organizational cultures as one of the main reasons behind the failure of the DaimlerChrysler AG takeover (Blaško, Netter and Sinkey 2000; Weber and Camerer 2003; Vlasic and Stertz 2000). But while many cross border mergers do fail, some of them do succeed despite radical differences in organizational culture. What is it specifically about differing cultures which seem to stand in the way of success in cases such as DaimlerChrysler AG but is neither a necessary nor sufficient showstopper in other cases such as Daimler-Benz / Freightliner or Renault-Nissan?

Thus far this study has shown how both Daimler and Chrysler in early 1998 were under tremendous pressure to do something in the highly dynamic "urge to merge" phase of the global car industry in the 1990s. This pressure perhaps forced them into a quick and unwise decision to agree to a takeover. This was particularly evident in the radically different outcomes of the negotiations in 1995 and 1998 between the two companies. Although Chrysler was being targeted for a leverage buyout by its biggest stockholder and a former CEO in 1995, the offer of "help" from Daimler in the role of being a white knight was carefully weighed up until both sides agreed to remain friendly but to enter no form of cooperation. As Vlasic and Stertz (2000) have shown in their analysis of the Lone-Star and Q-Star alternatives discussed at the time, the working groups scrutinized all the options meticulously and could ascertain no meaningful synergy interfaces between Daimler and Chrysler. This was not the case 3 years later when Daimler CEO approached Chrysler CEO Eaton at the Detroit automobile show in January 1998. A group of less than 10 people, concerned primarily with strategic considerations and far removed from operative reality, met and decided the biggest takeover in industrial history in less than 4 months (Vlasic and Stertz 2000).

Secondly, as was discussed in the last chapter, the study has also shown how a "merger of equals" is the most difficult kind of merger to implement. Stahl *et al.* (2004) suggest that the fate of DaimlerChrysler AG was sealed due to differing company cultures. The discussion of the different types of mergers in the last chapter was an important pre-requisite for narrowing down our search for the reasons behind the failure of the DaimlerChrysler AG takeover. A "merger of equals" is only one of five "models" of post-merger strategies and this focus allows us to start making sense of a lot of the inconsistencies and frustrations in the seemingly unending stream of studies of cross-border mergers and acquisitions. As soon as one starts looking at 10 or 100 or 1,000 case studies the statistical results are biased if one does not first discriminate between different merger strategies. This bias can then lead to blanket generalizations such as Weber and Camerer's claim (2003) that the DaimlerChrysler AG takeover failure was simply indicative of the expected failure of any merger due to incompatible company cultures:

> Differences in culture between the two organizations were largely responsible for this (DaimlerChrysler AG) failure Operations and management were not successfully integrated as "equals" because of the entirely different ways in which the Germans and Americans operated: while Daimler-Benz's culture stressed a more formal and structured management style, Chrysler favored a more relaxed, freewheeling style (to which it owed a large part of its pre-takeover financial success). In addition, the two units traditionally held entirely different views on important things like pay scales and travel expenses. As a result of these differences and the German unit's increasing dominance, performance and employee satisfaction at Chrysler took a steep downturn (Weber and Camerer 2003 401).

Although all of the individual details in the above quote are somehow correct details of the story, the analytical conclusion is incorrect due to a lack of cohesion in the explanation and a failure to differentiate between details, consequences and reasons. A shopping list is not a recipe and the description of varying cultures is not sufficient to explain why their integration must necessarily fail. There is a risk of reductionism present here which is similar to the previous chapter on Hofstede (1980) and intercultural differences. Moreover Weber and Camerer's claim (2003) that their experimental approach shows why practically all mergers between companies with varying cultures must necessarily fail is empirically unproven. As Very, Lubatkin and Calori (1996) have argued, in some cases cross-border mergers between different national and company cultures the presence of obvious differences can elicit feelings of attraction rather than negative tension. Building on the work of Schein (1985) and Rousseau (1990), they point out that organizational culture might be so unique in each case, that practically no two companies can be identical, a fact which begs the question concerning the chance of success for any merger. Their major contention is simple but powerful.

> The objective fact that two merging organizations' cultures differ does not necessarily imply that the selling firm will naturally resist any post-merger consolidation attempts. Indeed, the acquired firm, for various reasons, may be attracted to the buying firm's values, and may willingly assimilate their ways (Very, Lubatkin and Calori 1996)

Analogous to the DaimlerChrysler AG metaphor of the „marriage made in heaven", it is obviously true that many couples thrive based on the attraction of opposites. For example, some German women are attracted to some Canadian men in part because they are different, whereas some German women are not attracted to Canadian men because they are not German. No one gave the Renault-Nissan Alliance a chance when it began at the same time as the DaimlerChrysler AG takeover. This was a clash not only of two radically differing national cultures but also a clash of two radically differing corporate cultures. However, it has worked. Despite the financial crisis and the horrendous Tsunami last year, Renault-Nissan has posted record results in the last three year, with a growth rate of 10% in 2011 and sales of more than 8 million vehicles (DaimlerChrysler AG Internet Appendix 6.1). It is sometimes possible to choose the best of both possible worlds. The children of the author have a German mother and a Canadian father. When it comes to sports they support Germany in football and Canada in ice hockey. Weber and Camerer (2003) cannot explain such examples.

Similarly in their study of approximately 350 French and British firms which had been acquired, Very, Lubatkin and Calori (1996) could not ascertain that executives either for reasons of national cultural or organizational differences experienced the change as necessarily "stressful". The possible "positive" impact of combining two radically differing national and corporate culture has also been suggested by Morosini, Shane and Singh (1998) and Larsson and Risberg (1998), papers which have already been mentioned in the discussion of Hofstede's theory. Failure seems to be dependent on a description of exactly how the company executives in a merger actually perceive the ramifications of obvious differences, rather than on the evident fact that there will always be differences between two organizational cultures. Stahl *et al.* (2004) describe the reluctance of the Japanese tire giant Bridgestone to move in and "clean up the mess" after they acquired the US firm Firestone as a case of false management perception. Fears of being perceived as "the ugly Japanese" overruled the common sense realization that Firestone required a radical restructuring of its corporate culture. In such cases it is quite possible that the management of the acquired companies is fully conscious of its weaknesses and would be pleased for an external force to intervene, in much the same manner as an external consulting firm is regularly pulled into organizations in order to overcome internally gridlocked situations. The willingness to perceive differing corporate cultures as positive depends on a number of factors, which were not present in the DaimlerChrysler AG takeover, but as the next section will argue, the existence of differing corporate cultures in a merger of equals is not a *conditio sine qua non* for their failure.

6.3.3 **The Daimler-Benz culture: pride and arrogance**

Almost every study of the DaimlerChrysler AG takeover failure points to differing company cultures as the reason for the failure. In order to succeed it is easier if both companies have similar cultures. This was not the case at DaimlerChrysler AG. Cross-border mergers involving different languages, different legal structures, different form of corporate government and different brand approaches put a tremendous burden on the interaction processes in the post-takeover integration phase. Blaško, Netter and Sinkey (2000) begin and end their analysis of value creation in the DaimlerChrysler AG takeover with the same quote.

> On balance, we conclude by echoing and expanding on the words of Myers (1976), who said "Mergers are tricky; the benefits and costs of proposed deals are not always obvious" . To wit we add: International mergers are even trickier; the benefits and hidden costs of these combinations are even less obvious (Blaško, Netter and Sinkey 2000 100).

The presence of radically different corporate cultures made this task even more difficult. It is not very difficult to make a list of the differences between Daimler and Chrysler. It is, however, more important to scrutinize the details in order to ascertain as precisely as possible which aspects of the respective cultures facilitated or prevented a "merger of equals". This section will argue that certain core aspects of Daimler's corporate culture of "pride and arrogance" prevented them for being able to learn from Chrysler's achievements in the same manner as Chrysler was forced to eat humble pie in the early 1990s. Faced with bankruptcy, the Chrysler Board had the courage to fire its iconic CEO Lee Iacocca and install a new Chrysler management, which accepted the fact that they needed to learn from companies like AMC and Honda.

This section will begin by exploring the most salient aspects of Daimler culture. The analysis will restrict itself to aspects of Daimler-Benz surrounding the Mercedes brand in the passenger car division because this is interface to the Chrysler takeover. Of course Daimler-Benz in 1998 was also building commercial airplanes, military vehicles, commercial trucks *etc.* However, these business units were not directly affected by the Chrysler deal. In a previous chapter it has been shown how the expansion and diversification of Daimler-Benz in the 1980s and 1990s had led to an alienation of the passenger car division within the Daimler-Benz kingdom. Negative events over a 15-year period had culminated in a rivalry between the headquarters' driven visionaries of CEO Jürgen Schrempp's Welt AG and the operative level defenders of the Mercedes brand led by Helmut Werner. Round 1 of the battle between Welt AG and the Mercedes team was won by Schrempp, when he successfully forced Werner to leave the company in early 1997 (Der Spiegel 4, 1997). The success of a "merger of equals" however, would require motivating Mercedes executives to adapt their prevailing mindset and do their best to generate operative synergy effects between themselves and Chrysler.

So what makes the Mercedes car division different from other company cultures? Joining a new organization means learning a great number of big and small details, which go far beyond the scope of an HR job description. To re-quote Kreps, it entails finding out "how things are done and how things are meant to be done". In the case of Mercedes this means stepping into a 125 year old tradition, extending in some families over 4 generations. In a country justifiably proud of their prowess in engineering, this is one of the most prestigious of all German firms. As one Mercedes commercial spot puts it, "we did not invent the wheel, but we are happy to talk about the rest". Benz did invent the automobile (1886). Daimler did invent the modern racing car (1900) and the list of innovative accomplishments in the areas of engines, safety, and styling is very long and impressive. The continuity of Daimler-Benz has been dependent on the creation of a unique corporate culture. Even before the occupations associated with building cars existed, Daimler was intent on building a company permanently centered on the kind of "craftsmanship" which characterized the automobile industry until Ford entered the scene. The Sindelfingen location was chosen in 1915 because the town had an abundant supply of highly skilled leather tanners, a trade require hand dexterity (Ehrmann 1998). There were no metal workers in 1915. But there were trained workers and existing hierarchies of journeymen and Meister (masters). On the development side there was a strong core of engineering, stemming from German institutions of higher education such as the Fachhochschulen (Polytechnical) in Esslingen (1886), the technische Hochschulen (Institute of Technology) in Stuttgart (1876) in the greater Stuttgart area. With close proximity to first tier suppliers such as Bosch (1886), Müller (1863) and Weingarten (1866) Daimler was perfecting the art of "clustering" before the concept was invented. The first 36 cars were hand-made and sold collectively for over 3 million dollars in today's money (Lengert and Dreher 2010). Up until the 1990s executives would point to the more than one million options available to customers as proof of the continuation of the original Mercedes' philosophy. Most employees join companies without any real knowledge of the company's past and often that is not important. That is not possible at Daimler. The apprenticeship centre in the Sindelfingen flagship facility displays a replica of Carl Benz's invention and every day VIPs visit the facility. The indoctrination into this special environment is complex and long. One does not become a Meister overnight and quick promotion is viewed as a sign of weakness in the face of experience. The first public appreciation of services rendered to company employee is presented after 25 years and the celebration of a career does not occur until after 40 years of membership in the Daimler family. Throughout its history the company has been technocratic in nature and it is often joked that Daimler is so strong that it can survive the worst of CEOs, a claim that has indeed often been tested to the limit in the last 125 years (Der Spiegel 37, 1985).

A job at Mercedes was always considered the safest forms of employment available and even into the 1930s workers were called "Beamte", the German term for civil servants (Grunow-Osswald 2006; Thieme 2004). Reductions in the workforce until the 1990s were unheard of and even crisis situations in one division were managed by the practice of sending workers into another division. Wages were higher than in the rest of the industry, and employees had a 20% reduction on the price of a new car, which until the 1990s could be sold at a profit after one-year ownership. Pensions were high and the company even offered cheap mortgages to allow workers to achieve the loftiest of Swabian dreams, building their own house. Despite the fact that union membership in the mid 1980s was over 90%, there was an extremely high degree of identification with the firm. Being employed by Mercedes was like being a member of a large extended family with its own unique forms of communality and kinship rights. Becoming a member of the Daimler family meant passing through several acts of initiation. This initiation involves acquiring new words and ways of communicating to adapt and enable new employees "to learn the ropes". At Mercedes you look for "Wertanmutung" (sense of value) when judging the aesthetic appeal of a new model. You need the “Rahmenheft” for technical specifications. Meetings in production are called “Ständerling” (quick and dirty meetings) to emphasize their short and pragmatic nature and the tradition of not sitting down. You can say “Mahlzeit” (Enjoy your meal) at any time of the day in the huge Sindelfingen facility near Stuttgart and has nothing to do with eating. It means “hello” and “I belong here”. It involves knowing why the Sindelfingen workers don’t really like the workers at their “sister” plant in Bremen and deeply believe the northern “Fischköpfe” (fish heads) should be building ships instead of cars. In a personal discussion a member of the S-Class team just shrugged upon hearing that the C-class production was to be moved to the United States with the comment; “It’s not really a Mercedes anyway.” In a big company like Daimler it takes years to acquire the vocabulary and style of doing business and interacting with internal and external friends and foes. This indoctrination allows most of the actors to learn “the rules of the game” and for a few the opportunity of knowing when to break these rules to become more successful or powerful or both.

At the core of the Mercedes mindset is a fierce sense of pride, which unfortunately often manifests itself as arrogance, both inside and outside the company. The car division considers itself to be superior to the commercial vehicle division. The S-Class people see themselves as superior to the C-class. And this attitude was clearly evident in their dealings with Chrysler employees. The Chrysler people were sensitive to this issue for two reasons: Firstly, arrogance could have no place in a true “merger of equals”. Secondly, Chrysler’s success in the 1990s was the result of consciously overcoming their previously arrogant attitude towards suppliers and Japanese approaches to building cars. Chrysler had gone through a radical phase of changing their corporate culture. They had actually “learned” from Honda and generated an American version of the Japanese company’s approach to trust relationships with suppliers. In actual fact, Chrysler rightfully felt that they could offer a lot to the German side. However, the unwillingness of the Mercedes people to really listen, as will be exemplified in the story of the M-Class in the next chapter, was the key factor in preventing the creation of an atmosphere of trust.

Mercedes pride and arrogance caused Chrysler executive’s to experience negatively the highly visible different ways the two companies had doing business. Meetings were longer and more detailed at Mercedes. For Mercedes this was the price of paying attention to detail. For Chrysler it was a sign of inefficiency. Mercedes had more headcount to prepare their presentations and agendas meticulously and to record the results in comprehensive reports.

But at the time of the takeover, the bottom line for Chrysler was their ability to produce twice as many cars as Mercedes with as little bureaucracy as possible. In the time between 1988 and 1996 Chrysler had reduced its development time from 60 to 24 months. Their Research and development costs were $550 per vehicle compared to $2,000 at Mercedes (Meyer *et al.* 2002). That's what made them different from GM and Ford and Daimler. They were fast and could tap in quicker to the rapidly volatile market situation. This speed and trendiness was mirrored by Chrysler's whole business environment. Dress code was casual at Chrysler whereas even junior managers wore suits and ties at Mercedes. The offices at Mercedes were twice as large as their Chrysler counterparts. Mercedes executives flew business or first class and had huge travel budgets, whereas Chrysler kept a close eye on such costs. Still, Chrysler executives earned much higher salaries and could afford a much higher private standard of living than their counterparts in Stuttgart. Chrysler people saw this as an understandable reward for the high risk-taking and volatile American car industry. Their German counterparts' life-long job security was viewed as an obstacle to fast decision-making. German executives worked long hours whereas their American counterparts went home early. All of these differences were very visible and not conducive to progressing successfully with a merger of equals. But they could have been overcome if Mercedes had been willing to consider the advantages Chrysler had to offer.

In order to succeed it is easier if both companies have similar cultures. This was not the case at DaimlerChrysler AG. Cross-border takeoverss involving different languages, different legal structures, different forms of corporate government and different brand approaches put a tremendous burden on the interaction processes in the post-takeover integration phase. That entails an even more important role for "fairness" and "trust". Success requires both sides being willing to trust each other and being willing to hand over power to the other side if necessary. It also entails having both sides perceive that the process is "fair" If neither side is willing to sacrifice nor is there anyone forcing a decision, then probably both sides will tactically agree not to find common ground. The necessity of creating the Executive Automotive Committee is evidence that both sides were following this strategy in the initial post merger integration projects.

Evidence of this tension, arrogance and lack of equality is present in the very first press conference in London on May 7th, moderated by both co-CEOs, Jürgen Schrempp and Bob Eaton (DaimlerChrysler AG Video Appendix 1.1). In his announcement Eaton says the most important goal is to have "a shared culture and vision". At the same time both CEOs stressed the importance of their own brands, yet curiously draw attention to the importance of realizing synergy effects by cooperating in the areas of manufacturing and engineering. What does that mean concisely? One reporter's question directed to Bob Eaton asked about common platforms. He answered that he certainly expected "common parts and components and engines and maybe platforms". In the same press conference Schrempp highlights Chrysler's manufacturing superiority in terms of manufacturing (platforms) but he prioritizes uniqueness and brand identity (no platforms), thus leaving one New York Times reporter puzzling about the source of any possible synergies. In their May 8th comment of the biggest industrial takeover in history the reporter differentiated between what looks good "on paper" and the "practical difficulties".

> Mr. Schrempp made it abundantly clear today that one thing would remain separate from Chrysler: the prestige of Mercedes. Despite a wall-sized video presentation that showed Chrysler and Mercedes stars intermingling, Mr. Schrempp vowed to block any activity that might allow Chrysler's middle-class brand to tarnish the luxury image of Mercedes. (...) But that will make it more difficult for Mercedes to expand its presence in the United States and Chrysler to expand in Europe. Each company has only about 1 percent of the market in the other's territory, and they could take advantage of each other's extensive network of dealerships. But that will not happen, Mr. Schrempp said, because it poses too much risk of mixing brand identities. (New York Times May 8th, 1998)

Schrempp himself expresses this contradiction in the press conference when he says; "We **possibly** will exchange, no we **certainly** will exchange component parts" (DaimlerChrysler AG Video Appendix 1.1). It is not surprising that these comments confused anyone involved in development, engineering and manufacturing at Chrysler and Mercedes. Of course, a press conference is not a complete post-merger integration process, but the dominance of the German CEO set the tone. Schrempp set out his vision of a Welt AG, mentioning the search for a further partner in the Asiatic sphere. Eaton was left to struggle with the pronunciation the names of the members of the Board, in which the Germans had more members anyway. It was also announced that Eaton would retire within 3 years, leaving Schrempp as sole CEO. For any insider, it was obvious who was in control.

Still it is the metaphors of the "marriage made in heaven" and the "merger of equals" which survived the press conference. The promise of the "best of both" merger propagated by

Schrempp and Eaton provide us with criteria for judging the success of creating a shared vision. Will they use each other's facilities? Will they exchange common parts, components and maybe platforms etc? Will both sides work together? Those questions cannot be answered by pointing out differences in company culture alone. The answer requires an examination of how the two merging companies actually approached each other in the post takeover integration phase. The next section will examine the role of low levels of "social capital" at both firms as a means of measuring the failure of the takeover.

6.4 Social capital and the takeover failure

In their comprehensive study of mergers and acquisitions, Marks and Mirvis (1998) see the 60 to 80% failure rate as a result of the difficulties of bringing together different organizational cultures to create a high level of what Cohen and Prusak (2001) refer to as "social capital". Mergers and acquisitions mean radical changes for most major actors at both companies and most companies make the mistake of underestimating the "soft factor" role of human interaction in favor of comparing quantifiable financial assets, technologies and markets. Both Daimler and Chrysler were evaluated by external consulting companies, who had no real means of measuring the quality of the existing organizational cultures from the outside. And although economists are pained to avoid factors which are not easily quantifiable it is obvious that the willingness to trust each other reciprocally plays a big role in the post merger integration process, especially if the strategy is being presented as a merging of two equal partners and not a acquiring/acquired situation as described by Marks and Mirvis (1998). Quoting an internal study investigating the reasons behind the failed British Telekom / MCI merger, Cohen and Prusak (2001) draw attention to the critical conclusion that the company in the future would need to conduct a "robust cultural audit" before embarking on organizational changes. Cohen and Prusak see "social capital" as the key human resources pre-requisite for making business organizations work well. Their concept of "social capital" is comparable to Hall and Soskice's (2001) understanding of "culture" and "history" in company organizations. Both approaches see these factors as a necessary expansion of the narrow neo-classical reliance on markets and hierarchies to explain the coordination of economic activity (Williamson 1981)

> Social capital consists of the stock of active connections among people: the trust, mutual understanding and shared values that bind the members of human networks and communities and make cooperative action possible (Cohen and Prusak 2001 4)

Although Cohen and Prusak shy away from any attempts to quantify “social capital” the component parts **initiative, creativity, interaction, commitment, collaboration** and **trust** can be measured in terms of positive or negative, high or low within a company. Relying on various aspects of their concept of social capital it is possible to show that both Daimler and Chrysler were not up to the immense change management demands of the largest industrial takeover in history. There seems little evidence that much attention was paid to conducting a “cultural audit” as described by Cohen and Prusak. Although the results of such a “cultural audit” do not allow us to automatically predict the outcome of radical change events such as mergers or restructuring plans, they do provide us with a good idea of the scope and nature of the task at hand. When Lee Iacocca took over Chrysler in 1978 company morale was at an all-time low, as the company seemed destined for bankruptcy. The genius and success of Iacocca was his willingness to first address this central topic of morale before proceeding to technical, financial and marketing issues (Abodaher 1982). Similarly when Renault took over Nissan in 1998 and radically restructured the organizational culture of the Japanese side, social capital was very low. Not only Nissan employees but also Japanese society as a whole was incensed at this French destruction of their way of organizational culture (Gill 2012). However, in contrast to the verdict on DaimlerChrysler AG, experts tend to view the directness and severity of Renault’s strategy as a key to the success of the merger (Morosini 2005). This judgment contrasts starkly with the fate of DaimlerChrysler AG, which went from the dream start of a “marriage made in heaven” in 1998 to the Spiegel article announcing the Valentine’s Day 2007 divorce as the “marriage made in hell”. Ironically, overconfidence on the German side, especially on the part of CEO Jürgen Schrempp, seems to have led the company to underestimate the role of social capital in the merger and the consequences of his broken promises for employees on both sides of the new company. Less than a year into the takeover Schrempp was focusing his energy on the search for a suitable Asian partner to complete the “Welt AG” and seems to have almost completely neglected crucial post merger integration issues at Chrysler (Blaško, Netter and Sinkey 2000)

This chapter will look at all 4 factors of “social capital” as understood by Cohen and Prusak (2001) as a means of analyzing the failure of the takeover. Those factors are:

1. trust
2. networks and communities
3. space and time to connect
4. social talk and storytelling

The four factors will be applied to the DaimlerChrysler AG case to demonstrate how all four actually led to the destruction of whatever levels of social capital had been available at the beginning of the takeover within the Daimler and Chrysler organizations respectively.

6.4.1 **Lack of trust after the takeover**

Ironically the issue of social capital was especially important in the case of DaimlerChrysler AG because of the nature of the promise of a “merger of equals”. This most difficult form of merger (Marks and Mirvis 1998) needs to use trust and open cooperation and commitment to transcend the conventional role distribution into “acquiring” and “acquired” firm. Cohen and Prusak’s concept of social capital builds an important interface to the challenge of the DaimlerChrysler AG merger of equals. Both depend on trust. In his announcement of the takeover in May 1998, Schrempp set out three major goals; increase in shareholder value, increase in customer satisfaction, and a maximization of synergy effects at the operational level of the business. The last goal involves the “social capital” factors, which go beyond many economists’ rational approach to decision-making.

In *Animal Spirits,* Akerlof and Shiller (2009) see “trust” as a central component and multiplier of confidence. In the course of the business cycle it allows us to explain both why people trust more in good times thus impulsively generating more good times and why bad times become even worse once people become distrustful.

> [According to most economists] a confident prediction is one that projects the future to be rosy; an unconfident prediction projects the future as bleak (...) But if we look up *confidence* in the dictionary, we see that it is more than a prediction. The dictionary says it means “trust” or “full-belief”. The word comes from the Latin *fido*, meaning “I trust.” The confidence crisis that we are at the time of this writing (2008) is also called a *credit crisis*. The word *credit* derives from the Latin *credo*, meaning “I believe.” (...) Given these additional shades of meaning, the economists’ point of view, based on dual equilibra or rosy vs. bleak predictions, seem to miss something. Economists have only partly captured what is meant by *trust* or *belief*. Their view suggests that confidence is rational: people use the information at hand to make rational predictions; they then make a rational decision based on those rational predictions. Certainly people often do make decisions, confidently, in this way. But there is more to the notion of *confidence*. The very meaning of trust is that we go beyond the rational. Indeed the truly trusting person often discards or discounts certain information. She may not even process the

information that is available to her rationally; even if she has *processed* it rationally, she still may not *act* on it rationally. She acts according to what she *trusts* to be true. (Akerlof and Shiller 2009 12)

In order to obtain efficient market synergy results, both sides would have to be willing to sit down department by department at one table and decide rationally what and who can be preserved and what and who must be sacrificed for the common good. If there is to be only one head of non-productive purchasing for the company worldwide, then the other head has to negotiate his/her own exit; something most improbable at the best of times. Still Daimler and Chrysler were considered to be the most economically efficient automobile companies in their respective markets, so why didn't such a neutral evaluation of the market situation occur? Akerlof and Schiller (2009) and Cohen/Prusak (2001) provide us with the answer; neither side trusted the other. For our purposes this raises the methodological question about how we can ascertain evidence of a lack of trust in the DaimlerChrysler AG case. Indeed, Cohen and Prusak describe positive examples of trust. As their description of Jewish diamond dealers in New York City shows, trust is a measurable economic cost factor. Furthermore, they point to a deep level of trust within the United Parcel Service (UPS) organization. Chrysler's radical decision to build a platform of trust with their suppliers as one of the main reasons for the company's comeback in the 1990s and this strategy allowed them to circumvent the economies of scale approach being employed by Ford and GM at the same time (Dyer 1996; Lutz 1998).

However, it is always easier to secure published information on success stories rather than failures, especially in the American world of business and its huge market demand for popularized success stories all waiting to top the New York Times bestseller list. The failure of DaimlerChrysler AG takeover is still too fresh to expect objective information in the form of questionnaires or interviews. Too many of the major actors are still on the main stage. And those who have departed or were forced to depart are still occupied with justifying their role in the drama. Still it is possible to puzzle known events together and align them with the major aspects of high and low social capital as described by Cohen and Prusak (2001). Indeed, the very announcement of details of Board membership and other aspects of the DaimlerChrysler AG takeover in 1998 aroused rumors of distrust on the American side and raised questions of Schrempp's sincerity on the German side. Schrempp and Eaton were to be co-CEO's, but Eaton was to retire within 3 years and leave Schrempp as sole CEO of DaimlerChrysler AG. American executives could not buy that storyline as a "merger of equals". This "inequality" was also mirrored by German domination of both Boards (Blaško, Netter and Sinkey 2000). To them the Germans were more equal than the Chrysler people. The November 18th edition of the New York Times was entitled "Germans Tighten Grip at DaimlerChrysler AG" (The New York Times November 18th, 1998). That was one day after the company's new stock, DCX, started on the Frankfurt and New York Stock Exchanges, and first real concrete details about the structure of DaimlerChrysler AG started to emerge in public.

The issue of "confidence" and trust was also a problem within the Mercedes organization. Many managers at Daimler just did not "trust" their own new leadership under Schrempp. He had headed DASA and bought Fokker, one of the many decisions that Mercedes employees regarded as misdirected during Reuter's era of a diversified technology vision of Daimler-Benz. Together with his inner circle of former DASA executives, Cordes and Grube, they formed the Welt AG strategy team that had ousted Mercedes boss Werner in a very public and brutal power showdown between 1995 and 1997. Under CEO Reuter, Werner had been relatively independent in his handling of Mercedes. Although Werner had been brought in as a Daimler outsider from Continental in the late 1980s, he came to be known as Mr. Mercedes and was highly regarded as the man most responsible for saving the automotive division of the company after the crisis of 1992. After his resignation the title of Mr. Mercedes would be passed on to Hubbert. The name came to symbolize opposition within the Mercedes organizational culture to the Welt AG plans of CEO Schrempp and the fear that radical cost cutting and the reduction of development time were all adding up to the destruction of the world's most famous luxury car brand.

In contrast to Schrempp, Werner had established a good reputation amongst both blue- and white-collar employees as head of Mercedes. So while Schrempp was celebrated in the press as getting Daimler back on course after replacing Reuter in 1995, he and the rest of "bullshit castle" at the headquarters were deemed to be untrustworthy by Mercedes executives (Der Spiegel 38, 1997). The conflict climaxed when Werner wrote an open letter to Mercedes executives asking for their support to prevent Schrempp from gaining too much influence in the car passenger division. In addition he took his case openly to influential German magazine Der Spiegel and started giving interviews to the German press to support his cause. Schrempp squelched the rebellion and forced Werner's resignation in January 1997. Despite the positive results at Daimler in 1996 and 1997, Werner's firing and a shift to shareholder value were seen as real future threats for the Mercedes car division. Mercedes' people just did not trust Schrempp.

The problem with trust lies in its fragility (Cohen and Prusak 2001). They point to the example of a good marriage, which can function well for 20 years and then be destroyed by one partner's indiscretion. In Schrempp's case, symbolically, his announcement of his divorce from his wife of many years as a choice of "career over marriage" was greeted with cynical smiles when he one year later announced his marriage to his assistant with whom he had had an open and well-known long year relationship. Parallels were quickly drawn to his "marriage with Chrysler" and the press and employees alike started to wonder about possible indiscretions. Indeed Schrempp's rhetorical imaginary of a "marriage made in heaven" would come back to haunt him, especially after his October 2000 interview in the Financial Times quoted his intention to have always wanted to takeover Chrysler.

> DaimlerChrysler AG was a **"takeover right from the start and was never supposed to be "a merger of equals."(** …) "Me being a chess player, I don't normally talk about the second or third move" (The Financial Times October 30th, 2000).

Although Schrempp would later deny the interview before an American court, the damage was done (N.Y Times Dec. 10th, 2003). Already two reporters from the Detroit News, Vlasic and Stertz, had published a 400-page documentary of "a bold German takeover of an American icon (2000; 2001). The book was widely read in the American automobile industry and even updated at the end of 2000 to take into account the unfolding "current crisis at DaimlerChrysler AG". After the November 2000 interview at the latest, it was impossible for anyone on the Chrysler side to "trust" the Germans' intentions. This had already been weakened by the forced retirement of Thomas Stallkamp, the last champion of an independent Chrysler cause in September 2000 and the resulting installation of Germans Dieter Zetsche and Wolfgang Bernhard as CEO and COO at Chrysler (Vlasic and Stertz 2000). This was accompanied by a restructuring of the Board, which witnessed a reduction of the American participation from 8 to 2 members. Schrempp's interview merely confirmed in writing the breach of trust the American side had been experiencing since the very announcement of the takeover.

6.4.2 Destruction of networks after the takeover

In addition to “trust” Cohen and Prusak (2001) emphasize the role of networks and communities in the creation and retention of high social capital. Following Fukuyama (1997) they define a network as “a group of individuals that share informal norms or values beyond those necessary for ordinary market transactions”. In fact, it is an illusion to assume that large companies can function without the existence of such informal ties and bonds, which go beyond rational decision making strategies. We have already seen evidence of that with both Iacocca’s takeover of Chrysler in 1978 and Bob Lutz’s restructuring of Chrysler. Iacocca brought in his most trusted co-workers from Ford in order to implement required changes. His biographer finds an almost religious devotion between Iacocca and his inner circle, but also a real measure of hate and resentment of his tyrannical powers from those outside of this circle both at Chrysler and Ford (Abodaher 1982). Lutz describes his reliance on perhaps a dozen key networked players who implemented the Chrysler turnaround in a company with more than 100,000 employees (Lutz 1998). Unfortunately these networks were consciously destroyed at the outset of DaimlerChrysler AG takeover and weakened the positive social capital, which Chrysler had created in the years leading up to the takeover. In comparison to GM, Ford or even Daimler with over 300,000 employees, Chrysler’s relative “smallness” made it easier for the power of networks to effect change. It was also the reason why Lutz had opposed Daimler’s first approach to cooperate with Chrysler in 1995 and why he would have preferred a partnership with the smaller BMW (Vlasic and Stertz 2000). Indeed in April 1998, just one month before the takeover, Lutz had negotiated a deal with BMW to build engines together in Brazil. Schrempp had been aware of the talks between Mercedes head Werner and Lutz and for that reason excluded Lutz from any of the 1997 takeover talks. Back in 1995, and after extensive studies, both Werner and Lutz agreed there was too little common ground between both companies to justify any form of joint venture let al.one a takeover (Vlasic and Stertz 2000). After the announcement of the DaimlerChrysler AG takeover in May 1998, Bob Lutz resigned a few months later initiating an exodus of the people responsible for Chrysler’s success. Indeed about 20 of the top 30 executives at Chrysler before the takeover left the company within the first three years of DaimlerChrysler AG (Vlasic and Stertz 2000). Without the most important network of executive know-how and power responsible for Chrysler’s success, there was no one left to direct Chrysler strategy in their dealings with Daimler. Executives such as Stallkamp were quickly isolated and stood alone against Schrempp. As Vlasic and Stertz (2000) put it, “there simply was no Chrysler game plan”.

On the German side, Schrempp's network was based on his long career in South Africa and later his team at DASA, including DaimlerChrysler AG Board members Cordes and Grube. Together with a few external consultants they formed the Welt AG strategy team that single-handedly negotiated the DaimlerChrysler AG deal. The Welt AG team under Schrempp was perceived to be "outsiders" by executives inside the Mercedes passenger car division. During the Reuter years (1985-95) the head of Mercedes, Werner, was considered more powerful than CEO Reuter. His Mercedes division was responsible for 70% of sales and 90% of Daimler's profits (Meyer *et al.* 2002). It was Werner who single-handedly initiated merger talks with Chrysler in 1995, and Schrempp knew that he was his most powerful rival once he became CEO in the same year (Vlasic and Stertz 2000). The two-year power struggle between the two led to Werner's departure from the company and isolated the most important networks inside the Mercedes organization from Daimler's Welt AG team at the critical time of the takeover. There was no significant group network of executives on the Mercedes side to make the "headquarters' merger" work in terms of creating synergy effects. Even though Mercedes' executives Zetsche, Hubbert and Bernhard became critical members of Schrempp's team, the relationships remained pragmatic and tenuous. Bernhard and Zetsche, Mercedes best operational people, were sent off to save Chrysler at the end of 2000. Hubbert, who made no secret of his dislike for Chrysler, remained head of Mercedes, but was shortly before retirement.

Cohen and Prusak (2001) show how networks combine to access the most important knowledge inside a company within a relatively safe and flat environment, in order to be at the centre of decision-making. Indeed despite its eventual failure, one of the initial successes of the DaimlerChrysler AG takeover was certainly the remarkable speed of the negotiations and the fact that it remained a secret until the formal announcement was made in May 1998. Even the otherwise well-informed German magazine Der Spiegel" reacted with its cover story of the surprise announcement with the title; "Das ist der Hammer" (This is a strike of lightning).That is testament to the power of networks. Schrempp, Cordes and Grube and a few other trusted members of the Welt AG strategy team negotiated the deal with Chrysler and later Mitsubishi, with very little further involvement of people within an organization comprising more than 300,000 employees.

On the other hand, limits of the Welt AG strategy team network can be witnessed when Cordes took over as head of the Mercedes car group after Hubbert's retirement in 2004. He started criticizing Zetsche's handling of the situation at Chrysler, in full confidence that he would now be Schrempp's successor. However, Zetsche was a hero at Mercedes and had a strong network of fellow travellers going back to his days as head of the development department. Mercedes executives were indignant that Zetsche's valiant efforts to save Chrysler and DaimlerChrysler AG were now being criticized by the people who had caused the problem in the first place. With a Schrempp ally now at the control of the Mercedes Car Group, the social capital on the German side deteriorated even further. Up until 2004 the Schrempp gang had stayed clear of the powerful car passenger division daily operations, but now there was fear that Welt AG team would also destroy the most important part of the company. Cordes had been head of the commercial vehicle division since 2000 and had no network of powerful friends inside the Mercedes Car Group. The beginning of the Welt AG's downfall exemplifies Cohen and Prusak's (2001) remark on the greatest weakness of networks, namely their tendency to dissolve into a "groupthink" modus, which can isolate the network from reality. Everyone inside the company with the exception of Schrempp's Welt AG team was conscious of the weakness of the Mercedes brand in the wake of cost-cutting, deteriorated relationships to suppliers, reduced development times and confused marketing strategies. Although Welt AG team member Cordes remained head of Mercedes for less than a year his radical cost-cutting CORE program was perceived by insiders as a final deathblow to Mercedes' quality.

6.4.3 Negative space and time after the takeover

In addition to networks and communities, Cohen and Prusak also point out the need for "time and space to connect" in order for social capital to develop. They consider waiting for airplanes, having a drink at the bar, coffee breaks, training course, lunches and car pools to be just as important as regular meetings and presentations and business calls. This is particularly true for managers and executives in large companies, where knowing what is in the "pipeline" has enormous consequences for department headcount, budgeting and project commitment. Space and time are the *a priori* concepts necessary for trust and networks to develop. It is only when one leaves the narrow framework of the meeting's agenda or the presentation slides that executives experience to what extent they share common interests and to what extent they can rely on each other. That irrational part of confidence is best nurtured after the second glass of wine or having survived an unpleasant business trip together. Whereas Cohen and Prusak (2003) expend a lot of energy to expose the positive impact of creating such space and time, the DaimlerChrysler AG case demonstrates the exact opposite.

The space and time, which allows people to connect and bond, can also be used for spreading negative judgments, estimates and predictions about the situation within an organization. DaimlerChrysler AG did provide an enormous amount of negative space and time. Especially before the company Airbus was refitted in order to cross the Atlantic non-stop, the trip from Detroit to Stuttgart via Iceland was particularly time-consuming and tiring for the American side. Losing a night's sleep, they would arrive over-tired and exhausted for an early morning meeting in Germany. German managers had similar experiences on their long flights to the East London facility in South Africa or the 18-hour trip from factory to factory from Stuttgart to Alabama. Missing a connecting flight from Atlanta to Birmingham or from Atlanta to Stuttgart gave Mercedes executives and employees lots of time to ponder the wisdom of the Welt AG strategy. More critical was the fact that the Daimler side was mostly travelling with fellow Germans and the Chrysler side with fellow Americans. There was very little time for connecting between Germans and Americans, and even fewer possibilities to clarify the fear, gossip, rumors and misunderstandings which accompany any radical change within an organization such as a restructuring or takeover. The evening meals during post merger integration projects were tense and more business-like because of the stakes on the line for both sides during the daytime and offered fewer opportunities for the kind of bonding, which normally takes place. Events such as the famous kick-off party at Seville, Spain in December 1998 were the exception rather than the rule (Vlasic and Stertz 2000).

The Welt AG strategy team was almost completely disconnected from the rest of both the Daimler and Chrysler organizations. The deal was started in the offices of Bob Eaton in Auburn Hills and negotiations conducted at secret hotels in Switzerland, New York and London. Schrempp's Welt AG team spent most of their time bunkered down in the so-called "War Room" at the Stuttgart-Möhringen headquarters, producing spreadsheet numbers and visions for bankers and potential investors, while the rest of the company was trying to produce cars and trucks. It was therefore not surprising that Schrempp successor Zetsche closed down the headquarters in Stuttgart-Möhringen as one of his first decisions as new CEO. Built by Reuter in the late 1980s, Möhringen had come to symbolize the Board's loss of contact with the real world. The palatial office complex incorporated the rift between the strategical visions of Schrempp's Welt AG and the operational reality of the Mercedes passenger car division. Under Zetsche the headquarters was relocated to its original site within the premises of the Mercedes Untertürkheim factory. The whole culture, network, space and time of the Reuter-Schrempp era were eradicated in one executive decision. Zetsche made the need for a change in culture from the very beginning;

Next month Dieter Zetsche, Mr Schrempp's successor, will go even further back to basics when his top managers move out of Möhringen to squeeze into a jumble of offices around the giant Untertürkheim engine factory, one of the oldest Mercedes factories, down in the industrial valley. Only some administration offices will remain up on the hill. Mr Zetsche explains the reasoning for the move: "There used to be an atmosphere of them and us," he says, referring to the Daimler-Benz people on the hill and the car business people of Mercedes at the factory. "To overcome it, we decided we needed a symbol that we were one automotive company making cars and trucks every day, morning, noon and night." (Economist March 30th, 2006)

6.5 Stories at the core of the DaimlerChrysler AG takeover failure

The fourth critical factor in the concept of "social capital" is the quality of the "social talk" transmitted in conversation and informal communication within the time and space described by Cohen and Prusak (2001). One of the key factors in this context is the function of storytelling.

Storytelling plays a central role in the creation and or destruction of social capital. People don't just talk about technical things when developing, building and selling cars. Their conversations involve developing a mutual understanding on how to solve a problem, hold a meeting, exercise power, and a myriad of other communicative interactivity. This network of communication is different within each company and reflects the history of each company. With the exception of housing, automobiles are the most expensive consumer investments people make. And few consumer products are designed, produced and marketed with such high emotions. You can love or hate a particular car model, but the greatest worry of any producer is that customers find the styling neutral, boring or indifferent. This is still a major criticism of Japanese models and their history of copying American and European trends.

The car industry is an industry famous for its stories. Larger than life legends such as Ford, Durant and Sloan at GM, Chrysler, Iaccoca, as well as Daimler, Maybach, Benz, Porsche and Ferrari are the subject of dozens of books and stories. Stories can be good or bad, just as the social capital within a company can be high or low. We will see that understanding the nature of the bad and good stories at both Daimler and Chrysler at the time of the takeover made it impossible to develop the framework required to implement a "merger of equals".

Stories reflect both the history of an organization and provide important pillars of the framework for interaction. Every Chrysler employee can identify with Bob Lutz’s decision to title his autobiography “Guts” as a word symbolizing the comeback kid, roller coaster history of a company either going bankrupt or revolutionizing the market (Hyde 2003). Similarly, each new apprentice at the Daimler Sindelfingen facility works past a replica of the world’s first automobile and knows the tale of Benz’s wife stealing the car to drive from Mannheim to Pforzheim to visit relatives as the first automobile trip, including the tale of how she used her garter stockings to replace a broken fan belt. Consumers don’t flock to museums to look at washing machines, but in 2010 more than 650,000 people walked through eight office floors depicting the Mercedes legends in the areas of car design, car racing, car safety and car innovations of the last 125 years.

Beyond the official and publicly distributed legends of iconic companies like Daimler and Chrysler, there is a huge collection of insider stories which contribute to the initiation of each new employee. Some stories are known throughout the company, whereas others are restricted for a chosen few and serve to cement the identity of a facility, or center or department. Such inside stories are not documented and thus cannot be told here and belong to an internal code of honor. Nevertheless their existence and significance for the quality of reciprocal interaction of the members of an organization cannot be denied. They center on great achievements or historical failures, power struggles, innovations, turf wars, and the other entire “events” one could imagine in the history of a business. Some are true, many are tremendous fictions, but all contribute to the acquired shared consciousness of an organization.

The next sections will focus on three major stories, which illustrate why DaimlerChrysler AG failed. The first story focuses on the fate and loyalty of American executives at Chrysler after major acquisitions or restructurings. The second story focuses on the brand loyalty of Mercedes executives and their sense of pride and arrogance. The final story focuses on the fate of the M-Class after the takeover of Chrysler, and illustrates how the first two stories prevented DaimlerChrysler AG from achieving synergy benefits in an area of overlapping experience, where the German side could have profited from the superior SUV (sports utility vehicle) experience, know-how and success of their American counterparts.

6.5.1 **Institutionalized disloyalty at Chrysler**

The tradition of storytelling in the US automobile sector is industry-wide, due to the fact that the 3 biggest companies are situated in the Greater Metropolitan Detroit Area. Executives move back and forth from company to company as top executives can be quickly fired and rehired at a pace unknown to the German automobile sector. Examples such as Wolfgang Bernhard's move from Daimler to Volkswagen are still a rarity and usually marked by failure at the new company. Most executives at Daimler respect their competitors at BMW or Audi, but they could not imagine actually changing loyalties. A young engineer might become impatient by the pace of life at Mercedes and switch to Porsche, but not an experienced executive. In the German automobile business the culture of the company molds the executive and not the other way round.

On the other hand, the whole history of the American car industry is full of powerful and tyrannical owners fighting and firing dynamical and headstrong engineers and executives. Loyalty is often short-lived. Walter P. Chrysler was responsible for making Buick a profitable part of General Motors. When ousted GM founder Bill Durant again regained control of GM in 1916 and made a number of unsuccessful investments in an attempt to diversify the company into farm machinery, Chrysler attacked him, resigned and decided to start up his own company (Abodaher 1982). At the very first auto show GM blocked upstart Walter Chrysler from getting a stand, so he exhibited his car in the lobby of a hotel in New York. The car was an instant success and the Chrysler story was born. The tyrannical nature of Henry Ford sent many an executive to GM and Chrysler and was one of the reasons for Ford slipping into 3rd place behind both companies as he became more irrational and arbitrary in his later years (Banham 2002; Abodaher 1982). The industry developed a tradition for high salaried but often short-lived careers, where it was perfectly normal and necessary to change back and forth. This tradition will play a role in the DaimlerChrysler AG takeover failure as the story of Lee Iacocca's rise and fall at Chrysler exemplifies. Iacocca had previously worked at Ford for 32 years. He was perhaps the most innovative marketing person in the history of the American automobile business. He invented car leasing, car payment plans and the first warranties. He saved Ford in the 1960s as the creator of the famous Ford Mustang. He foresaw the threat of Japanese imports and came up with a small, fuel- efficient American car, the Pinto in the early 1970s. As he fought his way to the top of Ford he created an inner circle of trusted engineers and executives, but a circle that aggressively combated everyone else within the organization, including Henry Ford II, the founder's grandson. Despite his success and dedication to the Ford brand, Iacocca became a threat to Henry Ford II, a man notorious for possessing his grandfather's quick and arbitrary temper. Rumors had been circulating around the city for months of an imminent break between Ford and his President. Such "gossip" is part of the Detroit scene and fuelled by industry-centered publications such as the Detroit Free Press and the Automotive News, so it was not surprising that Iacocca heard of his 1978 dismissal from a Detroit reporter on the phone (Abodaher 1982).

In addition the American love for entertainment make it more likely that both winners and losers "sell" their version to the public, whereas Germans tend to be more careful and maintain discretion. Public critique and discussion of in-company events is looked down upon as "Nestbeschmutzung" (washing your dirty laundry in public). In his best-selling autobiography from 1986 Iacocca commented on his former boss: "If a guy is over 25 percent jerk, he's in trouble. And Henry was 95 percent" (Iacocca 1986). Ford fired Iacocca and paid him 2 million in severance pay upon condition that he not work for any competitors for at least 2 years. Iacocca rejected the offer and agreed to take over Chrysler in 1978, which seemed headed for certain bankruptcy. Market analysts thought he was crazy but this was the beginning of one of America's great business stories and the beginning of a culture of change management for the generation of Chrysler managers and executives who would be confronted with the Daimler takeover 20 years later. At Ford, Iacocca was renowned for his ability to motivate people and sell products. He had worked his way up from selling trucks at a small dealership to becoming President of the company, answering only to Henry Ford II. At Chrysler he used his rhetorical ability and determination to create a new culture. Typical is the famous cake story (Abodaher 1982). An employee had written an open letter criticizing the laziness and lack of attention to quality in her department. She was mobbed by fellow Chrysler employees. They had interpreted her action as an unacceptable case of whistle blowing. Iacocca heard of the incident and invited the employee to his office. She brought with her a cake as a present. Iacocca took the cake home and claimed it was the best cake that he had ever Eaton and asked the lady to bake some more for his family. He praised the lady for her honesty and determination to improve the situation at Chrysler. Iacocca turned a critical incident into a successful team motivation speech. The cake became a company symbol for the need to work harder and change attitudes at Chrysler. Similarly he invited frustrated and critical dealers, asked openly about the weaknesses of their products and promising quick changes. Outside the company, Iacocca was becoming a national figure. He took on the job of convincing the American government to help bail out Chrysler, arguing that the Japanese car industry and unrealistic government regulations on fuel efficiency and antipollution innovations were making American cars unaffordable for middle-class Americans. The Wall Street Journal countered that Chrysler should be allowed to go bankrupt and battled Iacocca for two years in numerous editorials. Iacocca countered that the loss of 150,000 jobs would cost the government more in welfare benefit costs that the amount being sought to save the company. Iacocca even put a member of the United Auto Workers union on his Board and persuaded the unions to take pension benefit cuts of $400 million. He cut his own salary to a symbolic $1 dollar per year until the company was again making a profit. With the government aid he invested in new models and sold them with aggressive marketing techniques. He went on TV personally and challenged Americans to “Buy a better car if you can find one” (DaimlerChrysler AG Video Appendix 6.2). The revamping of Chrysler was complete when he created the minivan, a new segment product for the generation of Mustang drivers, who had now married and had kids. Generation “soccer moms” was born and Iacocca achieved a kind of national hero status, both inside and outside Chrysler. However this great story had a downside to it. In order to restructure Chrysler, Iacocca brought in his former inner circle at Ford and threw out Chrysler executives. He even stole Ford’s advertising agency, a nationally televised event and put them to work for Chrysler (Abodaher 1982). The message of the story was clear and would not be forgotten at Chrysler. Change means changing the whole team at the top.

The same story was to be repeated when Lutz implemented his new Honda- based platform strategy at the end of Iacocca’s reign at Chrysler in 1992. Lutz replaced Iacocca’s Ford-Chrysler team of executives with executives from American Motor Company, acquired in 1987. In a personal conversation this shift was referred to by Chrysler executives as “the day the mouse ate the cat”, as Lutz took advantage of AMC’s intensive studies on Honda’s production strategies. In the same conversation the Chrysler executive mentioned that he had joined the PMI team as a chance to see Germany and the Mercedes facilities, but that he did not expect a long life within the DaimlerChrysler AG organization. By 1992 Iacocca had become as tyrannical and autocratic as Henry Ford II, and the company was again heading for bankruptcy. He was still powerful enough to install former GM president Robert Eaton as his successor, but none of his team remained.

In both cases the message of the story was passed on to executives facing the Daimler takeover. In times of radical change such as having a new CEO or acquiring a firm, one of the first ramifications is the removal of top executives at Chrysler. In order to protect themselves, these executives had special “golden parachute” clauses in their contracts, providing them with the possibility to leave the company and receive enormous severance packages within 2 years of any major “event”, such as a takeover or merger or threatening bankruptcy. It is not surprising then, that the majority of the top 30 Chrysler executives took this option and either resigned or changed to Ford, GM or first tier suppliers such as Magna (Blaško, Netter and Sinkey 2000). For them it was part of the Chrysler story. There is no loyalty at Chrysler and fame can be extremely short-lived. Iacocca had come from Ford. His successor, Bob Eaton, came from General Motors. Robert Lutz had defected from Ford via BMW. In that vein, one American reporter suggested that at the time of the takeover Bob Eaton was taking advantage of the current success at Chrysler by picking the optimal exit strategy before the company’s fortunes took their normal business cycle drop (New York Times May 8th, 1998).

In the American automobile industry the reputation of an individual executive is even more important than his company affiliation. The risky nature of his/her relationship to shareholders and owners requires higher compensation than in Germany and “golden parachutes” for unexpected situations, which compensate loss of power with monetary solace. Furthermore, it is always possible to jump from company to company. The careers and abilities of individual executives are relatively transparent throughout the whole industry, with the most-talented mavericks doing their own public relations. When Lutz left DaimlerChrysler AG, he wrote a book including his own “laws of business”, a book which helped him to come out of retirement and continue his career at Cunnigham and later at GM at the age of 72. Such is the power of the individual executives that when Iacocca unsuccessfully participated in the 1995 attempt of shareholder Kirk Kerkorian to take over Chrysler, part of the peace agreement stipulated that Iacocca not talk about his former employer in public for the next 5 years (Vlasic and Stertz 2000). This did not stop Dieter Zetsche from reactivating Iacocca for an advertising campaign in 2005, in a final effort to save Chrysler by tapping into Iacocca’s magical marketing charisma (DaimlerChrysler AG Video Appendix 6.3).

As Blaško, Netter and Sinkey (2000) point out, the agency problems surrounding the loyalty of Chrysler executives were the only threat publicly acknowledged in the company’s proxy report to its shareholders seeking approval of the deal:

> In considering the recommendation of the Chrysler Board, stockholders of Chrysler should be aware that, as described below, certain members of Chrysler’s management and the Chrysler Board may have interests in the Chrysler merger that are different

> from, or in addition to, the interests of Chrysler stockholders generally, and that these interests may create potential conflicts of interest (Blaško, Netter and Sinkey 2000: 84).

Specifically the authors draw attention to the approximately $100 million in severance payment, which would accrue to the top 35 Chrysler executives. Two factors made the choice easy for most of them. Firstly, they were getting paid a lot of money to leave the company. Secondly, past stories suggested they would have no role in the future shaping of DaimlerChrysler AG anyway. Unaware of these “stories”, German executives were shocked at the massive exodus of know-how and regarded this as an act of treachery. The resignations were very public and very expensive events on the Detroit stage and as Blaschko has analyzed (2000) had a negative impact on value creation. These defections served as a further irritation to the already strained relationship between CEO Schrempp and American executives when he openly pronounced at a press conference that they could all leave if they wanted because the company did not need Chrysler know-how anyway (Blaško, Netter and Sinkey 2000). By September 2000 the last of the original “Chrysler guys”, Thomas Stallkamp, was forced to resign from the company after a long series of open conflicts with German executives (Vlasic and Stertz 2000). One year later two Germans were placed in charge of the company. Ironically, the American side had expected that much sooner, but the rhetoric of a “merger of equals” now made the breaking of a promise an issue of resentment at Chrysler. When newcomers Zetsche and Bernhard started to seriously restructure the company there was no more know-how to tap into the lessons learnt during the 1990s.

6.5.2 The Mercedes brand and a culture of pride and arrogance

On the German side of the company, one of their great “stories” also had a negative impact on the takeover’s chances for survival. The hallmark of Daimler-Benz was the “Mercedes” brand. Benz invented the automobile in 1886 and Daimler perfected the art of building powerful engines. The originator of the brand was Austrian businessman, Emil Jellinek (Grunow-Osswald 2006). He lived in Vienna and Monte Carlo and had excellent contacts to Europe’s wealth and aristocracy. A passionate racing driver he piloted Daimler-made vehicles under the pseudonym “Mercedes” to domination in racing in the first decade of the 20th century. In addition to his love for racing, he was also an excellent businessman and become one of Mercedes’ first dealers. He agreed to buy the first 36 passenger cars of a newly designed series of passenger cars if Daimler agreed to name them after his daughter, who was called Mercedes. The only condition to be stipulated for the technical specification of the new series was the famous motto, “the best or nothing”. The cars were worth around 3 million Euros in 2005 money according to the company’s history of the brand (Lengert and Dreher 2010). An order for another 36 was placed just 4 weeks later. With Mercedes vehicles dominating the Nice Racing Week in 1901 to such an extent that the competition withdrew from all events, the fame of the brand was born instantly. Within months the complete production capacity was sold out. From the very moment of its creation the word “Mercedes” was to be associated with the highest standards of quality, engineering excellence and innovation. The cost of the first cars was more expensive than the yearly wages and salaries of 99.99% of the population of Prussia (Grunow-Osswald 2006).

The success of the brand, however, had a double-edged consequence. It was on the one hand a source of deserved pride and at the same time a source of arrogance. Despite pressure from the banks after World War I to merge with Benz Cie, fear of mixing the Mercedes’ brand with its hated rival delayed the deal for 6 long years. In the early 1930s sales skyrocketed as Mercedes’ arrogance quickly blended into the superior race ideology during the Hitler years. Decades later, Flick’s decision to acquire Audi for Daimler-Benz in the late 1950s lasted only 4 short years with brand rivalry and Mercedes arrogance at the center of the conflict.

Brand consciousness was at the center of a long battle at the Board in the 1970s, whether of not to produce cheaper models which create higher market volume. When the “Baby Benz”, known today as the C-class, was finally produced in 1982 it created a major rift both inside the company and amongst customers. Purists thought the C-class did not deserve a Mercedes star and in both production and development areas only the S- and E-Class people saw themselves as defenders of the “best or nothing tradition”. That was escalated when mass production number were accompanied by serious quality issues, which led to the revolt against Mercedes by key customer bases such as German taxi drivers in the late 1980s. For decades taxi drivers had been one of Mercedes’ most effective word-of-mouth propaganda agents with cars racking up millions of reliable kilometers. After the doubling of production capacity and the introduction of cheaper models in the 1980s, stories of bad quality and engines that couldn’t be turned off started to emerge in the German press (Der Spiegel 34, 1987). The “old school” inside the company saw that as proof of their concerns about brand dilution. That resentment was increased with the addition of even smaller compact models such as the A- and B-Classes and finally the decision to build the M-Class outside of Germany in the 1990s. Mercedes was synonymous for “made in Germany” and one of the symbolic companies of the German “Wirtschaftswunder” (economic miracle). The globalization and stretching of the Mercedes name was diluting the brand. This consciousness was to negatively impact the reaction to the takeover within the Mercedes organization.

At the time of the Chrysler takeover the “brand story” had two ramifications for the failure of the takeover. First there was no unified “Mercedes” way of building cars. Instead there was rivalry between the Germany assembly facilities at Rastatt (A-Class), Bremen (C-class) and Sindelfingen (C-, E- and S-Class). They, in turn, had a common enemy at the headquarters in Stuttgart-Möhringen. In addition, within facilities such as Sindelfingen there was animosity both in production and development between all the model lines. The M-Class development was originally part of the commercial vehicle division and its upgrading to passenger car and subsequent location switch from Stuttgart-Untertürkheim to Sindelfingen raised more eyebrows of contempt. All of the German facilities looked down upon the expanding plants in the USA and South Africa as low-skilled, unnecessary threats to jobs in Germany and time-consuming development projects binding people and other resources badly needed at home. So there was no real “common identity” and in terms of Cohen and Prusak’s approach (2001) the level of social capital was low going into the takeover.

The “Mercedes brand story” had a second impact on Daimler employee behavior towards Chrysler. The fear of further brand dilution made the Germans blind to any possible know-how they could have, and in the spirit of a “merger of equals”, should have picked up from Chrysler. This was especially true in the markets segments SUV, minivan and small compact cars, where Chrysler had had more experience and success. The German determination to “protect the brand” was symbolized in an interview given by Mercedes head Hubbert in which he cynically commented that his mother-in-law had bought a Chrysler Plymouth and that it had started falling apart after only 2 years (Finkelstein 2002). The belief in the brand was understood as “unwarranted arrogance” from the Chrysler side.

6.5.3 The M-Class synergy failure story

This case study has relied on an analysis of the M-Class synergy failure because it represents the one clear production interface to Chrysler. At the same time the M-Class became a “story” both within the Mercedes organization and on the Chrysler management side. The globalization of the Mercedes passenger division tried to imitate the success of the globalization of the commercial vehicle division. At the centre of this discussion within the car division culture was the decision to move the M-Class development away from the commercial vehicle development centre in Stuttgart-Untertürkheim to the passenger vehicle development centre in Sindelfingen. News and rumors of quality issues with the M-Class hindered their integration within the rest of the passenger vehicle division and provide the other model lines with a common target of criticism, which permitted them to sublimate and deny their own quality issues.

After the takeover of Chrysler the lack of success of dovetailing M-Class and Chrysler SUV activities became the centre of the Chrysler storyline on the (Daimler-Benz) Mercedes lie of a "merger of equals". The complexity of working together as equals and the resulting lack of results can best be seen in the case of the M-Class and the Jeep Grand Cherokee. As Schrempp had mentioned in his initial press conference, these were the only two products, which overlapped in the takeover (DaimlerChrysler Video Appendix 1.1). And perhaps here was the possibility to synergize efforts most effectively. Mercedes had had no experience in building SUV's when the first generation M-Class started production in 1997, one year before the DaimlerChrysler AG takeover. The product development process was a radical departure from Mercedes German tradition (Priess and Schweer 2004). Similar to BMW's new facility in South Carolina, Mercedes had tried to learn from Japanese production models in order to build a niche product exclusively aimed at the North American market. In comparison to other Mercedes model lines, the vehicle was to have a radically reduced number of options and be built by a young unskilled team of workers. In 1999 the average age of the 2,000 employees was 34 and one third of the staff was female (Priess and Schweer 2004). Mercedes brought in a former Toyota manger, Bill Taylor, from Toyota's best North American facility to organize the new Mercedes plant in Alabama. Taylor was confronted with the challenge of convincing German engineers and executives that their European approaches wouldn't work in North America, let al.one in the southern state of Alabama, with an almost complete local workforce of people who had no working experience in the automobile industry.

The M-Class story was a story of good and bad news. Initially it was a commercial success that exceeded even Mercedes' marketing expectations. Manufacturing capacity at the Alabama plant had already been expanded by 30% by 1998 and the time of the takeover, Mercedes still could not meet demand. In addition, the European market had been attracted to the vehicle. This created logistics problems, because the nearest Vehicle Preparation Centre in Florida was only designed to accept delivery of German–made cars and German-made components such as engines. Exporting the M-Class back to Europe had not been part of the original game plan. Furthermore, the Tuscaloosa facility could not build right-hand-drive versions for the emerging world market demand.

These factors combined to offer the newly founded DaimlerChrysler AG with a “quick-hit”, a means of saving money without the long process of common platform development. Chrysler had been producing their Jeep Grand Cherokee European model at the Steyr-Daimler-Puch assembly facility, owned by the Austro-Canadian supplier Magna in Graz, Austria since 1994. The line had excess production capacity free and was shareable with the M-Class, because the vehicles were similar in character. Chrysler officials were anxious to make public their willingness to help out their Mercedes colleagues, as evidenced by production head Thomas Stallkamp’s interview with the Neue Wiener Zeitung (Aug. 8th, 1998), especially because this European-built version of the Grand Cherokee was perhaps the highest quality Chrysler product at the time. From a Mercedes perspective however, the question was whether this quality was a result of Chrysler’s efforts or due to the longstanding reputation for excellence of the Graz facility, which had previously been owned by Daimler-Benz. In fact, Mercedes had been producing the famous G-class at Graz since 1979 and the experts at Magna had been instrumental in the development of the 4-matic all-wheel-drive version of the E-Class. That vehicle was also being built in Graz since 1996. Furthermore, Mercedes had been working closely with Magna in the development of a new production concept for the Smart vehicle to be built in France. The Graz facility had both a history and reputation for high quality and it was reasonable to suspect that both the Grand Cherokees and M-Classes coming out of the European facility would have a higher level of quality than their American-produced counterparts.

For many people inside Mercedes in Germany, the decision for Graz was in part against Chrysler and against the M-Class Alabama production facility. The additional 15,000 M-Class vehicles would provide quality experts at Mercedes with plenty of comparisons of differences between the American and European made products. This posed a threat to the management in Alabama, who were becoming more and more aware of the quality issues facing any green field production facility, especially one that had already increased its production capacity by 30% in less than two years. The message from the Stuttgart headquarters of Mercedes was clear. Europeans build better cars, and they even build better Chrysler vehicles.

The official press release announcing the start of the production of the M-Class in Graz, Austria in May 1998 went even further. Mercedes boss Hubbert prioritized the need to separate the brands in order to assure that the Jeep Grand Cherokee production system met Mercedes standards.

> Tools to be used exclusively for one particular model are marked with the appropriate color, and separate but stringent final quality checks for both models are a key element of the brand separation policy (DC press release May 26, 1998).

Hubbert is not referring to common parts in his statement. Both vehicles were developed independently of each other before the takeover even took place, so there could no question of sharing parts. Rather here Hubbert points out that even the tooling has to be separate in order to assure Mercedes brand quality. This was a slap in the face to Chrysler, who at the time was one of the most successful builders of SUVs. Mercedes had no experience in this field and were trying to "transnationalize" (Pries and Schweer 2004) their production methods to be able to learn from Japanese success in the establishment of hybrid facilities in North America. Furthermore, the M-Class development department had a controversial status within the Mercedes organization. The project had started off as an offshoot of the G-class within the commercial vehicle division, located in the Neckar valley. The decision to produce a luxury SUV entailed moving the development department to the passenger vehicle division at the new Mercedes Technology Center in Sindelfingen for the planning of the second-generation successor M-Class models (W164, X164). Aside from employee unrest due to the need to relocate and accept dramatically increased commuting times; the transplant of a "truck planning" unit into the world of luxury carmakers was a rough ride. So there was internal disagreement surrounding the M-Class project even before Daimler acquired Chrysler. This situation was exacerbated with awareness of the quality issues in the first generation W163 M-Class. The vehicle was a commercial success but a quality nightmare, a development that led many German officials to question the rationale for trying to build a Mercedes outside of Germany.

In fact, as has already been described in detail, the quality issues with the M-Class coupled with troublesome electronic issues in the new E-Class (W211) would almost ruin Mercedes' reputation for quality in the USA in the next couple of years. The perception of Mercedes quality in the USA had plummeted dramatically within a short period of time. Whereas the influential magazine *Consumer Reports* had voted the 1996 Mercedes E-Class as "the best car at any price" (Meyer *et al.* 2002), the same magazine would be describing the Mercedes brand as the least reliable of all carmakers less than 10 years later (Bloomberg Business Week March 20th, 2007). Daimler's public criticism of the magazine's testing methods and objectivity only made the situation worse. As CNNMoney would report in November 2006

> But what is striking about Mercedes' performance is its consistency. Of the 11 models reviewed by Consumers, none are recommended. Seven are left off the list because of poor reliability; the remaining four are considered too new to predict (...) Mercedes has the worst record of any automaker with that many models. For a brand that claims to be "engineered like no other car in the world," that is fairly frightening (DaimlerChrysler Internet Appendix 6.2).

This final Mercedes' brand image disaster shortly before the final chapter of the DaimlerChrysler AG takeover was also intertwined with the initial M-Class story back in 1998. In the early years of the takeover Mercedes products would fall below industry average in the critical J.D. Power ratings scale. This lead to rumors that Chrysler's influence was responsible for the decline of the Mercedes brand. This "story" back in 1998 incensed executives such as Stallkamp, because both products had been designed, developed and engineered before the takeover. To be sure, the negative impact of the takeover on the Mercedes brand was partially related to the loss of key Mercedes talent tied up in the restructuring both of Chrysler and Mitsubishi. The deterioration of Mercedes' quality was a product of its own doing, as there was hardly cooperation between the two companies at the beginning of the takeover. In addition, the collection of bad stories on both sides of the Atlantic in the DaimlerChrysler AG takeover failure combined to make the consummation of the "merger of equals" highly unlikely and quickly allowed an atmosphere of mutual distrust at the operational level to deteriorate even more. The obvious radical differences in organizational culture could only have been counteracted by high levels of positive social capital in what Cohen and Prusak (2001) describe as absolute pre-requisites for the "challenge of volatility".

When Chrysler did enter the stage, it was obvious that they just had a lot more experience and success at building SUV's, a classical American kind of vehicle. This segment had been able to negate Japanese dominance in the conventional sedan market and allow American carmakers to make a comeback in the 1980's and 1990's. It would be logical to give the Chrysler side the lead in the development of the second generation M-Class. However, distrust was high on both sides. Despite pressure from his German colleagues from the development and production planning departments, Alabama facility boss Taylor wanted to stick to his understanding of Toyota hybrids in North America. This was quite different to Chrysler's adaptation of Honda's platform philosophy.

This is documented in the fact that the production on the Chrysler line in Graz was phased out before production of the W163 ceased in Alabama in 2005. Furthermore the development team for the M-Class could not come up with a common platform for the second-generation M-Class (W164, X164)/ Jeep Grand Cherokee platform with carry over parts. The search for commonization stretched the development cycle times but produced no tangible results. No Chrysler was ever built in Alabama. No second generation M-Class was ever built at the Chrysler Graz facility.

The M-Class story shows how Mercedes arrogance in the face of Chrysler competence in the SUV sector provided company insiders with a bad story which contributed to a further deterioration of the already extremely low levels of social capital in the crucial operational sectors at Mercedes and Chrysler among the people responsible for negotiating the changes necessary to achieve cost-saving synergy effects.

6.6 Conclusions

In his October 2000 interview with The Financial Times then DaimlerChrysler AG CEO Jürgen Schrempp made allusions to his passion for chess while explaining the reasons for his deceptive strategy. Chapter 6 has illustrated significant differences between chess and cross-border mergers and acquisitions. Chess players know that they are competing against each other. In the case of mergers and acquisitions that is not so clear. Such events are major triggers of dishevels for both the acquiring and acquired firms. In the case of the DaimlerChrysler AG takeover the promise of a “merger of equals” provided both sides with a deception. On the German side this allowed the retention of an arrogant culture of Mercedes brand hegemony. This hegemony precluded the willingness to learn from Chrysler in areas which could have benefitted both sides (M-Class story). On the American side the lie of equality justified the radical migration of top executives. By the time the Board’s Executive Automotive Council started to force commonization in 2001, three valuable years had been lost. Furthermore, the team of executives behind Chrysler’s turnaround in the 1990s had left the company.

Between May 1998 and the Schrempp interview in November 2000 the lie of the merger of equals had prevented the creation of a spirit of mutual trust, which would have been necessary to implement the radical changes in interorganizational culture. From the perspective of company culture it is clear that the takeover was a radical failure already by the end of the year 2000.

7 LESSONS LEARNT

This chapter will go beyond the specific detail of the previous 5 chapters and attempt to draw general conclusions from the DaimlerChrysler AG takeover failure. Furthermore, the generalizations in this chapter will not attempt to document similarities with previous research. As was mentioned in the introduction, this case study differs from other research with its consistent reference to the DaimlerChrysler AG as the failure of a German company to takeover an American company as part of its global Welt AG strategy. The radical nature of this particular failure risks seducing any analysis into making negative generalizations about all cross-border mergers and acquisitions, which do not withstand the scrutiny of empirical observations (Weber and Camerer 2003; Wübben 2007).

7.1 Methodology

When assessing the rationality of mergers and acquisitions the DaimlerChrysler AG takeover failure underlines the need to research the history of firms for a longer period of time than is common in contemporary financial and company performance analysis. This includes the necessity of understanding the exact nature of the organizational culture of the companies. This was observed in the case of Chrysler. The legends of "guts" and iconic CEOs such as Lee Iacocca during the 1980s, for example, need to be put into perspective. In actual fact, a longer view of executive culture within the Chrysler organization reveals a culture of disloyalty as evidenced with Iacocca's choice of Robert Eaton as his successor (1992) and Iacocca's later attempt to wrest control of the company from Eaton and Lutz (1995). This culture of disloyalty explains the completeness of the defection of key Chrysler executives after the 1998 takeover (Blaško, Netter and Sinkey 2000).

A historically more longitudinal perspective also provides better insight into the rationales of the acquiring and acquired companies. CEO Schrempp had inherited a serious strategical blunder from his predecessor (Reuter). He also was witness to a seemingly successful strategy of the expansion and globalization of the Mercedes brand from his strongest rival (Werner). His ensuing Welt AG strategy seemed sensible within the mindset of the car industry in the 1990s. In the case of Chrysler, the short-term success in the 1990s could not hide the fact that the company had limited possibilities for further growth. Moreover, in a globalized automotive sector its solitary presence in the NAFTA region was a serious liability. The prospect of a sellout to a company with more resources also seemed rational within the framework of the merger and acquisition frenzy of the late 1990s.

In terms of methodology this resulted in the need to take the complete histories of both companies into consideration. The strength of the legend of the Mercedes brand can only be appreciated with a comparison of production numbers between 1896 and 2007. Vehicles that helped create the Mercedes brand, such as the gull-door SL 350 from 1954 (total production 1,400 vehicles), mostly had complete serial production numbers that are lower than the daily production numbers for contemporary C- and M-Class models. These comparisons make transparent the radical change of organizational culture, which accompanied the shift from “craftsmanship” to mass production as of the 1980s.

7.2 Merger and acquisition strategies

The DaimlerChrysler AG takeover failure provides an excellent example of choosing the wrong strategy for the wrong situation. There can never be a justification for pretending that a takeover is a merger of equals. The need to protect the Mercedes brand could have co-existed with the acquisition of the equally strong Jeep and Dodge brands, as exemplified by Chrysler’s takeover of Dodge in the 1920s and Chrysler’s purchase of American Motors Corporation (AMC) in the 1980s. Both brands were able to retain their uniqueness within the Chrysler organization. Although Toyota is a strong brand in its own right, it has also been able to create the unique luxury brand Lexus.

In the case of DaimlerChrysler, the contradictions between brand uniqueness and the promise of synergy effects between premium and affordable brands had disastrous consequences. Common platforms were not established and synergy effects were not realized. Furthermore, the contradiction between the Welt AG strategy and the promise of a merger of equals illustrate the necessity of logically cohesive strategical goals. The incompatibility of these strategic goals precluded any opportunity of their realization at the operative level. The incoherent choice of strategy made an implementation of the Chrysler and Mitsubishi (MMC) takeovers impossible from the very beginning.

7.3 Cross-border M&As and intercultural differences

The DaimlerChrysler AG takeover failure cannot be reduced to conflicts between national cultural differences. Indeed, the case study offers a refutation of many of the main claims of the most important theory in this academic field (Hofstede 1980). This is not surprising, based on the accelerated expansion of globalization (Nakata 2009). This result is also of importance for the field of management training. Ironically, the popularity of Hofstede’s work has itself contributed to a refutation of the axiom that cultural dimensionality is a kind of innate "software of the mind". Organizations can and need to reflect on their intercultural roots and the need to modify strengths and weaknesses accordingly. It is not a question of denying the existence of a specific kind of "Germanism" within the Daimler-Benz tradition or a specific kind of "Americanism" within the Chrysler tradition. It is rather the observation that "being German" means something different in the 16^{th} century, 1896 and 2012. Successful cross-border mergers require that the acquiring firms take these national differences into account without falling victim to a belief in their impermeability. The fact that this is a management problem also helps to explain the academic inconclusiveness of comparative empirical studies.

7.4 Cross-border M&As and interorganizational differences

The same can be said about interorganizational differences. The comparisons between Renault-Nissan and DaimlerChrysler are highly instructive in this regard. Renault's restructuring of Nissan represented a radical change of organizational culture at the Japanese company on a much larger scale than the differences between Daimler-Benz and Chrysler. This study concludes that successful cross-border mergers involve the management task of achieving a form of organizational culture, which matches the post-merger outcome strategy.

7.5 Trust and communication as key implementation tools

If intercultural and interorganizational differences are management obstacles, which can be overcome, this automatically points to the critical role of trust and communication. Trust is a central moment in the reciprocal nature of all free market economic activity. The blatant abuse of trust in the DaimlerChrysler AG "merger of equals" lie represents one of the most manifest strategic mistakes in the Welt AG. It is acceptable to takeover another firm. It is unacceptable to pretend one is not doing so. Furthermore, communication has to be the product of an authentic attempt to provide employees with the necessary means to achieve the goals of the takeover. The destruction of all these components has been discussed in the DaimlerChrysler AG failure. The Renault-Nissan case provides an excellent counter example.

7.6 It is premature to talk about truly global companies

DaimlerChrysler AG was a German AG (public stock company). This fact had ramifications for tax law, corporate governance and indeed it was the key to understanding why the strategy of the Welt AG precluded equal partnerships with its American and Japanese divisions. The DaimlerChrysler AG takeover justifies the need to continue framing political and economical analysis within a differentiated approach to Varieties of Capitalism (Hall and Soskice 2001). The DaimlerChrysler failure points to the resiliency of national institutions and the complementarities, which create comparative economic advantage. Part of the decline of the value of the Mercedes brand can be traced to the company's attempt to decalibrate the connectedness to its tradition of skilled labor, strong unionization and instruments of traditional German corporate governance. If the Mercedes tradition for quality is limited to instruments of marketing, it will only be a question of time until customers abandon their loyalty. In this regard it will be interesting to observe whether German customers will remain loyal to the brand when the C-Class is built in Alabama.

7.7 The myth of shareholder value

As Stout (2012) has argued from the perspective of corporate law, shareholder value is one of the strongest ideologies in corporate governance in the 20th century. Schrempp's fear of takeover and his adherence to the goals of shareholder value were one of his biggest strategical mistakes in his Welt AG. However, the German CEO was in good company with Deutsche Bank. Their decision to shift away from their traditional role within the German coordinated market economy accompanied the downfall of the Welt AG.

Industrial corporations with long-term product development cycles are poorly suited to the short-term expectations of stock markets. As witnessed in the DaimlerChrysler AG takeover failure, the long-term stakeholders in the form of American trust and investment brokers were the first to abandon the company. It is interesting to consider whether Schrempp could have better protected the Mercedes brand by seeking private options to a public trading company.

7.8 Academic research in the automobile industry

Academic research in the automobile industry is notoriously inaccurate. Fordism, Sloanism and lean production have all come and gone as standard paradigms. And even the multi-strategy approach of the GERPSIA has misjudged the situation at Renault-Nissan. With the exception of real estate, cars are the most expensive commodity, which people acquire in their lifetimes. Just as speculation in real estate has historically triggered numerous recessions and depressions in the history of capitalism (Galbraith 1954), so too does the car industry appear to be most sensitive to economic change. There is much truth in the old adage that GM gets pneumonia when the American economy catches the flu. The car industry is plagued with chronic overcapacity and a chronic inability to match consumer demand. Even when it taps into consumer wishes, production capacity cannot be adapted to satisfy that demand. DaimlerChrysler experienced that problem with the PT Cruiser and the A-Class in South America. They could not produce enough PT Cruisers to satisfy the market at the time. Meanwhile, Mercedes billion dollar project in South America, which had capacity to produce 70,000 M-Classes, actually produced less than 5,000 in all before production was ceased. Relatively long development and production facility cycle times are chronically out of sync with short-term marketing and customer perceptions of reality.

Furthermore, the interaction between global strategies and global incongruence is often arbitrary and unpredictable. Electrical cars were declared dead over a hundred years ago (Kirsch 2000), yet Toyota's rediscover of hybrid technologies were a surprise market success in the USA, which usually is indifferent to environmental issues. DaimlerChrysler's heavy expenditure in the area of fuel-cell technology turned out to be a poor investment. At the same time the Mercedes' brand is the subject of criticism in Europe for its inability to development environmentally-friendly models. Paradoxically, the brand's current success with the M-Class and S-Class in India and China is completely independent of European developments. In 1998 everyone at Mercedes believed that Asian success dependent on the development of small, energy-saving inexpensive models. The latest Annual Report is testimony to the exact opposite expectation.

7.9 Varieties of Capitalism

This case study has relied heavily on a modified version of the varieities of capitalism approach (Hall and Soskice 2001). The historical successes and failures of Mercedes (Daimler-Benz), Chrysler and Mitsubishi can be explained to a certain extent on the respective complementaries offered by the national institutional systems. Furthermore, within the context of the globalization of production systems each company has engaged in what Hall and Soskice refer to as "institutional arbitrage". This refers to the practice of shifting "particular activities to other nations in order to secure the advantages that the institutional frameworks of their political economies offer for pursuing those activities (Hall and Soskice 2010 57; Schneider, Schulze-Bentrop and Paneuscu 2010). Mercedes tried to exploit the advantages of non-unionized labor markets in their expansion plans for the North American market in Alabama. Chrysler relied on the highly qualified Austrian labor market for its production of the high-quailty European version of its Grand Cherokee. However, the varieities of capitalism approach has to be modified to accompany for the specific national and trans-national nature of the global automobile sector (Boyer and Freyssenet 2000) much in the same manner as Lange (2010) and Schneider, Schulze-Bentrop and Paunescu (2010) ascertain in their analysis of the bio-tech and high-tech sectors respectively. Specifically, this case study follows Schneider *et al.* in the comment that “the institutional configurations compatible with high-tech success cut across generally accepted typologies” (Schneider, Schulze-Bentrop and Paunescu 2010 259). In our case, Daimler-Benz was involved in both radical and incremental innovation in sectors encompassing cars, airplanes and computer technologies. Significant for our results was the strategical mistake of trying to clone the successful globalization of the Mercedes brand in commercial vehicles to the passenger vehicle division. As Boyer and Freyssenet point out (2010) the key to Mercedes success has always been its quality profit strategy, which is at odds with its globalization expansion plans. The institutional framework which explains the reasons for this success are best accounted for within the varieties of capitalism approach. Despite the critique of Hall and Soskice (Hancké, Rhodes, and Thatcher 2008), this case study reiterates its advantages as pointed out by Schneider, Schulze-Bentrop and Paunescu (2010). The VoC approach is firm-centered, it focuses on sector-specific comparative advantage and finally it remains state of the art (Schneider, Schulze-Bentrop and Paunescu 2010 248).

7.10 Limits of this research

The complete story of the failure of the DaimlerChrysler AG and the Welt AG can only be told when researchers gain access to the comprehensive documents of the actors involved. Until then, researches, such as this case study, will be faced with the unsatisfactory task of relying on secondary sources for salient information. Having personally witnessed the history of DaimlerChrysler AG from the inside, the author is acutely aware of this study’s shortcomings. Many events could not be published due to lack of additional independent documentation or for fear of legal repercussions.

REFERENCES AND APPENDICES

Literature References

Abodaher, D. (1982): *Iacocca.* Kensingtom Publishing, New York.

Aguilera, Ruth V. and Dencker, John C. (2004): *The role of human resource management in cross-border mergers and acquisitions.* In: International Journal of Human Resource Management, Vol. 15 (No. 8): 1355-1370.

Akerlof, George A. and Shiller, Robert J. *Animal Spirits: How human psychology drives the economy and why it matters for global capitalism.* (2009): Princeton University Press, Princeton, NJ.

Akkermans, D., Castaldi, C. and Los, B. (2009): *Do liberal market economies really innovate more radically than coordinated market economies? Hall and Soskice reconsidered.* In: Research Policy, Vol. 38: 181-191.

Allen, Matthew. (2004): *The varieties of capitalism paradigm: not enough varieties.* In: Socio-economic Review, Vol. 2: 87–105.

Appel, Holger and Hein, Christoph (2000): *Der DaimlerChryslerAG Deal.* Heyne, München.

Ashkanasy, Neal M.; Wilderom, Celeste; Peterson, Mark F. (2000): *Handbook of organizational culture & climate.* Sage Publications, Thousand Oaks, CA.

Badrtalei, Jeff and Bates, Donald L. (2007): *Effect of Organizational Cultures on Mergers and Acquisitions: The Case of Daimler Chrysler.* In: International Journal of Management, Vol. 24 (2): 303–317. Retrieved from: http://search.ebscohost.com/login.aspx?direct =true&db=bth&AN=26080058&site=ehost-live.

Balestini, P. P. (2000): *Globalisation in the Automotive Industry: The preferred external growth path.* In: Journal of International Marketing & Marketing Research, Vol. 25 (3): 137–165. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=11511525&site=ehost-live.

Ball, R. (2003): *"Daimler-Benz AG: Evolution of Corporate Governance from a Code-Law “Stakeholder” toward a Common-Law “Shareholder Value” System. In: C. Leuz, D. Pfaff* and A. Hopwood: The Economics and Politics of Accounting : International Perspectives on Research, Trends, Policy, and Practice. Oxford ; New York: Oxford University Press: 103-142.

Banham, Russ. (2002): *The Ford Century.* Tehabi Books, San Diego, CA.

Baron, James N. and Kreps, David M. (1999): *Human Resources: Frameworks for General Managers.* John Wiley and Sons, Hoboken, NJ.

Bartel, Ann and Guadalupe, Maria. (2008): *The DaimlerChrysler Merger Why Didn't It Succeed.* In: Columbia CaseWorks, Columbia Business School: 1–27.

Bassen, A., Schiereck, D, and Wübben, B. (2010): *M&A Success of German Acquisitions in the USA – Evidence from Capital Market and Survey Data.*In: Applied Financial Economics (20): 543-559.

Batt, R and Darbishire, O. (1997): *Institutional determinants of deregulation and restructuring in telecommunications: Britain, Germany, and United States compared.* International Contributions to Labour Studies, (7).

Bea, Franz Xaver. (1997): *Strategie und Organisation der Daimler-Benz AG. Eine Fallstudie.* Schriften zur Unternehmensplanung Bd. 47. P. Lang. Frankfurt am Main and New York.

Begley, Jason and Donnelly, Tom (2011): *The DaimlerChrysler Mitsubishi merger: a study in failure.* In: International Journal of Automotive Technology & Management, Vol. 11 (1): 36–48. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=61960654&site=ehost-live.

Berger, Roland. (1991): *Schlanke Produktion wird die Welt verändern.* In: Spiegel Special 3/ 1991: 40-45. Retrieved from: http://wissen.spiegel.de/wissen/image/show.html?did=52462459&aref=image036/2007/08/02/cqspc-199100300400045.pdf&thumb=false.

Bickley, James M. (2008): *Chrysler Corporation Loan Guarantee Act of 1979: Background, Provisions, and Cost.* Cornell University ILR School DigitalCommons@ILR. Retrieved from: http://digitalcommons.ilr.cornell.edu/key_workplace/569.

Blaško, Matej., Netter Jeffry M. and Sinkey Jr. Joseph F. (2000): *Value creation and challenges of an international transaction: The DaimlerChryslerAG merger.* In: International Review of Financial Analysis, Vol. 9(1): 77–102.

.

Boyer, R. and Freyssenet M. (2000): *The World that Changed the Machine. Synthesis of Research Programmes 1993-97.* Actes de la Huitième Rencontre Internationale du GERPISA, Paris.

Bremner, B. and Thornton, E. (1999): *Mitsubishi: Fall Of A Keiretsu.*In: Business Week, March 14th, 1999. Retrieved from: http://www.businessweek.com/stories/1999-03-14/mitsubishi-fall-of-a-keiretsu-intl-edition.

Bruner, Robert (1999): *An analysis of value destruction and recovery in the alliance and proposed merger of Volvo and Renault.* In: Journal of Financial Economics 51:125–166.

Bruner, Robert. and Spekman, Robert. (1998): *The Dark Side of Alliances: Lessons from Volvo-Renault.* In: European Management Journal, Vol. 16 (2): 136–150.

Buono, A., Bowditch, J. and Lewis, J. (1985): *When Cultures Collide: The Anatomy of a Merger*. In: Human Relations. Vol. 38 (5): 477-500.

Chandler, Alfred D. Jr. (1990): Scale and Scope: The Dynamics of Industrial Capitalism. Harvard University Press, Cambridge, MA.

Chen, A. and Chen, S. (2000): *Brand dilution effect of extension failure – A Tawain study.* In: Journal of Product & Brand Management, Vol. 9 (4): 243 – 254. Retrieved from:

http://www.emeraldinsight.com/journals.htm?articleid=857733&show=abstract.

Choi, Thomas Y. and Yunsook, Hong. (2002): *Unveiling the structure of supply networks: case studies in Honda, Acura, and DaimlerChrysler.* In: Journal of Operations Management, Vol. 20 (5): 469–493. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=7247742&site=ehost-live.

Clarke, Constanze (2005a): *The case of the Mercedes Benz Production System.* In: Contributions to Management Science. Physica-Verlag, Heidelberg: 127–172.

Clarke, Constanze. (2005b): *Automotive Production Systems and Standardisation: From Ford to the Case of Mercedes-Benz.* Physica-Verlag, Heidelberg.

Coase, Ronald H. (1937): *The Nature of the Firm.* In: Economica, Vol. 4: 386-405. Reprinted in Kronman, Anthony T. and Posner, Richard A. (eds), *The Economics of Contract Law*. Little Brown Publishing, Boston, MA. Retrieved from: http://purao.ist.psu.edu/532/Readings/Coase1937.pdf.

Cohen, Don and Prusak, Lawrence. (2001): *In Good Company: How Social Capital makes Organizations work.* Harvard Business School Press, Boston, MA.

Dawson, Chester (2000): *Asia Gets The Benz.* In: Far Eastern Economic Review, Vol. 163 (14):63. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=3002487&site=ehost-live.

DeBondt, W. and Thaler, R. (1985): *Does the stock market overreact?* In: Journal of Finance. Vol. 40: 793-805.

Dermidoff, Jane E. Fitzgibbon (2004): *DaimlerChrysler. The story of a merger.* (January 1, 2004). ETD Collection for Wayne State University**.** Paper AAI3151782. Retrieved from: http://digitalcommons.wayne.edu/dissertations/AAI3151782.

Doellgast, Virginia. (2008): *National Industrial Relations and Local Bargaining Power in the US and German Telecommunications Industries.* In: European Journal of Industrial Relations, Vol. 14(3): 265–87.

Dore, Ronald. (2000): *Stock Market Capitalism, Welfare Capitalism: Japan and Germany versus the Anglo-Saxons*. Oxford University Press ,Oxford.

Dowling, P., Festing, M. and Engle, A.D. (2008): *International Human Resource Management: Managing People in a Multinational Context (5th edition)*. Thomson Learning, London, U.K.

Dyer, Jeffrey H. (1996): *How Chrysler Created an American Keiretsu.* In: Harvard Business Review, July-August 1996: 2-11.

Ehrmann, Michael. (1998): *Die Geschichte des Werkes Sindelfingen der Daimler-Motoren-Gesellschaft und der Daimler-Benz AG.* Stuttgart Universität Dissertation, Stuttgart.

Eisenhardt, Kathleen M. (1989): *Building Theories from Case Study Research*. In: Academy of Management Review, Volume 14 (4): 532–550.

Epstein, Marc J. (2004): *The Drivers of Success in Post-Merger Integration.* In: Organizational Dynamics, Vol. 33 (2): 174–189. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=13165545&site=ehost-live.
Fama, Eugene F. (1998): *Market eficiency, long-term returns, and behavioral Finance.* In: Journal of Financial Economics, Vol. (49): 283-306.

Fang, Tony. (2003): *A Critique of Hofstede's Fifth National Culture Dimension.* In: International Journal of Cross Cultural Management, Vol. 3(3): 347-368.

Farber, David. (2002): *Sloan Rules: Alfred P. Sloan and the Triumph of General Motors.* The University of Chicago Press, Chicago, Illinois.

Feldenkirchen, Wilfried. (2005): *100 Jahre DaimlerChrysler Werk Untertürkheim 1904-2004. Wo das Auto anfing - Mobilität und Industrialisierung im Neckarraum.* Gesellschaft für Unternehmensgeschichte. Vaihingen/Enz.

Finkelstein, Sydney (2002): *The DaimlerChryslerAG Merger*. In: Tuck School of Business at Dartmouth, Case Studies, No. 1-0071: 1-8.

Fischer, K.H, Zinnert, U. and Streeb, G. (1996): *Rastatt: Mythos und Realitat. Erfahrungen der Betriebsrate im Werk Rastatt der Mercedes-Benz AG.* In:Economic and Industrial Democracy, Vol. 20: 117-145.

Flint, Jerry. (1997): *Company of the Year – Chrysler.* In: Forbes, January 13th 1997: 83-87.

Froese, Fabian Jintae and Goeritz, Leif. (2007): *Integration Management of Western Acquisitions in Japan.* In: Asian Business & Management, Vol. 6(1): 95–114. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=24305333&site=ehost-live.

Froese, Fabian Jintae. (2010): S*uccess and failure in managing foreign acquisitions in South Korea and Japan: Lessons from Renault, General Motors, and DaimlerChrysler.* In: Global Business & Organizational Excellence, Vol. 30(1): 50–59. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=54565522&site=ehost-live.

Fukuyama, Francis. (1997): *The End of Order*. The Social Market Foundation. Centre for Post-Collectivist Studies, London, UK.

Galbraith, John Kenneth. (1954): *The Great Crash of 1929.* Hamish Hamilton (Penguin Publishing Group), London, UK.

Galbraith, John Kenneth. (1967): *The New Industrial State.* Houghton Mifflin Company, Boston, MA.

Gardner, Edwin I., JR., Montjoy, Robert S. andWatson, Douglas J. (2001): *Moving into Global competition: A Case Study of Alabama's Recruitment of Mercedes-Benz.* In: Policy Studies Review, Vol.18 (3): 80-93. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=5991127&site=ehost-live.

Gebhardt, G. (2000): *The Evoution of Global Standards in Accounting*. In: Brookings-Wharton Papers on Financial Services: 341-368. Retrieved from http://scholar.google.de/scholar_url?hl=de&q=http://130.102.44.246/journals/brookings-wharton_papers_on_financial_services/v2000/2000.1gebhardt.pdf&sa=X&scisig=AAGBfm0FNu0WxB7-Bm3cnDZqmftZYEy0Mw&oi=scholarr&ei=RVp5UOb-F4XhtQaDq4HYCQ&ved=0CCAQgAMoADAA.

Gilbert, Alexandra. (2005): *The best of two worlds? The DaimlerChrysler merger and corporate governance.* Victoria University of Wellington.

Gill, Carol. (2012): *The role of leadership in successful international mergers and acquisitions: Why Renault-Nissan succeeded and DaimlerChrysler failed*. In: Human Resource Management, May-June 2012, Vol. 51(3): 433-456.

GLOBE 2007. Chhokar, Jagdeep, Singh; Brodbeck, Felix C.; House, Robert J. (2007*): Culture and leadership across the world. The GLOBE book of in-depth studies of 25 societies.* Lawrence Erlbaum Associates (Lea's Organization and Management Series). Mahwah, N.J.

Golitsinski, Sergei. (2000): *A Study of the DailmlerChrysler Merger Portrayal in U.S. and European Media.* Research paper 48C:291 Project in Communication Studies. Retrieved from: http://www.lordofthewebs.com/communication/dailmlerChrysler.pdf.

Goutas, Lazarous and Lane, Christal (2009): *The Translation of Shareholder Value in the German Business System: A Comparative Study of DaimlerChrysler and Volkswagen AG*. In: Competition & Change, Vol. 13 (4): 327–346. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=47243266&site=ehost-live.

Grässlin, Jürgen. (2000): *Jürgen Schrempp and the making of an auto dynasty*. McGraw-Hill, London and New York.

Grinblatt, M., & Titman, S. (1998). *Financial Market and Corporate Strategy.* Irwin/McGraw Hill, Boston, MA.

Grube R. (2005): The Post-Merger Integration Process at DaimlerChrysler AG. In: Lucks, Kai. (ed.) *Transatlantic Mergers and Acquisitions: Opportunities and Pitfalls in German-American Relations.* Publicis Corporate Publishing (Wiley) Erlangen: 58-73.

Grunow-Osswald, Elfriede. (2006): *Die Internationalisierung eines Konzerns. Daimler-Benz 1890-1997.* DaimlerChryslerAG-Konzernarchiv, Stuttgart.

Hall, Peter A. and Gingerich, Daniel W. (2004): *Varieties of capitalism and institutional complementarities in the macroeconomy: An empirical analysis.* Max-Planck-Institut für Gesellschaftsforschung (MPIfG working paper), Köln.

Hall, Peter A. and Soskice, David W. (2001): *Varieties of Capitalism: The institutional foundations of comparative advantage.* Oxford University Press, Oxford.

Hancké, Bob, Rhodes, Martin and Thatcher, Mark. (2008): *Beyond varieties of capitalism. Conflict, contradictions, and complementarities in the European economy.* Oxford University Press, Oxford.

Harzing, A.W.and Van Ruysseveldt, J. (eds.) (2004): *International Human Resource Management (2nd edition).* Sage Publications, London.

Heinrichsdorff, C. A. (2007): *Die Entflechtung der Deutschland AG* . GRIN Verlag, München.

Heise, M. (2008): *Das Ende der Deutschland AG? Shareholder-Value-Orientierung und der Wandel des Managements in deutschen Konzernen*. GRIN Verlag, München.

Hermalin, Benjamin E. (2000): *Economics and Corporate Culture*. Working Paper, University of California at Berkeley: 1-50. Retrieved from http://faculty.haas.berkeley.edu/hermalin/cultchds.pdf.

Höpner, M. (2003): *Der organisierte Kapitalismus in Deutschland und sein Niedergang*. In: R. M. Czada & R. Zintl (Eds.). Politik und Markt. VS Verlag für Sozialwissenschaften, Wiesbaden: 300–324.

Höpner, M., and Krempel, L. *Ein Netzwerk in Auflösung: Wie die Deutschland AG zerfällt* . Retrieved from: http://www.elo-forum.org/attachments/alg-ii/33806d1297562340-organisierter-kapitalismus-deutschland-ag-netzwerk_in_aufloesung-.pdf.

Höpner, M., and Krempel, L. (2004): *The Politics of the German Company Network*. In: Competition & Change, Vol. 8(4): 339–356.

Hofstede, G. (1980): *Culture's consequences: International differences in work-related values.* Sage Publishing, Beverly Hills, California.

Hofstede, G. (1985): *The Interaction between National and Organizational Value Systems*. In: Journal of Management Studies**,** Vol. 22(4): 347-357.

Hofstede, G. and Bond, M.H. (1988): *The Confucius Connection: From Cultural Roots to Economic Growth.* In: Organizational Dynamics**,** Vol. 16(4): 4-21.

Hofstede, G., Neuijen, B., Ohayv, D.D. and Sanders, G. (1990): *Measuring organizational cultures. A qualitative and quantitative study across twenty cases.* In: Administrative Science Quarterly, Vol. 35: 286–316.

Hofstede, G. (1994): *Cultural Constraints in Management Theorie*", In: International Review of Strategic Management**,** Vol. 5: 27-48.

Hofstede, G. (2001): *Culture's Recent Consequences: Using Dimension Scores in Theory and Research.* In: International Journal of Cross-Cultural Management, Vol. 1(1): 11-17.

Hofstede, G. (2001): *Culture's consequences: Comparing values, behaviors, institutions and corganizations across nations (2nd Edition).* Sage Publishing, Thousand Oaks, California.

Hofstede, G. (2002): *Dimensions do not exist: A reply to Brendan McSweeney*. In: Human Relations, Vol. 55 (11):1355-1360.

Hofstede, Geert, Hofstede, Gert Jan and Minkow, Michael. (2010): *Cultures and Organizations: Software of the Mind,* (*3rd Edition).* McGraw Hill, New York, NY.

Homburg, C. and Bucerius, M. (2005): *A Marketing Perspective on Mergers and*

Acquisitions: How Marketing Integration Affects Postmerger Performance. In: Journal of Marketing, 69 (1): 95-113.

Huizinga, Harry P. and Voget, Johannes. (2009): *International Taxation and the Direction and Volume of Cross-Border M&As.* In: The Journal of Finance, Vol LXIV(3): 1217-1249.

Hyde, Charles K. (2003): *Riding the Roller Coaster: A History of Chrysler Coorporation*. Wayne State University Press, Detroit, Michigan.

Iacocca, Lee. (1986): *An Autobiography* . Random House, Bantam Books, New York City, N.Y. (originally published as hardcover in 1984).

Ihlen, Øyvind. (2002): *Defending the Mercedes A-Class: Combining and Changing Crisis-Response Strategies.* In: Journal of Public Relations Research, Vol. 14 (3):185–206. Retrieved from:
http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=6988968&site=ehost-live.

Inkpen, Andrew C. (2008): *Knowledge Transfer and International Joint Ventures: The Case of NUMMI and General Motors.* In: Strategic Management Journal, Vol. 29(4): 447-453.

Isaacson Walter. (2011): *Steve Jobs: A Biography*. Simon & Schuster, New York City, N.Y.

Jensen, Michael C. and Meckling, W. (1976): *Theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure*. In: Journal of Financial Economics, Vol. 3: 305-360.

Jonung, Lars (Ed.). (2005): *Proceedings of the 2004 First Annual DG ECFIN Research Conference on "Business Cycles and Growth in Europe"*. European Community. Number 227 June 2005. Retrieved from:
http://ec.europa.eu/economy_finance/publications/publication11034_en.pdf.

Jürgens, U. *et al.* (2000): *Corporate Governance and Shareholder Value in Deutschland.* In: Veröffentlichungsreihe der Abteilung Regulierung von Arbeit des Forschungsschwerpunkts Technik-Arbeit-Umwelt des Wissenschaftszentrum Berlin für Sozialforschung, FS II 00-202: 1–26. Retrieved from: http://skylla.wzb.eu/pdf/2000/ii00-202.pdf.

Jürgens, U., Naumann,K. and Rupp,J. (2000): *Shareholder Value in an Adverse Environment: The German Case.* In: Economy and Society, Vol. 29(1): 54-79.

Karoyli, G. Andrew. (2003): *DaimlerChryslerAG, the first truly global share.* In: Journal of Corporate Finance**,** Vol. 9(4**):** 409–430.

Kirsch, David (2000): *The electric vehicle and the burden of history.* Rutgers University Press, Piscataway, New Jersey.

Krempel, L. (2006): *Die Deutschland AG 1996-2004 und die Entflechtung der Kapitalbeziehungen der 100 größten deutschen Unternehmen.* In: K.-S. Rehberg (Ed.), In: Die Natur der Gesellschaft (33. DGS Kongress). Campus-Verlag, Frankfurt/Main.

Kreps, David M. (1990): *Corporate Culture and Economic Theory*. Chapter 4 In: Alt, J. and Shepsle, K. (eds), Perspectives on Positive Political Economy, Cambridge University Press, Cambridge.

Kröger, Fritz. (2005): Success and Success Factors in German-American Mergers. In: Lucks, Kai. (2005): *Transatlantic Mergers and Acquisitions: Opportunities and Pitfalls in German-American Relations.* Publicis Corporate Publishing (Wiley) Erlangen: 51-58.
Krug, Jeffrey A. (2009): *Brain drain: why top management bolts after M&As.* In: Journal of Business Strategy, Vol. 30 (6): 4-14.

Kruk, Max and Lingnau, Gerold (1986): *100 Jahre Daimler-Benz: Das Unternehmen.* v. Hase & Koehler Verlag, Mainz.

Kuhn, Thomas S. (1962): *The Structure of Scientific Revolutions.* University of Chicago Press, Chicago, Illinois.

Lane, C., & Probert, J. (2006): *Domestic capabilities and global production networks in the clothing industry: A comparison of German and UK firms' strategies.* In: Socio-Economic Review, Vol. 4(1): 35–68.

Lange, Knut. (2009): *Institutional embeddedness and the strategic leeway of actors: the case of the German therapeutical biotech industry.* In: Socio-Economic Review, Vol. 7: 181–207.

Larsson, R. and Risberg, A. (1998): *Cultural Awareness and national versus corporate barriers to acculturation.* In: Gertsen, M.C., Søderberg, A.-M. and Torps, J.E. (eds) Cultural dimensions of international mergers and acquisitions. De Gruyter Verlag, Berlin: 111-127.

Lehrer, M. (2000): *The organizational choice between evolutionary and revolutionary capability regimes: Theory and evidence from European air transport.* In: Industrial and Corporate Change, Vol. 9(3): 489–519.

Lengert, Axel and Dreher, Albert M. (2010): *Legend and Collection. Mercedes-Benz Museum.* C. Maurer Druck und Verlag, Geislingen/Steige.

Leeson, Peter T. (2009): *The Invisible Hook: The Economics of Pirates.* Princeton University Press, Princeton, NJ.

Levin, Doran P. (1995): *Behind the Wheel at Chrysler: The Iacocca Legacy.* Harcourt Bruce and Company, New York.

Loughran, T. and Vijh, A. (1997): *Do long-term shareholders benefit from corporate acquisitions?* In: Journal of Finance, Vol. 52: 1765-1790.

Lucks, Kai. (2005): *Transatlantic Mergers and Acquisitions: Opportunities and Pitfalls in German-American Relations.* Publicis Corporate Publishing (Wiley) Erlangen.

Lutz, Robert A. (1998): *Guts: The seven laws of business that made Chrysler the world's hottest car company.* John Wiley & Sons, Inc., New York.

Marks, M.L. and Mirvis, P.H. (1998): *Joining forces:making one plus one equals three in mergers, acquisitions and alliances.* Jossey-Bass, San Francisco, CA.

McCloskey, Donald N. (1983): *The Rhetoric of Economics.* In: Journal of Economic Literature, Vol. 21(2): 481-517.

McSweeney, B. (2002): *Hofstede's model of national cultural differences and their consequences: A triumph of faith – a failure of analysis.* In: Human Relations, Vol. 55: 89–118.
Meyer, Richard, Rukstad, Michael G., Coughlan, Peter J. and Jansen, Stephan A. (2002): *DaimlerChryslerAG post-merger integration (A).* Harvard Business School, Boston, MA. Retrieved from http://info.upc.edu.pe/librosdigitales/LD000029.pdf.

Meyer, Thomas (2009): Die *Daimler-Benz AG 1945-1955. Der Wiederaufbau und die strategische Ausrichtung des Fahrzeuggeschäfts.* Heel Verlag, Königswinter.

Milgrom, P. and Roberts, J. (1992): *Economics, Organization and Management,* Prentice Hall, Englewood Cliffs, NJ.

Montagu, Lord and Burgess-Wise, D. (1995): *A Daimler Century: The full history of Britain's oldest car maker.* Patrick Stephens Ltd. Sparkford, England.

Moran, Robert T., Harris, Philip R. and Moran, Sarah V. (2007): *Managing cultural differences (7th edition).* Elsevier/Butterworth-Heinemann, Amsterdam and Boston.

Morosini, Piero. (1998): *Managing cultural differences. Effective strategy and execution across cultures in global corporate alliances.* Pergamon Press, New York.

Morosini, Piero, Shane, Scott. and Singh, Harbir. (1998): *National Cultural Distance and Cross-Border Acquisition Performance.* In: Journal of International Business Studies, Vol. 29(1): 137-158.

Murphy, Megan. (2003): *Is this the end for the global share?* In: International Financial Law Review, Vol. 22 (11): 30–32. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=11566906&site=ehost-live.

Nakata, Cheryl (Ed.). (2009): *Beyond Hofstede: Culture Frameworks for Global Marketing and Management.* Palgrave Macmillan. New York, NY.

Neubauer, Fred, Steger, Ulrich. and Rädler, Georg (2000): *The Daimler/Chrysler Merger: The Involvement of the Boards.* In: Corporate Governance: An International Review 8 (4): 375-387. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=10452378&site=ehost-live.

Prabhu, J.C., Chandy, R.K. and Ellis, M.E. (2005): *The impact of acquisitions on innovation: poison pill, placebo, or tonic?* In: Journal of Marketing, Vol. 69: 114-120.

Pries, Ludger and Schweer, Oliver. (2004): *The product development process as a measuring tool for company internationalisation? The case studies of DaimlerChrysler and Volkswagen.* In: International Journal of Automotive Technology & Management, Vol. 4 (1):1-21. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=14893810&site=ehost-live.

Porter, Michael E. (1980): *Competitive Strategy*. Free Press, New York, NY.

Pruett, Yekaterina V. (2003): *A qualitative case study. Cultural adaptation of Germans and*

Americans in the DaimlerChryslerAG merger. Regent University, Virginia Beach.

Roll, R. (1986): *The hubris hypothesis of corporate takeovers*. In: Journal of Business, Vol. 59:197–216.
Rowe, Kevin (2006): *A tale of two "mergers of equals"*. In: International Tax Review, Vol.17 (6): 55–57. Retrieved from: http://search.ebscohost.com/login.aspx?direct =true&db=bth&AN=21414347&site=ehost-live.

Rueda, David. and Pontusson, Jonas. (2000): *Wage Inequality and Varieties of Capitalism*. In: World Politics, Vol. 52(3): 350-383.

Ruff, Frank (2006): *Corporate foresight: integrating the future business environment into innovation and strategy*. In: International Journal of Technology Management, Vol. 34 (3/4): 278–295. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=20994903&site=ehost-live.

Rugman, Alan M. (2004): *The Regional Nature of the World's Automotive Sector*. In: European Management Journal, Vol. 22 (5): 471–482. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=14958085&site=ehost-live.

Schein, Edgar H. (1983): *Corporate culture. What it is and how to change it.* Alfred P. Sloan School of Management, Massachusetts Institute of Technology, Cambridge, Mass.

Schein, Edgar H. (1983): *Organizational culture. A dynamic model.* Alfred P. Sloan School of Management, Massachusetts Institute of Technology, Cambridge, MA.

Schein, Edgar H. (2004): *Organizational culture and leadership (3rd edition).* Jossey-Bass Publishing, San Francisco, CA.

Schneider, Susan C. and Barsoux, Jean-Louis. (2003): *Managing across cultures (2nd edition).* Financial Times Prentice Hall, Harlow, England and New York.

Schneider, Martin R. Schulze-Bentrop, C. and Paunescu, M. (2010): *Mapping the institutional capital of high-tech firms: A fuzzy-set analysis of capitalist variety and export performance.* In: Journal of International Business Studies. 41(2): 246-266. Retrieved from: http://www.palgrave-journals.com/jibs/journal/v41/n2/pdf/jibs200936a.pdf.

Schneider, Martin R. and Paunescu, Mihai. (2012): *Changing varieties of capitalism and revealed comparative advantages from 1990 to 2005: a test of the Hall and Soskice claim.* In: Socio-Economic Review, advanced access available at: http://ser.oxfordjournals.org/content/early/2012/02/06/ser.mwr038.full.pdf+html?sid=3ce903aa-59d7-4ae9-b406-fa2cf36daad0**:** 1–23.

Stadler, Christian. (2004): *Unternehmenskultur bei Royal Dutch/Shell, Siemens und DaimlerChryslerAG.* Steiner, Stuttgart.

Stahl, Günter. *Et al.* (2004): *Human Resources Management in Cross-Border Mergers and Acquisitions.* In: Harzing, A.W and Ruysseveldt, J.V. (Eds.) International Human Resource Management (2nd edition), Sage Publications, London.

Stahlmann, Michael. (1993): *Die erste Revolution in der Autoindustrie. Management und Arbeitspolitik von 1900-1940.* Campus-Verlag, Frankfurt/Main.

Stuart W. Leslie. (1993): *How the West Was Won: The Military and the Making of Silicon Valley.* In: Technological Competitiveness: Contemporary and Historical Perspectives on Electrical, Electronics, and Computer Industries, IEEE Press, Piscataway, NJ: 75-89.

Stout, Lynn. (2012): *The Shareholder Value Myth.* Berret-Koehler Publishers, San Francisco, California.

Strach, P. and Everett, A. (2006): *Brand corrosion: mass-marketing's threat to luxury automobile brands after merger and acquisition* In: Journal of Product & Brand Management, Vol. 15 (2).

Streeck. W. (1991): *On institutional conditions of diversified quality production.* In: E. Matzner & W. Streeck (Eds.) Beyond Keynesianism. The Socio-Economics of Production and Full Employment, Aldershot: Edward Elgar, 21-61.

Streeck, W. (1997): *German capitalism: Does it exist? Can it survive?* In: Colin Crouch and Wolfgang Streeck (Ed.). Political economy of Modern Capitalism: Mapping Convergence and Diversity. Sage Publishing, London: 34-50.

Streeck, W. and Hopner, M. (Ed.). (2004) *Alle Macht dem Markt?: Fallstudien zur Abwicklung der Deutschland AG.* Schriften des Max-Plancks- Instituts für Gesellschaftsforschung Köln, Band 47. Campus Verlag, Frankfurt/Main.

Taylor, Mark Zachery. (2004): *Empirical Evidence against Varieties of Capitalism's Theory of Technological Innovation.* In: International Organization, Vol. 58 (Summer): 601-631.

Thieme, Carsten. (2004): *Daimler-Benz zwischen Anpassungskrise, Verdrängungswettbewerb und Rüstungskonjunktur 1919-1936.* IPA Verlag, Vaihingen/Enz.

Trajanov, Romy. (2008): *The impact of cultural differences on cross-border merger processes: The example of DaimlerChryslerAG.* VDM Verlag Dr. Müller, Saarbrücken.

Varner, Iris I.; Beamer, Linda (2008): *Intercultural communication in the global workplace (*Fourth edition). McGraw-Hill London and Irwin. Boston , San Francisco.

Venaik, Sunil and Brewer Paul. (2010): *Avoiding uncertainty in Hofstede and GLOBE.* In: Journal of International Business Studies, Vol. 41: 1294–1315.

Very, P., Lubatkin, M. and Calori, R. (1996): *Cross-National Assessment of Acculturative Stress in Recent European Mergers.* In: International Studies of Management & Organization, Vol. 26, (1): 59-86. Retrieved from: http://www.jstor.org/discover/10.2307/40397328?uid=38708&uid=3737864&uid=2129&uid=2&uid=70&uid=3&uid=67&uid=38707&uid=62&uid=5910216&sid=21101144352221.

Völcker, M. (2009): *'Das wars mit der Deutschland AG': Der Shareholder-Value-Kapitalismus und dessen (soziale) Folgen*. GRIN Verlag, München.

Waller, David. (2001): *Wheels on fire: The amazing inside story of the DaimlerChryslerAG merger.* Hodder & Stoughton, London.

Weber, Roberto A. and Camerer, Colin F. (2003): *Cultural Conflict and Merger Failure: An Experimental Approach.* In: Management Science, Vol. 49(4): 400–415.

Weishaupt, Heike. (1999): *Die Entwicklung der passiven Sicherheit im Automobilbau von den Anfängen bis 1980 unter besonderer Berücksichtigung der Daimler-Benz AG.* Delius Klasing Verlag, Bielefeld.

Weiss, A. (2007): *Corporate Governance und das Ende der Deutschland AG* .GRIN Verlag; München.

Weiss, H. Eugene. (2003): *Chrysler, Ford, Durant and Sloan: Founding Giants of the American Automotive Industry*. Mcfarland and company Publishers, Jefferson, NC.

Wiedt, Vanessa. (2006): *Fordistische Massenproduktion als ein Beispiel für ein rationales System von Organisation.* Gill Verlag, München.

Williamson, Oliver E. (1981): *The Economics of Organization: The Transaction Cost Approach.* In: The American Journal of Sociology, Vol. 87(3): 548-577. Retrieved from: http://glenn.osu.edu/faculty/brown/home/Org%20Theory/Readings/Williamson1981.pdf.

Womack, James P., Jones, Daniel T. and Roos, Daniel. (1990): *The machine that changed the world. The story of lean production (1st edition).* HarperPerennial, New York.

Wübben, Bernd. (2007): *German Mergers and Acquisitions in the USA.* DUV Gabler Edition Wissenschaft, Wiesbaden.

Vlasic,B. and Stertz,A. (2000): *Taken for a Ride.* William Morrow, New York.

Yin, R. K. (1984): *Case study research: Design and methods.* Sage Publishing, Newbury Park, CA.

Newspaper and Magazine Articles

Newspaper and magazine articles will be listed chronologically in order to optimize their link with the main body text of the dissertation. In addition all the articles will be listed under one publication (i.e. The New York Times or Der Spiegel). English and German publications will be listed separately.

English Newspaper and Magazine Articles

Automotive News:

2006

Automotive News. Wernle, Bradford and Kranz, Rick. (2006): *Turnabout: Chrysler now boasts about sharing.* In: Automotive News 80 (6215): 34–36. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=22039151&site=ehost-live.

Business Week:

1999

Muller, Joann (1999): *The One Year Itch at daimlerChrysler.* In: BusinessWeek (3655), S. 42. Online verfügbar unter http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=2444319&site=ehost-live.

2000
Business Week. Karnitschnig, Matthew. *Eaton Runs Out of Gas at DaimlerChrysler.* In: Business Week, January 27th, 2000.

Business Week. *Defiant Daimler.* In: Business Week International edition.August 6th. 2000. Retrieved from: http://www.businessweek.com/stories/2000-08-06/defiant-daimler-intl-edition.

2005
Business Week. O'Connell, Patricia and Schrager James. *DaimlerChrysler: Divorce German Style?* August 15th, 2005.

Business Week. Welch, David *et al. Dark Days at Daimler.* August 15th, 2005.

2007
Business Week. Kiley, David and Edmondson, Gail (2007): *Dr. Z's Waning Credibility*. In: BusinessWeek*:* S. 66–68. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=23762501&site=ehost-live.

Chicago Tribune:

1998
Chicago Tribune. *Assembling a Global Power.* May 8th, 1998. Retrieved from: http://articles.chicagotribune.com/1998-05-08/business/9805080024_1_eaton-and-schrempp-daimler-benz-and-chrysler-corp-daimlerchrysler.

The Economist:

2000
The Economist. *I like to be in Amerika*. January 12th, 2000.

The Economist. *Revolting*. November 30th, 2000.

2001
The Economist. *Breakdowns.* April 19th, 2001.

2004
The Economist. *Kultur clash.* April 1st, 2004.

The Economist. *The wheels come off.* April 29th, 2004.

2005
The Economist. *Conspicuous non-consumption.* January 6th. 2005.

The Economist. *Misfiring.* April 7th, 2005.

2006
The Economist. *Goodbye, Dr. Z.* September 21st, 2006.

2007
The Economist. *Pulling apart*. February 15th, 2007.

The Economist. *Broken-down Chrysler for sale.* February 20th, 2007.

The Economist. *The big-car problem.* February 22nd, 2007.

2009
Marriages made in hell. The troubled history of carmakers' mergers. May 19th, 2009.

Fortune:

2005
Fortune. Taylor III, Alex and Burke, Doris (2005): *The Nine Lives of Jürgen Schrempp*. In: Fortune 151 (1): 86–92. Retrieved from: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=15518977&site=ehost-live.

The Financial Times:

2000
The Financial Times. Burt, Tiim and Lambert, Richard. *The Schrempp Gambit*. October 30th, 2000.

2001
The Financial Times. *Daimler-Chrysler warranty costs rise to 1bn pounds.* In May 7th, 2001.

The Independent:

2000

The Independent .Harrison, Michael *DaimlerChrysler to forge alliance with Mitsubishi.* In: March 8th, 2000. Retrieved from: http://www.independent.co.uk/news/business/news/daimlerchrysler-to-forge-alliance-with-mitsubishi-722419.html.

The Independent .Harrison, Michael (2000): Herr Schrempp is not a happy man. March 8th, 2000. Retrieved from: http://www.independent.co.uk/news/business/analysis-and-features/herr-schrempp-is-not-a-happy-man-722705.html.

The Independent. *Airbus stands by its "fly-by-wire". But how safe is it?* June 10th. 2009.

The New York Times:

1993
The New York Times. Bennet, James. *Retirees figure big in Detroit Math*. September 14th, 1993. Retrieved from: http://www.nytimes.com/1993/09/14/business/company-news-retirees-figure-big-in-detroit-math.html?pagewanted=all&src=pm.

1998
The New York Times. Bradsher, K. 1998. *Shaping a global giant: The Industry: Risking Labor Trouble and Clash Of Cultures, 2 Makers Opt for Size.* May 7th, 1998. Retrieved from: http://www.nytimes.com/1998/05/07/business/shaping-global-giant-industry-risking-labor-trouble-clash-cultures-2-makers-opt.html?scp=16&sq=marriage%20in%20heaven%20daimler&st=cse.

The New York Times. Fabrikant, G. 1998. *Shaping a global giant: The big investor: A Big Investor Stands to Get A Huge Payoff.* May 7th, 1998. Retrieved from: http://www.nytimes.com/1998/05/07/business/shaping-global-giant-big-investor-big-investor-stands-get-huge-payoff.html?gwh=D416E6821DF40BE61E96E1FC4DF1BE0F.

The New York Times. Greenhouse, S. 1998. *Shaping a global giant: The unions: Labor Officials See Little to Fear in a Combination.* May 8th, 1998. Retrieved from: http://www.nytimes.com/1998/05/08/business/shaping-global-giant-unions-labor-officials-see-little-fear-combination.html?gwh=E5361C3F2AD9EC6CB64EE8BFF4FCC59A.

The New York Times. Passel, P. 1998. *Capitalism Victorious (Thanks, Everyone).* May 10th, 1998. Retrieved from: http://www.nytimes.com/1998/05/10/business/capitalism-victorious-thanks-everyone.html?gwh=425D2D13D78A84DA1CAF369794A02EB1.

The New York Times.Passel, P. 1998. *Economic Scene; Do Mergers Really Yield Big Benefits?* May 14th, 1998. Retrieved from: http://www.nytimes.com/1998/05/14/business/economic-scene-do-mergers-really-yield-big-benefits.html?gwh=69E7F5173BD5D6D499BBBDBB6E429734.

The New York Times**.** Bradsher, K. 1998. *The Face-Off at G.M.* July 14th, 1998. Retrieved from: http://www.nytimes.com/1998/07/14/business/the-face-off-at-gm.html?gwh=1D4CF374EDBFF32F65AB751C90863900.

The New York Times. Colman, D. 1998. *A Merger Nightmare on Fashion Street.* July 26th, 1998. Retrieved from: http://www.nytimes.com/1998/07/26/style/a-merger-nightmare-on-fashion-street.html?gwh=218743362C159777265A8F78D8DABFCA.

The New York Times. 1998. *Daimler's Profit Is Up Sharply; F.T.C. Clears Deal for Chrysler.* July 31st, 1998. Retrieved from: http://www.nytimes.com/1998/07/31/business/international-business-daimler-s-profit-up-sharply-ftc-clears-deal-for-chrysler.html?gwh=10F52E016A80A95F61B0C5D4BB6011FF.

The New York Times. Schmid, J. 1998. *Asia Is Not the Only Place Carmakers Face Trouble.* August 7th, 1998. Retrieved from: http://www.nytimes.com/1998/08/07/news/07iht-autos.t_1.html?gwh=D99D972686BDF24A0569BFC4BCB138B1.

The New York Times. Cobb, J. B. 1998. *It's a Car-Eat-Car World Out There.* October 21st, 1998. Retrieved from: http://www.nytimes.com/1998/10/21/automobiles/it-s-a-car-eat-car-would-out-there.html?gwh=11C0BB383108B32A6E478152722F5D31.

The New York Times. 1998. *Daimler Holders Swap Old Shares.* October 27th, 1998. Retrieved from: http://www.nytimes.com/1998/10/27/business/international-business-daimler-holders-swap-old-shares.html?gwh=E8F06877E3BAB8742896DE5A317237B9.

The New York Times. Andrews, E. L., & Meier, B. 1998. *Germans Seek Plan to Avoid Suits Over Nazi-Era Labor.* December 14th, 1998. Retrieved from: http://www.nytimes.com/1998/12/14/world/germans-seek-plan-to-avoid-suits-over-nazi-era-labor.html?gwh=0B393E707F3248835B0BE5BCBC88C6F7.

1999

The New York Times. 1999. *A Disastrous Merger.* February 12th, 1999. Retrieved from: http://www.nytimes.com/1999/02/12/opinion/a-disastrous-merger.html?gwh=094B8446AF1E66548D0467127C279229.

The New York Times. 1999. *Management by 2 Cultures May Be a Growing Source of Strain for DaimlerChrysler*. March 24th, 1999. Retrieved from: http://www.nytimes.com/1999/03/24/business/management-by-2-cultures-may-be-a-growing-source-of-strain-for-daimlerchrysler.html?pagewanted=all&src=pm.

The New York Times. Reier, S. 1999. *What to Do With Stock Certificates After a Merger : Cleaning Up the Paperwork.* May 29th, 1999. Retrieved from: http://www.nytimes.com/1999/05/29/your-money/29iht-mside.2.t.html?gwh=77A5B2395CF980AC4700D273FBF8BB0D.

The New York Times.Andrews, E. L. 1999. *A Resignation Is Expected From Chrysler's President.* September 24th, 1999. Retrieved from: http://www.nytimes.com/1999/09/24/business/a-resignation-is-expected-from-chrysler-s-president.html.

2000

The New York Times. Meredith, Robyn. *Eaton to Retire From DaimlerChrysler.* January 27th, 2000.

The New York Times. Schmid, J. 2000. *Daimler Gets Closer To Mitsubishi Deal.* March 23rd, 2000. Retrieved from: http://www.nytimes.com/2000/03/23/business/worldbusiness/23iht-daimler.2.t.html?gwh=28385F4E1D18CAAB05E1F0E6407FADC9.

The New York Times. Andrews, E. L. 2000. *Daimler Warns On Earnings; Ousts Executive.* November 18th, 2000. Retrieved from: http://www.nytimes.com/20 00/11/18/business/international-business-daimler-warns-on-earnings-ousts-executive.html?pagewanted=all&src=pm.

The New York Times. Andrews, E.L. and Bradsher, Keith. *This 1998 model is looking more like a lemon.* November 26th, 2000.

The New York Times.Andrews, E. L. 2000. *Daimler Says Chrysler's Problems Are Worsening.*December 19th, 2000. Retreieved from: http://www.nytimes.com/2000/12/19/business/daimler-says-chrysler-s-problems-are-worsening.html.

2001

The New York Times. Schmid, & John. 2001. *Daimler to Slash 26,000 Jobs From Its Units in the Americas : Chrysler Will Cut Work Force 20%.* January 30th, 2001. Retrieved from: http://www.nytimes.com/2001/01/30/news/30iht-daim.2.t_2.html?scp=7&sq=marriage%20in%20heaven%20daimler&st=cse.

The New York Times. Pfanner, E. 2001. *Failure of Alcatel-Lucent Merger Talks Is Laid to National Sensitivity in the U.S. : Of Pride and Prejudices.* May 31st, 2001. Retrieved from: http://www.nytimes.com/2001/05/31/news/31iht-lucent_ed3__5.html?gwh=BDA47B45238D146B57444B7D4535C929.

2002

The New York Times. Hakim, Danny. 2002. *G.M. Rises and Nissan Falls in J.D. Power Quality Survey*. May 31st, 2002. Retrieved from: http://www.nytimes.com/2002/05/31/business/gm-rises-and-nissan-falls-in-jd-power-quality-survey.html.

2003

The New York Times. Passel, P. 2003. *Behind the Wheel/2004 Chrysler Crossfire: Find the Mercedes in This Picture*. September 7th, 2003. Retrieved from: http://www.nytimes.com/2003/09/07/automobiles/behind-the-wheel-2004-chrysler-crossfire-find-the-mercedes-in-this-picture.html?pagewanted=all&src=pm&gwh=FE6BA3657B98A63D2B6956492FA5701B.

The New York Times. Landler, M. 2003. *DaimlerChrysler Struggles To Turn the Corner; Troubling Economic Signs for Giant Automaker.* September 10th, 2003. Retrieved from: http://www.nytimes.com/2003/09/10/business/daimlerchrysler-struggles-turn-corner-troubling-economic-signs-for-giant.html?pagewanted=all&src=pm.

The New York Times. Farrell, R. K. 2003. *Chrysler Shareholder Says He Was Misled on Merger*. December 2nd, 2003. Retrieved from: http://www.nytimes.com/2003/12/02/business/chrysler-shareholder-says-he-was-misled-on-merger.html?scp=43&sq=daimlerchrysler%20AND%20schrempp&st=cse&gwh=253979B99A3C5FD3EDF97D028C14E7B2.

The New York Times. Hakim, D. 2003. *A Tale of Two Troubled Turnarounds.* December 7th, 2003. Retrieved from: http://www.nytimes.com/2003/12/07/business/a-tale-of-two-troubled-turnarounds.html?pagewanted=all&src=pm&gwh=C1694E04BD78E314B48E6DD55F35AEAD.

The New York Times. Hakim, D. 2003. *Chrysler Deal Was a Merger, Executive Tells Court.* December 10th, 2003. Retrieved from: http://www.nytimes.com/2003/12/10/business/chrysler-deal-was-a-merger-executive-tells-court.html?ref=jurgeneschrempp&gwh=5AE7286E2056352D55FBD415F6727F67.

The New York Times. Hakim, D. 2003. *Daimler Leader Explains Why He Called Deal Merger of Equals.* December 11th, 2003. Retrieved from: http://www.nytimes.com/2003/12/11/business/daimler-leader-explains-why-he-called-deal-merger-of-equals.html?ref=jurgeneschrempp&gwh=C046C6351CF6349ADA5552981FE29072.

The New York Times. Hakim, D., & Farrell, R. K. 2003. *You Say 'Takeover.' I Say 'Merger of Equals.'* December 21st, 2003. Retrieved from: http://www.nytimes.com/2003/12/21/business/you-say-takeover-i-say-merger-of-equals.html?ref=jurgeneschrempp&gwh=0AD33F28D61010218C44E130BFF05A70.

<u>2004</u>

The New York Times. Farrell, R. K. 2004. *DaimlerChrysler Trial Set to Resume Next Week.* February 3rd, 2004. Retrieved from: http://www.nytimes.com/2004/02/03/business/daimlerchrysler-trial-set-to-resume-next-week.html?ref=jurgeneschrempp&gwh=A9658A65C5C8051C650092A1A090F088

The New York Times. Farrell, R. K. 2004. *Trial of Suit Against Daimler Resumes.* February 10th, 2004. Retrieved from: http://www.nytimes.com/2004/02/10/business/trial-of-suit-against-daimler-resumes.html?ref=jurgeneschrempp&gwh=A915F9DF07FDE31174EA29F65971236D.

The New York Times. Farrell, R. K. 2004. *Ex-Executive For Chrysler Defends Merger.* February 11th, 2004. Retrieved from: http://www.nytimes.com/2004/02/11/business/ex-executive-for-chrysler-defends-merger.html?ref=jurgeneschrempp&gwh=8E8F94D82B3A6083C8D021208DB4539D.

The New York Times. Maynard, M. 2004. *Business People; Ouch! Schrempp Gets A One-Two Punch.* February 15th, 2004. Retrieved from: http://www.nytimes.com/2004/02/15/business/business-people-ouch-schrempp-gets-a-one-two-punch.html?ref=jurgeneschrempp&gwh=E2F1BAA84266ACD905C580E3B556FDCB.

The New York Times**.** Carvajal, D. 2004. *The workplace: With limits, the rule is English.* February 18th, 2004. Retrieved from: http://www.nytimes.com/2004/02/18/business/worldbusiness/18iht-workcol_ed3__0.html?gwh=F25FA2FC305E5160C6903FF1FD3E708F.

The New York Times. Landler, M. 2004. *Daimler Accepts Some Blame for Toll Venture.* February 20th, 2004. Retrieved from: http://www.nytimes.com/2004/02/20/business/daimler-accepts-some-blame-for-toll-venture.html?ref=jurgeneschrempp&gwh=9A1969D7AB80EA4F728B666EBDD72B62.

The New York Times. Hakim, D. 2004. *Daimler Says It Won't Bail Out a Partner, Mitsubishi Motors.* April 23rd, 2004. Retrieved from: http://www.nytimes.com/2004/04/23/business/daimler-says-it-won-t-bail-out-a-partner-mitsubishi-motors.html?ref=jurgeneschrempp&gwh=9B6EE745F8F2C2097CC154C217D2EFA3.

The New York Times. Landler, M. 2004. *DaimlerChrysler Faces Big Setback Over Mitsubishi.* April 24th, 2004. Retrieved from: http://www.nytimes.com/2004/04/24/business/daimlerchrysler-faces-big-setback-over-mitsubishi.html?ref=jurgeneschrempp.

The New York Times. Landler, M. 2004. *A Hobbled Daimler Chief May Shift Focus to China.* April 29th, 2004. Retrieved from: http://www.nytimes.com/2004/04/29/business/a-hobbled-daimler-chief-may-shift-focus-to-china.html?ref=jurgeneschrempp.

The New York Times. Landler, M., & Hakim, D. 2004. *Daimler Board Blocks Protégé Of Troubled Chief.* April 30th, 2004. Retrieved from: http://www.nytimes.com/2004/04/30/business/daimler-board-blocks-protege-of-troubled-chief.html?ref=jurgeneschrempp.

The New York Times. Hakim, D. 2004. Chrysler, *With a Profit, Lifts Quarter For Daimler.* July 30th, 2004. Retrieved from: http://www.nytimes.com/2004/07/30/business/chrysler-with-a-profit-lifts-quarter-for-daimler.html?gwh=CF20626922632324A5F7218400843CBF.

The New York Times**.**Landler, M. 2004. Mercedes Looks to Chief To Restore Its Prestige. October 6th, 2004. Retrieved from: http://query.nytimes.com/gst/fullpage.html?res=9A02E7D81F38F935A35753C1A9629C8B63&pagewanted=all.

2005

The New York Times. Landler, M. 2005. *DaimlerChrysler Profit Sinks on Mercedes Weakness.* February 11th, 2005. retrieved from: http://www.nytimes.com/2005/02/11/business/worldbusiness/11auto.html?scp=44&sq=daimlerchrysler%20AND%20schrempp&st=cse.

The New York Times. Hakim, D. 2005. *Kerkorian Loses His Suit Against DaimlerChrysler.* April 8th, 2005. retrieved from: http://www.nytimes.com/2005/04/08/automobiles/08auto.html?ref=jurgeneschrempp.

The New York Times. Jensen, Cheryl. *Mercedes Quality back on track?* July 10th. 2005. Retrieved from: http://www.nytimes.com/2005/07/10/automobiles/10QUALITY.html.

The New York Times. Landler, M. 2005. *Shake-Up at DaimlerChrysler.* July 29th, 2005. Retrieved from: http://www.nytimes.com/2005/07/29/business/29auto.html?adxnnl=1&ref=jurgeneschrempp&adxnnlx=1329393659-92MtIVw5vA9/ggApCojngw.

The New York Times. Dougherty, C. 2005. *Germany Investigates Trading Of DaimlerChrysler Shares.* August 18th, 2005. Retrieved from: http://query.nytimes.com/gst/fullpage.html?res=9F07EFDC133EF93BA2575BC0A9639C8B63.

The New York Times. Dougherty, C. 2005. *Mercedes Boss, Leaving Early, Will Yield to Daimler Chief.* August 19th, 2005. Retrieved from:

http://query.nytimes.com/gst/fullpage.html?res=9B07EEDF103EF93AA2575BC0A9639C8B63.

The New York Times. Landler, M. 2005. *He Still Speaks German, but With a Motown Accent.* November 6th, 2005. Retrieved from: http://www.nytimes.com/2005/11/06/business/yourmoney/06daimler.html?fta=y&gwh=BFEC5150142E67544F9DBB62EA61BB17.

2006

The New York Times. Landler, M. 2006. *Daimler reports firing executives over bribes but omits details.* March 6th, 2006. Retrieved from: http://www.nytimes.com/2006/03/06/business/worldbusiness/06iht-daimler.html?gwh=8A0C73B31B7BECD7C54652B445C95F04.

The New York Times**.** Sorkin, A. R. 2006. *A Trans-Atlantic Merger of Equals? Not Exactly.* April 9th, 2006. Retrieved from: http://www.nytimes.com/2006/04/09/business/yourmoney/09deal.html?gwh=DE4872B03505B97665E95AAC3B321E6A.

The New York Times. Bunkley, N. 2006. *G.M. Talked With Ford About Merger, Report Says.* September 19th, 2006. Retrieved from: http://www.nytimes.com/2006/09/19/business/19auto.html?gwh=94D70E1AF6CDA1892F2BD1D305036816.

The New York Times. Farrell, R. K. 2006. *Kerkorian Appeals Ruling Backing Daimler-Chrysler Merger.* September 27th, 2006. Retrieved from: http://www.nytimes.com/2006/09/27/automobiles/27daimler.html?ref=jurgeneschrempp.

2007

The New York Times. Maynard, M. 2007. *Chrysler to Cut 13,000 Jobs in Overhaul.* February 15th, 2007. Retrieved from: http://www.nytimes.com/2007/02/15/business/15chrysler.html?gwh=E0F17E378CC6907BEFBC54BF32E96BE2.

The New York Times. Landler, M. 2007. *DaimlerChrysler stock gets a lift from talk of Chrysler spinoff* . Business - International Herald Tribune. February 20th, 2007. Retrieved from: http://www.nytimes.com/2007/02/20/business/worldbusiness/20iht-chrysler.4656374.html.

The New York Times. Landler, M. 2007. *Daimler's sale of Chrysler seems inevitable.* April 4th, 2007. Retrieved from: http://www.nytimes.com/2007/04/04/business/worldbusiness/04iht-daimler.4.5147224.html?gwh=0C75176A9E215D6F270234D29DF1D149.

The New York Times. Landler, M. 2007. *Daimler's Chief Confirms Talks To Sell Chrysler.* April 5th, 2007. Retrieved from: http://query.nytimes.com/gst/fullpage.html?res=9A03E6DA163FF936A35757C0A9619C8B63&pagewanted=all.

The New York Times. Maynard, M. 2007. Again, *Kerkorian Makes a Move for Chrysler.* April 6th, 2007. Retrieved from: http://www.nytimes.com/2007/04/06/business/06auto.html?pagewanted=print&gwh=C47A42F75EF66625BBE9098A0171448D.

The New York Times. Landler, M., & Maynard, M. 2007. *Chrysler Group to Be Sold for $7.4 Billion.* May 14th, 2007. Retrieved from: http://www.nytimes.com/2007/05/14/automobiles/14cnd-chrysler.html?scp=10&sq=marriage%20in%20heaven%20daimler&st=cse.

The New York Times. Landler, M. 2007. *Daimler calling it quits with Chrysler*. May 14th, 2007. Retrieved from: http://www.nytimes.com/2007/05/14/business/worldbusiness/14iht-daimler.5.5708176.html?pagewanted=all.

The New York Times. 2007. *How Can Chrysler Get Back Its Vroom-Vroom-Vroom?* May 14th, 2007. Retrieved from: http://wheels.blogs.nytimes.com/2007/05/14/how-can-chrysler-get-back-its-vroom-vroom-vroom/?gwh=4F6E76C0A321F18E08B808640D375767.

The New York Times**.** Landler, M. 2007. *DaimlerChrysler chief says Chrysler sale was unavoidable.* May 17th, 2007. Retrieved from: http://www.nytimes.com/2007/05/17/business/worldbusiness/17iht-17daimler.5749842.html?gwh=AE44E576CB8C96353CECCAA2DFF3DB6D.

The New York Times. 2007. *Chrysler Finds Itself in Phonetic Purgatory*. May 21st, 2007. Retrieved from: http://wheels.blogs.nytimes.com/2007/05/21/chrysler-finds-itself-in-phonetic-purgatory/?gwh=93BC14180DB8FC28CCE23B7CF678C53C.

The New York Times. 2007. *The Sweet Smell of Failure*. June 12th, 2007. Retrieved from: http://wheels.blogs.nytimes.com/2007/06/12/the-sweet-smell-of-failure/?gwh=6187DC15BFD5833C24FC885390D60026.

The New York Times. Bunkley, N. 2007. *With Sale, Chrysler's Identity Is Simplified.* August 4th, 2007. Retrieved from: http://www.nytimes.com/2007/08/04/business/04auto.html.

The New York Times. Maynard, M. 2007. *Profit Falls at DaimlerChrysler.* August 30th, 2007. Retrieved from: http://www.nytimes.com/2007/08/30/business/29cnd-auto.html?pagewanted=all&gwh=9CDF2715FDEED483C39AB8391EA86F11.

The New York Times**.** Maynard, M., & Bunkley, N. 2007. *Chrysler Operated at a Loss in Its Final Quarter as a Part of Daimler.* August 30th, 2007. Retrieved from: Retrhttp://query.nytimes.com/gst/fullpage.html?res=9D04E4DA123FF933A0575BC0A9619C8B63.

The New York Times. Bunkley, N., & Maynard, M. 2007. *Chrysler Hires a Top Toyota Executive.* September 6th, 2007. Retrieved from: http://www.nytimes.com/2007/09/06/business/06cnd-chrysler.html?pagewanted=print&gwh=3254C2B3923264DE5067C350AD795775.

The New York Times. Landler, M. 2007. *From Now On, It's Just Plain Daimler.* October 5th, 2007. Retrieved from: http://www.nytimes.com/2007/10/05/business/worldbusiness/05daimler.html?_r=1.

The New York Times. Maynard, M. 2007. Job *Cuts at Chrysler Go Even Deeper Than Expected.* November 2nd, 2007. Retrieved from: http://www.nytimes.com/2007/11/02/business/02auto.html?pagewanted=print&gwh=11E369CE84DE516456CFC70CB061680D.

2008

The New York Times. Maynard, M. 2008. *Will Nardelli Be Chrysler's Mr. Fix-It?* January 13th, 2008. Retrieved from: http://www.nytimes.com/2008/01/13/business/13bob.html?pagewanted=all&gwh=39A43C9A60D0443424381FD437BB203B.

2009

The New York Times. Bunkley, N. 2009. *Fiat Acquires 35% Stake in Chrysler*. January 21st, 2009. Retrieved from:

http://www.nytimes.com/2009/01/21/business/21chrysler.html?gwh=46FCBDE9E56D0244F905ADA1541E9451.

The New York Times. Chang, R. S. 2009. *Bankruptcy and Fiat in Chrysler's Future?* April 30th, 2009. Retrieved from: http://wheels.blogs.nytimes.com/2009/04/30/bankruptcy-and-fiat-in-chryslers-future/.

The New York Times. Bunkley, N. 2009. *Chrysler and Nissan End an Agreement to Make Vehicles for Each Other.* August 28th, 2009. Retrieved from: http://www.nytimes.com/2009/08/27/business/27auto.html?gwh=4A360D29828C0E11FFC86423350C1FCD.

2010

The New York Times. Maynard, Micheline and Tabuchi Hiroko. *Rapid Growth Has Its Perils, Toyota Learns.* January 28th, 2010.

The New York Times. Jolly, D. 2010. *Daimler, Nissan and Renault Join in Small-Car Alliance.* April 8th, 2010. Retrieved from: http://www.nytimes.com/2010/04/08/business/global/08autos.html?gwh=4BBA68B4FCB43B5F6AC51D152310F85C.

The Telegraph (UK):

2001

The Telegraph. Barker, Sophie. *Chrysler losses hurt Daimler.* April 26th, 2001. Retrieved from: http://www.telegraph.co.uk/finance/2715783/Chrysler-losses-hurt-Daimler.html#.

Wall Street Journal:

2001

Wall Street Journal. *Mercedes Brand Fares Badly in Survey of Auto Makers.* February 4th, 2001. Retrieved from: http://online.wsj.com/article/SB1012754128839554240.html.

2005

Wall Street Journal. *After Bumpy Tenure at Daimler, Schrempp Hands Over the Keys.* July 29th, 2005. retrieved from: http://online.wsj.com/article/0,,SB112239051722596173,00.html.

2007

Wall Street Journal. *Was Chrysler buy a "Deal from Hell"? Mr. Brunner weighs in.* May 14th, 2007. Retrieved from: http://blogs.wsj.com/deals/2007/05/14/was-daimlers-buy-of-chrysler-a-deal-from-hell-robert-bruner-weighs-in/.

German Newspaper and Magazine Articles

Der Spiegel Articles

1975

Der Spiegel. *Industrie-Familie: Der große Ausverkauf*. 1975(4):22–32.

1985

Der Spiegel. *Wechsel im Daimler-Vorstand*, 1985(10): 127.

Der Spiegel. *Volks-Wagen von Daimler-Benz*, 1985(11): 121.

Der Spiegel. *Daimler-Benz fährt zurück*, 1985(14): 126.

Der Spiegel. *Hilfe beim Heißstart,* 1985(17): 228–230.

Der Spiegel. *Kann dauern,* 1985(19): 106.

Der Spiegel. *Sensibel reagiert,* 1985(21): 53–56.

Der Spiegel. *Daimler-Benz bleibt auf Firmensuche,* 1985(21): 116.

Der Spiegel. *Tief besorgt,* 1985(25): 94–97.

Der Spiegel. *Mercedes will LKWs entgiften,* 1985(26): 97.

Der Spiegel. *Daimler-Benz sorgt sich um den guten Ruf,* 1985(27): 87.

Der Spiegel. *Ausländerstopp bei Daimler-Benz,* 1985(31): 67.

Der Spiegel. *1. Mose 1, Vers 28,* 1985(35): 59–61.

Der Spiegel. *Fast religiös,* 1985(36): 130–132.

Der Spiegel. *Der Stern strahlt noch in 100 Jahren,* 1985(37): 36–67.

Der Spiegel. *Stück für Stück,* 1985(42): 32.

Der Spiegel. *Daimler-AEG: "Wir stehen erst am Anfang",* 1985(43): 136–147.

Der Spiegel. *Reiner Hohn,* 1985(44): 25–28.

Der Spiegel. *"Nach geltendem Recht sind wir machtlos",* 1985(47): 114–127.

1986

Der Spiegel. *Nicht zu packen,* 1986(2): 75–77.

Der Spiegel. *Retter des Vaterlandes,* 1986(3): 81–82.

Der Spiegel. *Reichlich Arbeit,* 1986(4): 51.

Der Spiegel. *Doch eingeschränkt,* 1986(5): 75–77.

Der Spiegel. *In Zugzwang,* 1986(5): 99–101.

Der Spiegel. *"Mist bis zum zweiten Stock hinauf",* 1986(6): 201–203.

Der Spiegel. *Auto-TV-Show: "Das passte unter den Teppich",* 1986(7): 108–112.

Der Spiegel. *Grand mit vieren,* 1986(8): 232–235.

Der Spiegel. *Wahrheit auf der Waage,* 1986(10): 246–248.

Der Spiegel. *"Die Herren nehmen nur die Kräftigsten",* 1986(15): 79–104.

Der Spiegel. *Daimler: Umbau im Vorstand,* 1986(22): 121.

Der Spiegel. *Ärger programmiert,* 1986(23): 111–115.

Der Spiegel. *Freiwillig bedient,* 1986(33): 22–25.

Der Spiegel. *"Soll ich denn auf meinen Prinzipien hocken",* 1986(33): 24.

Der Spiegel. *BENZ contra Benz,* 1986(37): 65–68.

Der Spiegel. *"Weiche von mir, böser Geist",* 1986(45): 114–133.

Der Spiegel. *Besonders peinlich,* 1986(48): 80–83.

Der Spiegel. *Können nur die Mammuts überleben,* 1986(49): 77–100.

1987

Der Spiegel. *Jüngere Schwester,* 1987(9): 257–260.

Der Spiegel. *Bonn hilft Daimler-Benz*, 1987(12): 16.
Der Spiegel. *Daimler ist noch lange kein Konzern im angestrebten Sinne,* 1987(12): 155.
Der Spiegel. *VEB Mercedes,* 1987(14): 70–71.
Der Spiegel. *Aggressiver geworden,* 1987(16): 58–62.
Der Spiegel. *Denkt weiter,* 1987(18): 98–101.
Der Spiegel. *Bündnis zwischen Dreizack und Hackenkreuz,* 1987(20): 118–129.
Der Spiegel. *Schläge von Daimler,* 1987(25): 220–221.
Der Spiegel. *Misstrauisch geworden,* 1987(26): 52–56.
Der Spiegel. *Schwere Fehler,* 1987(29): 69–71.
Der Spiegel. *Schwäbische Seele,* 1987(30): 30–31.
Der Spiegel. *Weltfirma Deutschland,* 1987(31): 114–120.
Der Spiegel. *Daumenschrauben anlegen,* 1987(33): 26–29.
Der Spiegel. *Grausames Spiel,* 1987(38): 129–130.
Der Spiegel. *Großzügige Geschenke,* 1987(46): 70–76.
Der Spiegel. *So getrommelt,* 1987(46): 221–225.
Der Spiegel. *Mercedes: "Im Kern treffen",* 1987(47): 59–77.
Der Spiegel. *Bevor uns die Fluten überschwemmen,* 1987(48): 123.
Der Spiegel. *Schlitze im Kleid*, 1987(52): 165–166.

1988

Der Spiegel. *Daimlers Hilfe für Porsche,* 1988(4): 117.
Der Spiegel. *MBB: Die teuren Teile für den Bund,* 1988(4): 117.
Der Spiegel. *Echt überfordert,* 1988(6): 82–84.
Der Spiegel. *Eine Art Symbiose*, 1988(7): 90–92.
Der Spiegel. *Zum Rumschnuppern,* 1988(9): 108–113.
Der Spiegel. *Kaum Chancen,* 1988(10): 113.
Der Spiegel. *Mit viel Freude,* 1988(10): 133–134.
Der Spiegel. *Einfach Spitze,* 1988(12): 142.
Der Spiegel. *Daimler-Benz: Übernimmt sich der Riese,* 1988(16): 108–113.
Der Spiegel. *"Es ist keineswegs ein Honigschlecken",* 1988(16): 113–122.
Der Spiegel. *Daimler rüstet sich für MBB-Einstieg,* 1988(19): 111.
Der Spiegel. *Immer schwieriger,* 1988(19): 129.
Der Spiegel. *Daimler bremst Lkw-Projekt,* 1988(20): 122.
Der Spiegel. *Gute Karten,* 1988(20): 131–137.
Der Spiegel. *Wird belohnt*, 1988(22): 101–102.
Der Spiegel. *Spitzer Bleistift*, 1988(26): 76–77.
Der Spiegel. *Daimler kriegt nicht alles geschenkt*, 1988(27): 76–77.

Der Spiegel. *Wir sind im Weg, wir sollen weg*, 1988(28): 70–72.

Der Spiegel. *Fragen an Matthias Kleinert*, 1988(28): 177.

Der Spiegel. *Heiligt die Mittel*, 1988(29): 64–66.

Der Spiegel. *Daimler-Benz: ganz ohne Scham,* 1988(30): 14–16.

Der Spiegel. *Mercedes-Lkw: Angst vor den Japanern,* 1988(30): 60–61.

Der Spiegel. *Wir müssen viel schneller werden,* 1988(31): 30–31.

Der Spiegel. *Ich hoffe, die Rüstungsindustrie schrumpft,* 1988(31): 35–43.

Der Spiegel. *Zuschlag fällig,* 1988(32): 63–64.

Der Spiegel. *Was habe ich sonst für eine Wahl?,* 1988(33): 73.

Der Spiegel. *Auf eigenes Risiko,* 1988(35): 104–105.

Der Spiegel. *Wir wachsen in neue Größenordnungen,* 1988(38): 114.

Der Spiegel. *Fürs Herz,* 1988(40): 283–287.

Der Spiegel. *Daimler-Umbau: Opfer ist die AEG,* 1988(43): 126.

Der Spiegel. *Höher als geplant*, 1988(44): 148.

Der Spiegel. *Airbus: Streit um die "vergoldete Braut"*, 1988(45): 18–20.

Der Spiegel. *Wir haben genug Probleme,* 1988(45): 20.

Der Spiegel. *Daimler/MBB: Die Niederlage des Grafen,* 1988(46): 116–118.

Der Spiegel. *Auf Tauchstation,* 1988(46): 119.

Der Spiegel. *"Der Fall ist schon ein dicker Klops",* 1988(46): 122–126.

Der Spiegel. *Kühlschrank im Mercedes,* 1988(47): 135–138.

Der Spiegel. *Tornado ohne Mercedes-Stern,* 1988(49): 113.

Der Spiegel. *Daimler/MBB: Neue Hindernisse,* 1988(50): 104.

Der Spiegel. *Daimler-Benz/MBB: Die letzte Kraftprobe,* 1988(51): 74–75.

1989

Der Spiegel. *Weniger Steuern von Daimler-Benz für Städte,* 1989(1): 66.

Der Spiegel. *Umnebelte Geister,* 1989(4): 101–104.

Der Spiegel. *Könnet mir brauchen,* 1989(6): 173–176.

Der Spiegel. *Mit Tarnanstrich,* 1989(7): 121.

Der Spiegel. *Neue Sparsamkeit bei Mercedes,* 1989(9): 122.

Der Spiegel. *Der Staat trägt das Risiko*, 1989(11): 119–122.

Der Spiegel. *Schiere Freude*, 1989(11): 272–273.

Der Spiegel. *"Wer zu letzt rationalisiert, baut nur noch ab",* 1989(14): 118–125.

Der Spiegel. *Daimler hatte Bonner Zusage,* 1989(15): 121.

Der Spiegel. *Unter Druck*, 1989(16): 119–123.

Der Spiegel. *Daimler/MBB: Was wird ausgeglieder?,* 1989(17): 116.

Der Spiegel. *Japaner gegen Daimler und BMW,* 1989(18): 109.

Der Spiegel. *"Haussmann steht gewaltig unter Druck"*, 1989(18): 28–31.

Der Spiegel. *Fragen an Martine Dornier-Tiefenthaler*, 1989(18): 249.

Der Spiegel. *Arg verunsichert,* 1989(19): 127–132.

Der Spiegel. *Input von oben*, 1989(20): 110–112.

Der Spiegel. *Mercedes SL nur für gute Kunden,* 1989(21): 114.

Der Spiegel. *Daimler bittet um Mithilfe,* 1989(23): 101.

Der Spiegel. *Feindliche Säcke*, 1989(23): 249.

Der Spiegel. *Bankenmacht: "Auf Dauer kaum erträglich"*, 1989(26): 92–93.

Der Spiegel. *Daimler geizt mit Ferienjobs*, 1989(26): 98.

Der Spiegel. *Ärger um neue Daimler-Firma,* 1989(29): 74.

Der Spiegel. *"Ich bin der Schurke in dem Stück",* 1989(31): 30–36.

Der Spiegel. *Daimler/MBB: "Kein Spielraum",* 1989(32): 62–63.

Der Spiegel. *"Das große Unbehagen bleibt",* 1989(34): 80–83.

Der Spiegel. *Weiße Salbe,* 1989(36): 116–117.

Der Spiegel. *"Teile sind mehr als das Ganze"*, 1989(37): 110–116.

Der Spiegel. *Letzte Spuren beseitigt*, 1989(38): 127–128.

Der Spiegel. *"Daimler muß mehr erwerben",* 1989(38): 130–135.

Der Spiegel. *Auto-Adel wird aufgekauft,* 1989(39): 136–137.

Der Spiegel. *Leicht durchdrücken,* 1989(39): 140.

Der Spiegel. *Rohe Eier mit Schale*, 1989(41): 144–145.

Der Spiegel. *Lockungen für Würdenträger*, 1989(41): 150–151.

Der Spiegel. *"Auf Wunsch von Daimler-Benz",* 1989(42): 68–75.

Der Spiegel. *Keine Butter bei Daimler,* 1989(43): 146.

Der Spiegel. *Auf höchster Ebene,* 1989(46): 142–144.

Der Spiegel. *Daimler/MBB: Noch eine Ministergenehmigung?,* 1989(46): 145.

1990

Der Spiegel. *VEB Daimler-Benz*, 1990(4): 104.

Der Spiegel. *Neue Vorstände für Mercedes*, 1990(5): 87.

Der Spiegel. *Mercedes-Benz wird aggressiv,* 1990(8): 121.

Der Spiegel. *Daimler-Benz will im America´s Cup mitsegeln,* 1990(9): 114.

Der Spiegel. *Gefährliche Wiedergeburt,* 1990(11): 124–126

Der Spiegel. *Mercedes kauft Tuning-Firma*, 1990(13): 130.

Der Spiegel. *Wundersame Vermehrung*, 1990(17): 114–116.

Der Spiegel. *Abgehoben und elitär,* 1990(20): 116–117.

Der Spiegel. *Übersicht verloren,* 1990(24).

Der Spiegel. *Neuer Stern für Daimler-Benz*, 1990(27): 71.

Der Spiegel. *Mit der Stoppuhr*, 1990(27): 181–182.

Der Spiegel. *Einfach geschafft*, 1990(34): 75–81.

Der Spiegel. *Der Pegaso wird "mercedesiert"*, 1990(37): 128.

Der Spiegel. *Stracks in die Tagesthemen*, 1990(37): 206–209.

Der Spiegel. *Mercedes: Umwege zum Ziel*, 1990(38): 142.

Der Spiegel. *Falsche Richtung*, 1990(41): 310–312.

Der Spiegel. *"Das ist reinste Erpessung"*, 1990(43): 148–152.

Der Spiegel. *Airbus: "Nicht zu verkraften"*, 1990(46): 152–154

Der Spiegel. *Konfusion bei Daimler*, 1990(52): 74.

1991

Der Spiegel. *Daimler: Angst vor Führungskrise*, 1991(4): 92.

Der Spiegel. *Schon sauschwer*, 1991(8): 235–238.

Der Spiegel. *Steuerfahnder bei Mercedes-Chef*, 1991(9): 123.

Der Spiegel. *Praktisch verschenkt*, 1991(11): 134–135.

Der Spiegel. *Post-Auftrag für Daimler-Benz?*, 1991(11): 138.

Der Spiegel. *Krücken für Deutschland*, 1991(11): 284–289.

Der Spiegel. *BMW spottet über Mercedes*, 1991(12): 111.

Der Spiegel. *Vom Rabatt ein paar Prozent*, 1991(12): 112–118.

Der Spiegel. *Das Geheimnis der Wohnungen*, 1991(13): 130–132.

Der Spiegel. *Mercedes testet in Papenburg*, 1991(17): 124.

Der Spiegel. *"Druck von Daimler nehmen"*, 1991(18): 120–122.

Der Spiegel. *"Keine Mark für Mercedes"*, 1991(19): 135.

Der Spiegel. *Seltsame Allianz*, 1991(21): 122.

Der Spiegel. *Großer Zweisitzer*, 1991(26): 227.

Der Spiegel. *Nicht als Eroberer*, 1991(31): 98–99.

Der Spiegel. *Private Goldader*, 1991(32): 97–102.

Der Spiegel. *Lehre aus dem Desaster*, 1991(35): 175–178.

Der Spiegel. *Daimler baut Lobby aus*, 1991(38): 143.

Der Spiegel. *Alle Pfeile*, 1991(38): 288–289.

Der Spiegel. *Enorm lernfähig*, 1991(42): 263–267.

Der Spiegel. *Lieber Reiten und Fechten*, 1991(49): 139–140.

Der Spiegel. *Daimler wirbt um BMW*, 1991(50): 123.

1992

Der Spiegel. *Drang zum Ei*, 1992(3): 188–189.

Der Spiegel. *Ganz andere Töne*, 1992(4): 85–86.

Der Spiegel. *Geschenk für Daimler-Benz*, 1992(6): 106.

Der Spiegel. *Geballtes Mißtrauen*, 1992(7): 100–101.

Der Spiegel. *Entwicklungschef verläßt Mercedes*, 1992(8): 106.

Der Spiegel. *Mercedes streicht Vorstandsposten,* 1992(10): 129.

Der Spiegel. *Eine Ballung von Macht,* 1992(14): 128–132.

Der Spiegel. *Verstimmter Freund,* 1992(14): 228–230.

Der Spiegel. *Daimler-Benz: Gewinn sinkt, Dividende steigt,* 1992(16): 125.

Der Spiegel. *Ein Konzept bricht zusammen*, 1992(22): 104–106.

Der Spiegel. *Wenig Hoffnung, große Laste,* 1992(23): 121–122.

Der Spiegel. *Rizinus am Rad,* 1992(24): 250–251.

Der Spiegel. *Fahrt ins Blaue,* 1992(25): 105–106.

Der Spiegel. *Mercedes in der Grauzone,* 1992(31): 171.

Der Spiegel. *Zwanzig Flaschen*, 1992(33): 59.

Der Spiegel**.** *Daimlers teure Fokker-Übernahme,* 1992(35): 106.

Der Spiegel. *Vision für die Zukunft,* 1992(38): 83.

Der Spiegel. *Hat die Rezession begonnen?,* 1992(43): 18–21.

Der Spiegel. *Verlassene Mutter*, 1992(43): 267–270.

Der Spiegel. *Ertragseinbruch bei Daimler-Benz,* 1992(44): 160.

Der Spiegel. *Außer Konkurrenz,* 1992(44): 318–319.

Der Spiegel. *"Wir haben Fehler gemacht",* 1992(46): 167–174.

Der Spiegel. *Allzulange freie Hand,* 1992(47): 167–169.

Der Spiegel. *"Es gibt Hauen und Stechen",* 1992(48): 136–138.

Der Spiegel. *Zu lange gezögert*, 1992(48): 138–140.

Der Spiegel. *Neuer Mercedes von Porsche,* 1992(53): 75.

Der Spiegel. *Milliarden-Verlust bei Mercedes,* 1992(52): 92.

Der Spiegel. *Neuer Mercedes von Porsche,* 1992(53): 75.

<u>1993</u>

Der Spiegel. *Langer Atem,* 1993(4): 198–199.

Der Spiegel**.** *Kleine Revolution,* 1993(5): 97–98.

Der Spiegel. *BMW schneller als Mercedes-Benz,* 1993(6): 101.

Der Spiegel. *Mercedes-Stern für den Koffer,* 1993(8): 105.

Der Spiegel. *Der Favorit wird ungeduldig,* 1993(10): 112–114.

Der Spiegel. *Breit gefächert,* 1993(14): 136.

Der Spiegel. *Schlechte Jahre für Mercedes,* 1993(15): 113.

Der Spiegel. *Zuerst der Daimler,* 1993(16): 68–71.

Der Spiegel. *Daimler im Alleingang,* 1993(17): 117.

Der Spiegel. *Daimler-Benz unerwünscht,* 1993(23): 14.

Der Spiegel. *Teurer Fehlgriff,* 1993(20): 139–140.

Der Spiegel. *"Erfolg ist verführerisch",* 1993(25): 86.

Der Spiegel**.** *Sensibles Teil,* 1993(30): 181.

Der Spiegel. *Unten durch,* 1993(33): 172–173.

Der Spiegel. *Ganz miserabel,* 1993(35): 100–101.

Der Spiegel. *Belegschaft legt Arbeit nieder,* 1993(37): 112.

Der Spiegel. *Noch einige Schleifen,* 1993(38): 133.

Der Spiegel. *Die Macht der Gefühle,* 1993(38): 203–210.

Der Spiegel. *Sicher wie in der Bank*, 1993(39): 117–119.

Der Spiegel. *Mehr Transparenz,* 1993(40): 133.

Der Spiegel. *Daimler verkauft ein Sorgenkind,* 1993(42): 139.

Der Spiegel. *Schock für die Strategen,* 1993(43): 124–125.

Der Spiegel. *VW und Mercedes kooperieren*, 1993(44): 141.

Der Spiegel. *Teilweise bösartig*, 1993(50): 96–101.

Der Spiegel. *Günstige Gelegenheit*, 1993(51): 81.

1994

Der Spiegel. *Mut zur Mücke,* 1994(6): 184–185.

Der Spiegel. *Mercedes baut das Swatch-Mobil,* 1994(8): 92.

Der Spiegel. *Ein Strauß Blumen,* 1994(10): 100–103.

Der Spiegel. *Der Zögling übernimmt,* 1994(12): 102–103.

Der Spiegel. *Triumph eines Tüftlers,* 1994(13): 192–197.

Der Spiegel. *Zartes Zischeln,* 1994(14): 226–227.

Der Spiegel. *Gewinn mit Trick,* 1994(15): 98.

Der Spiegel. *Auf der Suche nach dem Kick,* 1994(26): 86–88.

Der Spiegel**.** *Für jeden ein Haus,* 1994(30): 71.

Der Spiegel. *Schrempp muß nicht warten,* 1994(31): 67.

Der Spiegel. *Fixe Jungs,* 1994(35): 97–98.

Der Spiegel. *Zurück zur alten Stärke*, 1994(38): 114–117.

Der Spiegel. *Mercedes neben Lada,* 1994(39): 107.

Der Spiegel**.** *Runter vom Trittbrett*, 1994(39): 196–198.

Der Spiegel. *Ins Hirn*, 1994(43): 126.

1995

Der Spiegel. *Von Chrysler zur Olivenpaste,* 1995(1): 65.

Der Spiegel**.** *BMW trickste Mercedes aus,* 1995(2): 67.

Der Spiegel. *Zu teuer bezahlt*, 1995(8): 102–103.

Der Spiegel. *Frau im Vorstand – fast,* 1995(8): 108.

Der Spiegel. *Wacker auf dem Hof*, 1995(12): 202.

Der Spiegel. *Reuter setzt sich durch,* 1995(13): 128.

Der Spiegel. *„Profit, Profit, Profit“,* 1995(15): 102–105.

Der Spiegel. *Hang zum Spiel*, 1995(17): 103–106.

Der Spiegel. *Um jeden Preis,* 1995(17): 110.

Der Spiegel. *Hans im Glück*, 1995(20): 97–98.

Der Spiegel. *Wütendes Geschick*, 1995(21): 186.

Der Spiegel. *Harte Zeiten für Daimler-Manager,* 1995(26): 17.

Der Spiegel. *„Wir pflegen zu heucheln“*, 1995(31): 22–26.

Der Spiegel. *Schock für die Aktionäre: Die Vision vom Technologiekonzern kostete die Daimler-Aktionäre mehr als 36 Milliarden Mark,* 1995(31): 28–29.

Der Spiegel. *„Ich möchte Mensch bleiben“: Daimler-Chef Jürgen Schrempp über Affären, Verluste und die Zukunft des Konzerns,* 1995(31): 30.

Der Spiegel. *Mehr Arbeit, weniger Geld*, 1995(32): 72.

Der Spiegel. *„Das geht an die Substanz“,* 1995(34): 82–84.

Der Spiegel. *Tucker geht,* 1995(36): 108.

Der Spiegel. *Neue Unruhe bei Daimler-Benz,* 1995(38): 109.

Der Spiegel. *Blanke Zähne*, 1995(39): 238.

Der Spiegel. *Schrempp spart*, 1995(40): 128.

Der Spiegel. *Neues Desaster für Daimler-Benz*, 1995(45): 112.

Der Spiegel. *Heftiger Flirt mit Chrysler,* 1995(46): 114.

Der Spiegel. *„Wähle einen Umweg“,* 1995(47): 120–122.

Der Spiegel. *Grenzenlose Smarties,* 1995(47): 255.

Der Spiegel. *Mercedes: E-Klasse nachgebessert*, 1995(48): 208.

Der Spiegel. *Schwerer Schlag,* 1995(51): 91.

Der Spiegel. *Kurviges Gebiß,* 1995(51): 172.

1996

Der Spiegel. *Panne bei der Mittelklasse*, 1996(1): 59.

Der Spiegel. *„Der Druck ist gigantisch“*, 1996(4): 76–78.

Der Spiegel. *Giftige Minute,* 1996(4): 148.

Der Spiegel. *„Schöpferische Zerstörung“*, 1996(8): 94–96.

Der Spiegel. *Zu grausam*, 1996(8): 221.

Der Spiegel. *Bonus für die Bosse,* 1996(15): 22–25.

Der Spiegel. *Motorrad von Mercedes,* 1996(15): 200.

Der Spiegel. *„Nicht in Europa“*, 1996(17): 109–110.

Der Spiegel. *Tanz der Scharniere*, 1996(17): 204–205.

Der Spiegel. *Flaute in der Luxus-Klasse*, 1996(18): 111.

Der Spiegel. *Schrempp kürzt weiter*, 1996(24): 76.

Der Spiegel. *Erste Reihe*, 1996(25): 88.

Der Spiegel. *Zoff bei Mercedes*, 1996(27): 83.

Der Spiegel. *„…nur keine Menschen mehr“*, 1996(30): 74–77.

Der Spiegel. *Krach im Vorstand*, 1996(31): 59.

Der Spiegel. *Milliardengewinn bei Daimler-Benz*, 1996(33): 67.

Der Spiegel. *Doppelter Vorteil*, 1996(34): 73.

Der Spiegel. *Sehr viel Gegenwind*, 1996(38): 106–107.

Der Spiegel. *Daimler verkauft Perle*, 1996(39): 108.

Der Spiegel. *Machtkampf bei Daimler-Benz*, 1996(41): 111.

Der Spiegel. *Teuflisches Taxi*, 1996(42): 237–240.

Der Spiegel. *Krach im Bullshit Castle*, 1996(43): 114–117.

Der Spiegel. *Einsatz der Ellenbogen*, 1996(44): 118–119.

Der Spiegel. *Betriebsräte umworben*, 1996(45): 123.

Der Spiegel. *Rambo und die Gespenster*, 1996(47): 122–125.

Der Spiegel. *David gegen Goliath*, 1996(47): 149.

Der Spiegel. *„Erkennbar Schaden genommen“*, 1996(49): 111.

Der Spiegel. *Lob der Kokosnuß*, 1996(50): 214–217.

Der Spiegel**.** *Eine Frage der Ehre*, 1996(52): 78–80.

Der Spiegel. *Kopper bleibt bis 1998*, 1996(52): 79.

1997

Der Spiegel. *Pokern bis zuletzt*, 1997(3): 73.

Der Spiegel. *Hoffnung auf Knallgas*, 1997(3): 155.

Der Spiegel. *"Es war schon ein trüber Tag"*, 1997(4): 84–86.

Der Spiegel. *Hurtige Familie*, 1997(4): 183.

Der Spiegel. *Schrempp will Kulturschock*, 1997(5): 81.

Der Spiegel. *A-Klasse vom Acker*, 1997(7): 46–51.

Der Spiegel. *Schamloses Schnurren*, 1997(12): 204.

Der Spiegel. *Dornröschens Ende*, 1997(16): 58–59.

Der Spiegel. *Irgendwie Äimouschn*, 1997(18): 123.

Der Spiegel. *Schrempp-Bruder sorgt für Wirbel*, 1997(19): 103.

Der Spiegel. *Kreative Mercedes-Spots*, 1997(19): 109.

Der Spiegel. *Jaguar vor Mercedes*, 1997(20): 91.

Der Spiegel. *Spitzenmanager machen Kasse*, 1997(21): 63.

Der Spiegel. *LKA-Bericht belastet Reuter*, 1997(22): 91.

Der Spiegel. *Emotionale Bindung*, 1997(22): 104.

Der Spiegel. *Streit bei Mercedes*, 1997(23): 93.

Der Spiegel. *"Berufsanfänger sind zu alt"*, 1997(26): 30–31.

Der Spiegel. *Schrempp stoppt Debis*, 1997(27): 75.

Der Spiegel. *Kleine Kapitalisten*, 1997(27): 76–78.

Der Spiegel. *Klage gegen Aktienoptionsplan*, 1997(28): 75.

Der Spiegel. *Daktaris Zorn*, 1997(31): 148–149.

Der Spiegel. *Ärgerliche Versäumnisse*, 1997(33): 65.

Der Spiegel. *Zeit des Zauderns*, 1997(39): 206.

Der Spiegel. *Modell für Mercedes?*, 1997(42): 139–143.

Der Spiegel. *"Angst vorm Kentern"*, 1997(44): 120–121.

Der Spiegel. *Poker mit Joker*, 1997(45): 123–124.

Der Spiegel. *Tanz um die Gummihütchen*, 1997(45): 248–257.

Der Spiegel. *Kopper bremst*, 1997(46): 113.

Der Spiegel. *Deutsches Duell*, 1997(47): 114–117.

Der Spiegel. *Weihnachtsmann auf Rädern*, 1997(47): 240.

Der Spiegel. *Moral vergessen*, 1997(50): 127.

Der Spiegel. *Daimler macht Druck*, 1997(51): 93.

Der Spiegel. *Kein Geld von Daimler*, 1997(52): 18.

Der Spiegel. *Peinliches Eingeständnis*, 1997(52): 81.

Der Spiegel. *Falsch kalkuliert*, 1997(52): 86–87.

1998

Der Spiegel. *Daimler-Benz zur Expo*, 1998(1): 20.

Der Spiegel. *Schlechte Plätze für die Deutschen*, 1998(1): 61.

Der Spiegel. *Notbehelf für Monarchen*, 1998(2): 140.

Der Spiegel. *Harter Poker um Nissan*, 1998(3): 77.

Der Spiegel. *"Gejagt bis ans Ende"*, 1998(4): 170–171.

Der Spiegel. *Von Schurken und Bösewichten*, 1998(5): 88–89.

Der Spiegel. *Herren und Heuchler*, 1998(6): 89.

Der Spiegel. *Hayek steigt aus*, 1998(9): 89.

Der Spiegel. *Strafen für Schwarzexporte*, 1998(13): 111.

Der Spiegel. *Gesetz des Mangels*, 1998(13): 218–220.

Der Spiegel. *Gedopter Zwerg*, 1998(14): 185.

Der Spiegel. *Viel Geld mit Lastern*, 1998(15): 115.

Der Spiegel. *Riskantes Investment*, 1998(16): 85.

Der Spiegel. *Daimler-Benz profitiert*, 1998(18): 18.

Der Spiegel. *"Das ist ein Hammer",* 1998(20): 104–120.

Der Spiegel. *"Wir schreiben die Story fort",* 1998(20): 108–109.

Der Spiegel. *Heikle Frage*, 1998(21): 143.

Der Spiegel. *Den Pionier amputiert,* 1998(22): 116.

Der Spiegel. *Daimlers ergebener Diener,* 1998(23): 122–124.

Der Spiegel. *Gefährlicher Erfolg*, 1998(25): 218.

Der Spiegel. *König der Schlangen,* 1998(30): 81–83.

Der Spiegel. *Kalkül oder Kaufrausch?,* 1998(32): 72–74.

Der Spiegel. *Ständiger Wandel,* 1998(35): 85.

Der Spiegel. *Daimler will für Fusion werben,* 1998(38): 113.

Der Spiegel. *Daimler Town gegen Sony City,* 1998(39): 218–225.

Der Spiegel. *Realkapitalistischer Proletkult*, 1998(39): 224.

Der Spiegel. *"Weniger als zehn überleben"*, 1998(41): 120–121.

Der Spiegel. *Glückslos vom Minister*, 1998(42): 150–152.

Der Spiegel. *Ende einer Irrfahrt*, 1998(42): 214.

Der Spiegel. *Extrem erfolglos,* 1998(44): 80.

Der Spiegel. *Gewinn mit Chrysler,* 1998(44): 117.

Der Spiegel. *Kennwort "Xantipe Ypsilon"*, 1998(45): 17.

Der Spiegel. *Projekt "Beta"*, 1998(45): 146.

Der Spiegel. *Höhere Margen*, 1998(46): 103.

Der Spiegel. *Miete für den Stern,* 1998(47): 90.

Der Spiegel. *Die neue Welt AG,* 1998(49): 94–102.

Der Spiegel. *Gesprächsstoff für den Gipfel,* 1998(49): 100.

Der Spiegel. *Zuviel auf einmal?,* 1998(52): 90.

1999

Der Spiegel. *Auf dem Hinterteil,* 1999(4): 90.

Der Spiegel. *Zoff um Gehälter*, 1999(9): 73.

Der Spiegel. *Pause für den Smart*, 1999(11): 20.

Der Spiegel. *DaimlerChrysler sponsert Nato-Gipfel*, 1999(11): 206.

Der Spiegel. *Ein Drittel Daimler, ein Drittel Bosch,* 1999(15): 98–101.

Der Spiegel. *617 Millionen für US-Manager,* 1999(15): 110.

Der Spiegel. *Beraterjob trotz Reichskriegsflagge,* 1999(16): 81.

Der Spiegel. *Gnadenfrist für Smart,* 1999(20): 57.

Der Spiegel. *Jeep mit Mängeln*, 1999(24): 94.

Der Spiegel. *Daimler gegen Chrysler,* 1999(24): 100–101.

Der Spiegel. *Der Superdeal,* 1999(30): 60–62.

Der Spiegel. *"Wie wilde Tiere",* 1999(30): 98.

Der Spiegel. *Daimler unter Druck,* 1999(32): 82.

Der Spiegel. *Lobby-Vorwurf gegen DaimlerChrysler,* 1999(34): 79.

Der Spiegel. *Raus aus der Nische,* 1999(35): 83.

Der Spiegel. *Jeder gegen jeden,* 1999(37): 114–116.

Der Spiegel. *Schrempps neuer Vorstand,* 1999(38): 95.

Der Spiegel. *Daimler bremst sich aus*, 1999(38): 97.

Der Spiegel. *"Das gibt Ärger"*, 1999(39): 126–128.

Der Spiegel. *Seekrank in der Sänfte,* 1999(39): 324.

Der Spiegel. *Heimliche Freude,* 1999(41): 146.

Der Spiegel. *"Jäger des grauen Marktes",* 1999(43): 126–128.

2000

Der Spiegel. *Daimler vor Super-Deal?*, 2000(1): 76.

Der Spiegel. *Rückkehr zum Auto,* 2000(6).

Der Spiegel. *Tückische Flunder*, 2000(6): 87.

Der Spiegel. *Beamte im Silber-Benz,* 2000(7): 19.

Der Spiegel. *Zurück zum Auto,* 2000(8): 90.

Der Spiegel. *Hände aus den Taschen!,* 2000(8): 190–192.

Der Spiegel. *Schrempps bittere Lektion*, 2000(9): 104–106.

Der Spiegel. *Freund des Menschen,* 2000(11): 304.

Der Spiegel. *Zweite Wahl,* 2000(13): 112–113.

Der Spiegel. *DaimlerChrysler will bei Hyundai einsteigen*, 2000(16): 81.

Der Spiegel (Online Wirtschaft). *Mercedes muss mehr nachbessern als je zuvor.* May 8th, 2001. Retrieved from: http://www.spiegel.de/wirtschaft/garantie-mercedes-muss-mehr-nachbessern-als-je-zuvor-a-132673.html.

Der Spiegel. *Vom Dackel zum Delfin,* 2000(19): 233.

Der Spiegel. *Poker in Südkorea,* 2000(26): 75.

Der Spiegel. *Bremsen aus dem Backofen,* 2000(27): 220.

Der Spiegel. *Zoff bei DaimlerChrysler,* 2000(31).

Der Spiegel *Mikrowelle serienmäßig,* 2000 (36): 168–170.

Der Spiegel. *Asiatisches Abenteuer,* 2000(36): 88.

Der Spiegel. *Hartes Pokern in Tokio*, 2000(37): 79.

Der Spiegel. *„Furchtbare Vorstellung",* 2000(40): 123.

Der Spiegel. *Raketenautos für Superreiche,* 2000(40): 244–247.

Der Spiegel. *Suche nach Mehrwert,* 2000(42): 144–145.

Der Spiegel. *Schrempp will Chrysler nicht verkaufen,* 2000(44): 161.

Der Spiegel. *Schrempp schießt Chrysler-Chef an*, 2000(46): 119.

Der Spiegel. *Harter Hund aus Germany*, 2000(47): 120–122.

Der Spiegel. *Das Daimler-Desaster*, 2000(48): 108–111.

Der Spiegel. *„Wer ist ohne Fehler?“*, 2000(49): 124–130.

Der Spiegel. *Willkommen im Kapitalismus*, 2000(50).

Der Spiegel. *Fondsmanager fordern Konzernteilung*, 2000(51): 85.

Der Spiegel. *Schrempp-Sohn im Visier der Revision*, 2000(52): 79.

2001

Der Spiegel. *Sensibler Sitz*, 2001(3).

Der Spiegel. *Klasse schlägt Masse*, 2001(3): 80.

Der Spiegel. *Der Zetsche-Plan*, 2001(5): 108.

Der Spiegel. *„Mehr Tempo, bitte“*, 2001(6): 103.

Der Spiegel. *Glasnost in Frankfurt*, 2001(7): 114.

Der Spiegel. *Hausmitteilung*, 2001(9): 3.

Der Spiegel. *Die Drei-Welten-AG*, 2001(9): 96–109.

Der Spiegel. *Vom Trauma befreit*, 2001(10): 202.

Der Spiegel. *„Kaufen, nicht verschmelzen“*, 2001(10): 139.

Der Spiegel. *Konzernchef mit neuer Beratertruppe*, 2001(13): 92.

Der Spiegel. *Heißer Job in Tokio*, 2001(15): 129–130.

Der Spiegel. *Raubkatze mit Biss*, 2001(22): 88–90.

Der Spiegel. *Cool durch Kaizen*, 2001(25): 108–109.

Der Spiegel. *Kritik an Schrempp*, 2001(30): 69.

Der Spiegel. *Schwäbisches Feuerwerk*, 2001(32): 153.

Der Spiegel. *Rückschlag für Kunstherzpatienten*, 2001(34): 156.

Der Spiegel. *BMW überholt Mercedes*, 2001(38): 107.

Der Spiegel. *Smart vorn*, 2001(39): 105.

Der Spiegel. *Milliardengrab Chrysler*, 2001(52): 83.

2002

Der Spiegel. *Auf Droge*, 2002(8): 84.

Der Spiegel. *Schlafsessel unter Milchglas*, 2002(9): 192–194.

Der Spiegel. *Mach’s noch einmal, Sam!*, 2002(10): 226.

Der Spiegel. *Sensibler Riese*, 2002(13).

Der Spiegel. *„Ich dulde keine Ja-Sager“*, 2002(15): 98–102.

Der Spiegel. *Laut gebellt, nicht gebissen*, 2002(16): 120.

Der Spiegel. *Absage an Fiat*, 2002(27): 84.

Der Spiegel. *Macht und Wuchtigkeit*, 2002(27): 138–140.

Der Spiegel. *Aufrecht an die Wand*, 2002(33): 144.

Der Spiegel. *Radikale Erdung*, 2002(36): 152.

Der Spiegel. *Deutscher rückt in Japan ans Steuer*, 2002(38): 82.

Der Spiegel. *Greenpeace filtert Mercedes-Ruß*, 2002(39): 188.

Der Spiegel. *Raus aus der Sackgasse*, 2002(43): 184–186.

Der Spiegel. *Galaktisch gebettet*, 2002(44): 190.

Der Spiegel. *Die dunkle Seite der Macht*, 2002(47): 120–121.

2003

Der Spiegel. *Zeitbombe in Delaware*, 2003(12): 84–86.

Der Spiegel. *Dreamcar aus Osnabrück*, 2003(13): 188–191.

Der Spiegel. *Sensible Nerven*, 2003(16): 114.

Der Spiegel. *Schwacher Dollar gefährdet Konzerne*, 2003(18): 76–77.

Der Spiegel. *Mit Vollgas in die Krise*, 2003(34): 44.

Der Spiegel. *„Wahnwitzige Vorgänge“*, 2003(36): 24–26.

Der Spiegel. *Die Job-Maschine*, 2003(37): 102–114.

Der Spiegel. *„Ein hartes Stück Arbeit“*, 2003(37): 116–121.

Der Spiegel. *Fahrzeug steht, Kunde läuft*, 2003(40): 170–172.

Der Spiegel. *Roter Oktober in Stuttgart*, 2003(44): 96–98.

Der Spiegel. *Das Imperium schlägt zurück*, 2003(49): 104–105.

Der Spiegel. *Rennwagen für Anfänger*, 2003(49): 210.

Der Spiegel. *Hausmitteilung: Betr.: DaimlerChrysler, Schmerzklinik, „Herr der Ringe“*, 2003(51): 3.

Der Spiegel. *Duell in Delaware*, 2003(51): 98–103.

2004

Der Spiegel. *Kultmobil unter Kostendruck*, 2004(7): 142.

Der Spiegel. *Kosmetik für die Chrysler-Zahlen*, 2004(10): 79.

Der Spiegel. *Nichts als Ärger*, 2004(14): 78.

Der Spiegel. *Tag der Abrechnung*, 2004(15): 82–85.

Der Spiegel. *„Kontrolle versagt“*, 2004(16): 73.

Der Spiegel. *Die amputierte Welt AG*, 2004(18): 126–128.

Der Spiegel. *Chaostage im Bullshit Castle*, 2004(19): 104–107.

Der Spiegel. *Kleinbus oder Rennauto*, 2004(26): 144.

Der Spiegel. *Im Dienst zu Daimler*, 2004(27): 20.

Der Spiegel. *Cordes wird Mister Mercedes*, 2004(29): 64.

Der Spiegel. *Der Testfall*, 2004(30): 68–70.

Der Spiegel. *Wenig Lust auf Luxus*, 2004(37): 75.

Der Spiegel. *„Autos kaufen keine Autos“*, 2004(38): 90–92.

Der Spiegel. *Vorliebe für Mercedes*, 2004(46): 22.

Der Spiegel. *Teure Pannenhilfe*, 2004(46): 99.

2005

Der Spiegel. *Fluch der Vielfalt,* 2005(2): 90–92.

Der Spiegel. *Smart fährt Rekordverluste ein,* 2005(7): 84.

Der Spiegel. *Mercedes-Benz räumt auf,* 2005(9): 89

Der Spiegel. *Der Vollgas-Mann,* 2005(9): 98–99.

Der Spiegel. *Geschäfte in der Grauzone*, 2005(11): 82–84.

Der Spiegel. *„Wir werden das drehen“*, 2005(14): 106–110.

Der Spiegel. *Revision prüft neue Graumarktgeschäfte*, 2005(15): 75.

Der Spiegel. *Wer kontrolliert die Kontrolleure?,* 2005(15): 82–83.

Der Spiegel. *Lesebrille im Frontgrill,* 2005(15): 156.

Der Spiegel. *Smart in der Falle,* 2005(18): 91.

Der Spiegel. *Daimler-Veto droht,* 2005(19): 85.

Der Spiegel. *Clubsessel im Fond,* 2005(29): 142–143.

Der Spiegel. *Missglücktes Meisterstück*, 2005(31): 42–45.

Der Spiegel. *Neue Gerüchte, alte Affären,* 2005(33): 76–77.

Der Spiegel. *Bremsspuren bei der E-Klasse,* 2005(34): 57.

Der Spiegel. *Ass im Ärmel,* 2005(36): 74.

Der Spiegel. *Schmerzen als Chance,* 2005(37): 98–100.

Der Spiegel. *Wettlauf ums Doppelherz,* 2005(37): 174–176.

Der Spiegel. *Gestörte Gänge*, 2005(51): 131.

Der Spiegel. *König der Kraftmeier*, 2005(52): 152.

2011

Spiegel Online. *Maybach aus: Desaster mit Ansage*, 2011: December 4th, 2011. Retrieved from: http://www.spiegel.de/auto/aktuell/maybach-ende-desaster-mit-ansage-a-801247.html.

Appendices

Daimler-Benz and DaimlerChrysler Annual Reports 1985-2007

Daimler-Benz AG Annual Reports 1985-1997

Daimler-Benz AG Annual Report 1985. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364439_1985_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1986. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364437_1986_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1987. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364435_1987_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1988. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364433_1988_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1989. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364431_1989_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1990. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364429_1990_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1991. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364426_1991_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1992. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364424_1992_Daimler_Benz_Annual_Report.pdf .

Daimler-Benz AG Annual Report 1993. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364421_1993_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1994. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364418_1994_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1995. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364416_1995_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1996. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364413_1996_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz AG Annual Report 1997. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364411_1997_Daimler_Benz_Annual_Report.pdf.

DaimlerChrysler AG Annual Reports 1998-2007

DaimlerChryslerAG Annual Report 1998. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364408_1998_DaimlerChryslerAG_Annual_Report.pdf.

DaimlerChryslerAG Annual Report 1999. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364405_1999_DaimlerChryslerAG_Annual_Report.pdf.

DaimlerChryslerAG Annual Report 2000. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364403_2000_DaimlerChryslerAG_Annual_Report.pdf.

DaimlerChryslerAG Annual Report 2001. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364399_2001_DaimlerChryslerAG_Annual_Report.pdf.

DaimlerChryslerAG Annual Report 2002. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364395_2002_DaimlerChryslerAG_Annual_Report.pdf.

DaimlerChryslerAG Annual Report 2003. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364393_2003_DaimlerChryslerAG_Annual_Report.pdf.

DaimlerChryslerAG Annual Report 2004. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/629486_DCX_2004_Annual_Report.pdf.

DaimlerChryslerAG Annual Report 2005. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364375_2005_DaimlerChryslerAG_Annual_Report.pdf.

DaimlerChryslerAG Annual Report 2006. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364373_2006_DaimlerChryslerAG_Annual_Report.pdf.

Daimler Annual Report 2007. Retrieved from: http://bigthreeauto.procon.org/sourcefiles/Daimler_AR_2007.pdf.

Daimler Zwischenbericht Q1 2011 (First Quarterly Report). Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/2008875_Daimler_Q1_2011_Zwischenbericht.pdf.

DaimlerChrysler AG Figures Appendix

(The reference numbers provide the reader with a chapter reference)

Fig. 3 Overview of Six Strategical Failures of Welt AG. Source: Created by John Riach. Reference 1.3.

Fig. 4 DaimlerChrysler Takeover Timeline.
Source: Adapted by John Riach from Blaško, Netter and Sinkey (2000); DaimlerChrysler AG Annual Report 1998; Retrieved from: http:// www.daimler.com/Projects/c2c/channel/documents/ 1364408_1998_ DaimlerChryslerAG_Annual_Report.pdf. and http://www. apnewsarchive.com/1998/Timeline-of-DaimlerChrysler-Merger/id-882b27b1723cc569f4eb13be992ad005. Reference 2.1.

Fig 5 Daimler-Benz Operating Profits/ Losses 1995-97.
Source: Created by John Riach from Daimler-Benz AG Annual Reports (95-8). Daimler-Benz AG Annual Report 1995. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364416_1995 _Daimler_Benz_Annual_Report.pdf. Daimler-Benz AG Annual Report 1996. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/ 1364413_1996_Daimler_Benz_Annual_Report.pdf. Daimler-Benz Annual Report 1997. Retrieved from: http://www.daimler.com/Projects/c2c/channel/ documents/1364411_1997_Daimler_Benz_Annual_Report.pdf.

Daimler-Benz Operating Profits/ Losses	
Year	*Operating Profit in billion DM*
1995	*-7.197*
1996	*2.423*
1997	*4.328*

Reference 2.2.

Fig. 6 Hofstede Cultural Dimensions. Created by John Riach based on Hofstede (1980). Reference 3.1.

Fig. 7 Research and Development Costs 1998-2006. Compiled by John Riach, Source: DaimlerChrysler AG, Annual Report, Stuttgart 1998. Retrieved from http://www.cms.daimler.com/Projects/c2c/channel/documents/1364408_1998_ DaimlerChrysler_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 1999. Retrieved from http://www.cms.daimler.com/Projects/c2c/channel/documents/1364405_1999_ DaimlerChrysler_Annual_Report.pdf.DaimlerChrysler AG, Annual Report, Stuttgart 2000. Retrieved from http://www.cms.daimler.com/Projects/c2c/ channel/documents/1252579 _DCX_2000_Annual_Report.pdf.

DaimlerChrysler AG, Annual Report, Stuttgart 2001. Retrieved from http://www.cms.daimler.com/Projects/ c2c/channel/documents/ 1252583_DCX _2001_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2002. Retrieved from http://www.cms.daimler.com /Projects/c2c/channel/documents/

104756_DCX_2002_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2003. Retrieved from http://www.cms.daimler.com/Projects/c2c/channel/documents/1252590_DCX_2003_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2004. Retrieved from http://www.daimler.com/Projects/c2c/channel/documents/629486_DCX_2004_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2005. Retrieved from http://www.cms.daimler.com/Projects/c2c/channel/documents/1364375_2005_DaimlerChrysler_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2006. Retrieved from http://www.cms.daimler.com/Projects/c2c/channel/documents/1003905_DCX_2006_Annual_Report.pdf.

Data base for Figure 7: Refrence 3.2.

Year	*R&D Costs DaimlerChrysler*	*R&D Costs Mercedes Car Group in million €*	*R&D Costs Chrysler Group in million €*
1998	*6.693 in*	*1.930*	*1.695*
1999	*7.575*	*2.043*	*2.000*
2000	*7.395*	*2.241*	*2.456*
2001	*6.008*	*2.402*	*2.201*
2002	*6.156*	*2.794*	*2.062*
2003	*5.571*	*2.687*	*1.689*
2004	*5.658*	*2.634*	*1.570*
2005	*5.649*	*2.418*	*1.710*
2006	*5.331*	*2.176*	*1.638*

Fig. 8 DC operating profits. Source DaimlerChrysler Annual Report 1997. Reference 3.3.

Fig. 9 Car production DMG (Daimler), Benz&Cie. and combined 1894-1925. Compiled by John Riach from Grunow-Osswald 2006. Reference 4.1.

Year	*DMG*	*Benz&Cie.*	*Combined*	*Year*	*DMG*	*Benz&Cie.*	*Combined*
1894	*1*	*0*	*1*	*1908*	*109*	*348*	*457*
1895	*8*	*0*	*8*	*1909*	*671*	*787*	*1.458*
1896	*24*	*0*	*24*	*1910*	*1.106*	*1314*	*2.420*
1897	*26*	*0*	*26*	*1911*	*1.490*	*2265*	*3.755*
1898	*57*	*0*	*57*	*1912*	*1.866*	*3095*	*4.961*
1899	*108*	*0*	*108*	*1913*	*1.567*	*2673*	*4.240*
1900	*96*	*385*	*481*	*1919*	*621*	*988*	*1.609*
1901	*144*	*226*	*370*	*1920*	*1.616*	*2026*	*3.642*
1902	*197*	*172*	*369*	*1921*	*1.581*	*1777*	*3.358*
1903	*232*	*0*	*232*	*1922*	*962*	*1733*	*2.695*
1904	*698*	*0*	*698*	*1923*	*1.020*	*1382*	*2.402*
1905	*863*	*0*	*863*	*1924*	*1.333*	*1584*	*2.917*
1906	*546*	*0*	*546*	*1925*	*1.406*	*2260*	*3.666*
1907	*149*	*0*	*149*				

Fig. 10 Car production Daimler-Benz AG from 1926-1997. Compiled by John Riach based on Grunow-Osswald (2006). Reference 4.2.

926	*2.169*	*1948*	*5.116*	*1970*	*280.419*	*1992*	*536.117*
1927	*7.918*	*1949*	*17.417*	*1971*	*284.230*	*1993*	*486.239*
1928	*6.859*	*1950*	*33.906*	*1972*	*323.878*	*1994*	*594.366*
1929	*7.797*	*1951*	*42.222*	*1973*	*331.682*	*1995*	*600.314*
1930	*5.715*	*1952*	*36.824*	*1974*	*340.006*	*1996*	*645.156*
1931	*3.297*	*1953*	*34.975*	*1975*	*350.098*	*1997*	*726.686*
1932	*5.807*	*1954*	*48.816*	*1976*	*370.348*		
1933	*7.967*	*1955*	*63.683*	*1977*	*401.255*		
1934	*11.255*	*1956*	*69.601*	*1978*	*393.203*		
1935	*15.199*	*1957*	*80.899*	*1979*	*424.667*		
1936	*22.994*	*1958*	*99.209*	*1980*	*435.745*		
1937	*27.955*	*1959*	*108.440*	*1981*	*447.233*		
1938	*27.662*	*1960*	*122.684*	*1982*	*464.911*		
1939	*26.505*	*1961*	*137.431*	*1983*	*481.845*		
1940	*14.842*	*1962*	*146.393*	*1984*	*483.881*		
1941	*8.863*	*1963*	*153.182*	*1985*	*547.342*		
1942	*4.166*	*1964*	*165.532*	*1986*	*600.025*		
1943	*52*	*1965*	*174.007*	*1987*	*604.447*		
1944	*1*	*1966*	*191.625*	*1988*	*565.268*		
1945	*0*	*1967*	*200.470*	*1989*	*546.060*		
1946	*214*	*1968*	*216.284*	*1990*	*581.912*		
1947	*1.045*	*1969*	*256.713*	*1991*	*585.162*		

The data in the above figure (10) are the compilation of the data from individual chapters in Grunow-Osswald (2006), but which are not presented comprehensively in this publication.

Fig. 11 Mercedes Car Production 1986-1997. Compiled by John Riach based on Grunow-Osswald 2006. Reference 4.3.

Fig. 12 Daimler-Benz AG (1990). Created by John Riach based on Daimler-Benz Annual Report 1990: 8. Retrieved from: http:/www.daimler.com/ Projects/c2c /channel/ documents/1364429_1990_Daimler_Benz _Annual_Report.pdf. Reference 4.4.

Fig. 13 Proposed DaimlerChrysler Operating System. Source: Clarke 2005: 139. Reference 5.1.

Fig. 14 Chrysler Car Sales 1998-2006: 175. Compiled by John Riach. Source:
DaimlerChrysler AG, Annual Report, Stuttgart 1998. Retrieved from: http://www.cms.daimler.com/Projects/c2c/channel/documents/1364408_1998_DaimlerChrysler_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 1999. Retrieved from http://www.cms.daimler.com/Projects/c2c/channel/documents/1364405_1999_DaimlerChrysler_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2000. Retrieved from http://www.cms.daimler.com/Projects/c2c/ channel/documents/1252579 DCX_2000_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2001. Retrieved from http://www.cms.daimler.com/Projects/ c2c/channel/documents/ 1252583_DCX _2001_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2002. Retrieved from http://www.cms.daimler.com /Projects/c2c/channel/documents/ 104756_DCX_2002_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2003. Retrieved from http://www.cms.daimler.com/Projects/c2c/channel/documents/1252590 _DCX_2003_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2004. Retrieved from http://www.daimler.com/Projects/c2c/channel/documents/629486 _DCX_2004_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2005. Retrieved from http://www.cms.daimler.com/Projects/c2c/channel/documents/1364375 _2005_DaimlerChrysler_Annual_Report.pdf.
DaimlerChrysler AG, Annual Report, Stuttgart 2006. Retrieved from http://www.cms.daimler.com/Projects/c2c/channel/documents /1003905_DCX_2006_Annual_Report.pdf. Reference 5.2.

Fig 15 NHTSA Recall Mercedes-benz M-Class 2003. Retrieved from: Retrieved from: Link: http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2003&make=MERCEDES%2520BENZ&model=M%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls &prod_id=104566&PrintVersion=YES. Reference 5.3.

Fig. 16 Mistakes per Vehicle. Compiled by John Riach. Retrieved from CNN Money 2000-2009. Reference Number 5.4.

Fig. 17 Rankings Lexus vs. Mercedes 1999-2012. Compiled by John Riach Sources: CNN Money 2000-2009. Reference 5.5.

YEAR	Ranking Mercedes	Mistakes/Vehicle Mercedes	Toyota	Chrysler	Industry Average	Lexus	Ranking Lexus
2000	**9**	137	122	**155**	**158**	107	**5**
2001	**10**	129	121	**137**	**147**	85	**1**
2002	**13**	128	111	**133**	**133**	8 8	**1**
2003	**15**	132	121	**136**	**133**	76	**1**
2004	**10**	106	104	**123**	**119**	87	**1**
2005	**6**	104	105	**121**	**118**	81	**1**
2006	**25**	139	106	**120**	**124**	93	**2**
2007	**5**	111	112	**151**	**124**	94	**2**
2008	**5**	104	104	**142**	**118**	99	**3**
2009	**6**	101	101	**136**	**108**	84	**1**
2010	**3**	87	117	**122**	**109**	88	**4**
2011	**4**	94	101	**100**	**107**	73	**1**
2012	**9**	96	88	**116**	**102**	73	**1**

Fig. 18 Mercedes E-Class US Sales. Retrieved from: DaimlerChryslerAG Annual Report 2002. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364395_2002_DaimlerChryslerAG_Annual_Report.pdf.
DaimlerChryslerAG Annual Report 2003. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364393_2003_DaimlerChryslerAG_Annual_Report.pdf.
DaimlerChryslerAG Annual Report 2004. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/629486_DCX_2004_Annual_Report.pdf.
DaimlerChryslerAG Annual Report 2005. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364375_2005_DaimlerChryslerAG_Annual_Report.pdf.
DaimlerChryslerAG Annual Report 2006. Retrieved from: http://www.daimler.com/Projects/c2c/channel/documents/1364373_2006_DaimlerChryslerAG_Annual_Report.pdf. Reference 5.6.

Fig. 19 Mitsubishi Motors Corporation Sales (1999-2005): Retrieved from: Annual Report, Tokyo 2000. Retrieved from http://www.mitsubishi-motors.com/en/corporate/ir/library/pdf/annual00e.pdf
Mitsubishi Motors Corporation, Annual Report, Tokyo 2001. Retrieved from http://www.mitsubishi-motors.com/en/ corporate/ir/library/pdf/annual0107e.pdf.
Mitsubishi Motors Corporation, Annual Report, Tokyo 2002. Retrieved from http://www.mitsubishi-motors.com/en/ corporate/ir/library /pdf/annual0207.pdf
Mitsubishi Motors Corporation, Annual Report, Tokyo 2003. Retrieved from http://www.mitsubishi-motors.com/en/corporate/ir /library/pdf/annual2003.pdf.

Mitsubishi Motors Corporation, Annual Report, Tokyo 2004. Retrieved from http://www.mitsubishi-motors.com/en/corporate/ ir/library/pdf/annual0410.pdf
Mitsubishi Motors Corporation, Annual Report, Tokyo 2005. Retrieved from http://www.mitsubishi-motors.com/en/corporate/ir/library/pdf/annual2005.pdf.
Mitsubishi Motors Corporation, Annual Report, Tokyo 2006.Retrieved from http://www.mitsubishi-motors.com/en/corporate/ir/library/pdf/annual2006.pdf. Reference 5.7.

Fig. 20 Models of Mergers and Acquisitions. Source: Adapted from Strategies for Post-Merger Outcomes (Marks, M.L. and Mirvis, P.H. 1998). Reference 6.1.

DaimlerChrysler AG Tables Appendix

Table 1 Overview of the Global Automobile Industry 1998.
Source: Adapted by John Riach from Blaško, Netter and Sinkey (2000 78). Reference 1.1.

Table 2 Global Automobile Industry 1998 (Condensed).
Source: Adapted by John Riach from Blaško, Netter and Sinkey (2000 78). Reference 2.1.

Table 3 DaimlerChrysler vs. Volkswagen 1998.
Source: Adapted by John Riach from Blaško, Netter and Sinkey (2000 78). Reference 2.2.

Table 4 Overview of Rumored Takeovers in 1998.
Source: Adapted by John Riach from Blaško, Netter and Sinkey (2000 78). Reference 2.3.

Table 5 Vehicle Production 1998. Source: DaimlerChrysler AG Annual Report 1998: 27 and 30. Retrieved from: http://www.daimler.com/ Projects/c2c/channel/documents/1364408_1998 DaimlerChrysler_Annual_Report.pdf. Reference 3.1.

Table 6 Blaško, Netter and Sinkey (2000 78). Reference 4.1.

DaimlerChrysler AG Internet Appendix (excluding video material)

3.1 Daimler Global Media Site: We have entered the Mercedes era: Retrieved from: http://media.daimler.com/dcmedia/0-921-614814-1-1273768-1-0-1-0-0-0-11701-614318-0-1-0-0-0-0-0.html.

3.2 Daimler Patents 2009: Retrieved from: http://gb2009.daimler.com/de/lagebericht/ertragslage/forschung-und-entwicklung.html.

3.3 Case study: merging IT at DaimlerChrysler: Retrieved from: http://www. cioinsight.com/c/a/Past-News/Case-Study-Merging-IT-at-DaimlerChrysler/3/
3.4 Statistical Analysis of Research and Development Costs in the German Automobile Industry: Retrieved from: http://www.stifterverband.info/statistik_und _analysen/index.html.

5.1 Securities and Exchange Commission Complaint Filing against DaimlerChrysler: Retrieved from: http://www.sec.gov/litigation/complaints/2010/comp-pr2010-51.pdf.

5.2 Complaints about Mercedes Quality:. Retrieved from: http://www.joystiq.com/profile/32700/page/8/; Autoblog: Posted June 30th 2006).

5.3. Mission statement from Consumer Report. Retrieved from http://www.consumerreports.org/cro/aboutus/mission/overview/index.htm.

6.1 Renault-Nissans financial results. Retrieved from www.finanzen.ch/nachrichten/aktien/Renault-Nissan-Alliance-Posts-Record-Sales-in-2011-for-Th8649.

6.2 CNN Money from November 20th 2006. Retrieved from: http://money.cnn.com/2006/11/17/autos/pluggedin_Taylor_Mercedes.fortune/index.html.

DaimlerChrysler AG Video Appendix

1.1 DaimlerChrysler Press Conference May 7th, 1998**.** Retrieved from: http://www.youtube.com/watch?v=KfgrNYHyEkc.

4.1 Daimler "Best or Nothing" commercials. Retrieved from http://www.youtube.com/watch?v=s0729vkCqOA; http://www.youtube.com/watch?v=9RrV1zz7ZkY.

5.1 Chrysler Commercials 1998-2005. Retrieved from: http://www.youtube.com/watch?v=eUbsCO5pWSk; http://www.youtube.com/watch?v=87oPk73Md6A&feature=related; http://www.youtube.com/watch?v=UggoZ1qHdGI&feature=related.

5.2 Dr. Z Chrysler Commercials 2006. Retrieved from: http://www.youtube.com/watch?v=_tVglVG3SFc&feature=related. http://www.youtube.com/watch?v=5GwZbRs57Yw&feature=relmfu. http://www.youtube.com/watch?v=qIG1B50-6-k&feature=relmfu. http://www.youtube.com/watch?v=Cp95QkfelWA&feature=relmfu.

Ask Dr. Z commercials for DaimlerChrysler – Effective?: 177. Retrieved from: http://townhall-talk.edmunds.com/direct/view/.f0dda42/.

5.3 Top Gear Mercedes M-Class 1998 Retrieved from: http://www.youtube.com/watch?v=8C9DJAsGPYM.

6.1 Stephen Pinker on reciprocity: 204 Retrieved from: http://fora.tv/2011/02/04/Steven_Pinker_Language_as_a_Window_into_Human_Nature.

6.2. Lee Iacocca Commercials 1982-84. Retrieved from:
http://www.youtube.com/watch?v=nppKMomMP-4;
http://www.youtube.com/watch?v=v6nmCFTmPnE&feature=related;
http://www.youtube.com/watch?v=BziuXz5lu9M&feature=related

6.3 Lee Iacocca Commercial 2005. Retrieved from:
http://www.youtube.com/watch?v=LJGWVLK6sJU.

NHTSA Recalls Appendix

4.1 Example from M-class (2003): 179-180 Retrieved from: Link: http://www-odi.nhtsa.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2003&make=MERCEDES%2520BENZ&model=M%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=104566&PrintVersion=YES
See also Fig. 4.3.

4.2 NHTSA recalls for Mercedes M- and E-Class vehicles in the USA 1999-2005

Report Date :	July 31, 2012 at *07:40 AM*
Search Type :	VEHICLE
Make:	MERCEDES BENZ
Model or Model No.:	E CLASS
Model Year:	1999

Make: MERCEDES BENZ	Model: E CLASS
Model Year: 1999	
Manufacturer: MERCEDES-BENZ USA, INC.	Mfr's Report Date: OCT 07, 1998
NHTSA CAMPAIGN ID Number: 98V256000	NHTSA Action Number: N/A
Component: AIR BAGS:FRONTAL	
Potential Number of Units Affected: 4,163	

Summary:
VEHICLE DESCRIPTION: PASSENGER VEHICLES. A WRONG CLAMP MAY HAVE BEEN INSTALLED ON THE WINDOW AIR BAG UNITS.

Consequence:
THE WINDOW AIR BAG MAY NOT FULLY DEPLOY IN A SIDE-IMPACT COLLISION, INCREASING THE RISK OF INJURY TO THE VEHICLE OCCUPANT.

Link: http://www-odi.nhtsa.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=1999&make=MERCEDES%2520BENZ&model=E%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=81092&PrintVersion=YES

Report Date : July 31, 2012 at **07:41 AM**

Search Type : VEHICLE
Make: MERCEDES BENZ
Model or Model No.: M CLASS
Model Year: 1999

Make: MERCEDES BENZ Model: M CLASS

Model Year: 1999

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAR 26, 2003

NHTSA CAMPAIGN ID Number: 03V121000 NHTSA Action Number: PE03006

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
ON CERTAIN PASSENGER VEHICLES, THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 1999

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: SEP 16, 2008

NHTSA CAMPAIGN ID Number: 08V465000 NHTSA Action Number: RQ08002

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
MERCEDES-BENZ IS RECALLING 125,228 MY 1998-2004 M-CLASS VEHICLES. THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP. THIS COULD RESULT IN A LOSS OF CONTROL AND A CRASH WITHOUT WARNING.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 1999

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAR 31, 2011

NHTSA CAMPAIGN ID Number: 11V208000 NHTSA Action Number: PE10050

Component: VEHICLE SPEED CONTROL:CRUISE CONTROL

Summary:
MERCEDES-BENZ IS RECALLING CERTAIN MODEL YEAR 1999-2002 M-CLASS AND MODEL YEAR 2000-2003 M-CLASS AMG VEHICLES. THE CRUISE CONTROL SYSTEM IN THE AFFECTED VEHICLES ALLOWS THE DRIVER TO DISENGAGE THE SYSTEM IN A NUMBER OF WAYS, INCLUDING TAPPING THE BRAKE PEDAL, USING THE CRUISE CONTROL STALK, OR BRAKING THE VEHICLE ENOUGH TO REACH A CERTAIN RATE OF DECELERATION. MERCEDES-BENZ HAS DETERMINED THAT UNDER CERTAIN CIRCUMSTANCES USE OF THE BRAKE PEDAL MAY NOT AUTOMATICALLY DISENGAGE CRUISE CONTROL AS EXPECTED BY THE DRIVER, ALTHOUGH THE OTHER MEANS OF DEACTIVATING CRUISE CONTROL REMAIN FULLY OPERATIVE. SPECIFICALLY, WHERE THE DRIVER PUMPS THE BRAKES RATHER THAN APPLYING CONSISTENT PEDAL FORCE, THE LEVEL OF FORCE REQUIRED MAY BE UNUSUALLY HIGH.

Consequence:
DIFFICULTY OR DELAY IN DISENGAGING CRUISE CONTROL CAN INCREASE THE RISK OF A CRASH.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 1999

Manufacturer: MERCEDES-BENZ USA, INC. Mfr's Report Date: NOV 22, 1999

NHTSA CAMPAIGN ID Number: 99V328000 NHTSA Action Number: N/A

Component: SEAT BELTS:FRONT:ANCHORAGE

Summary:
VEHICLE DESCRIPTION: SPORT UTILITY VEHICLES. THE LATCHING MECHANISM ON THE SEAT BELT ASSEMBLY WAS NOT ASSEMBLED CORRECTLY. IF THE PLASTIC COVER IS LOOSE DURING THE ENGAGEMENT OF THE BUCKLE TONGUE TO THE LATCH MECHANISM, THE BUCKLE COULD UNLATCH.

Consequence:
IN THE EVENT OF A CRASH, THE SEAT OCCUPANT MAY NOT BE PROPERLY RESTRAINED, INCREASING THE RISK OF PERSONAL INJURY.

http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=1999&make=MERCEDES%2520BENZ&model=M%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=81543&PrintVersion=YES

2000

Report Date : July 31, 2012 at *07:42 AM*

Search Type : VEHICLE

Make: MERCEDES BENZ

Model or Model No.: E CLASS

Model Year: 2000

Make: MERCEDES BENZ
Model: E CLASS

Model Year: 2000

Manufacturer: MERCEDES-BENZ USA, LLC.
Mfr's Report Date: APR 15, 2001

NHTSA CAMPAIGN ID Number: 01I005000
NHTSA Action Number: RQ00013

Component: AIR BAGS:SIDE/WINDOW

Summary:
THIS IS NOT A SAFETY RECALL IN ACCORDANCE WITH THE SAFETY ACT. HOWEVER, IT IS DEEMED A SAFETY IMPROVEMENT CAMPAIGN BY THE AGENCY. VEHICLE DESCRIPTION: 2000 SLK AND E-CLASS VEHICLES. SIDE AIR BAG DEPLOYMENTS HAVE OCCURRED WHEN THE VEHICLE IS LEFT PARKED IN HIGH TEMPERATURES DURING WARMER MONTHS.

Link: http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2000&make=MERCEDES%2520BENZ&model=E%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=84119&PrintVersion=YES

Report Date : July 31, 2012 at **07:42 AM**

Search Type : VEHICLE

Make: MERCEDES BENZ

Model or Model No.: M CLASS

Model Year: 2000

Make: MERCEDES BENZ
Model: M CLASS

Model Year: 2000

Manufacturer: MERCEDES-BENZ USA, LLC.
Mfr's Report Date: JUL 25, 2000

NHTSA CAMPAIGN ID Number: 00V203000
NHTSA Action Number: N/A

Component: SEAT BELTS:FRONT:WARNING LIGHT/DEVICES

Potential Number of Units Affected: 4,354

Summary:
VEHICLE DESCRIPTION: CERTAIN PASSENGER VEHICLES FAIL TO CONFORM TO THE REQUIREMENTS OF FMVSS NO. 208, "OCCUPANT CRASH PROTECTION." AN AUDIBLE SEAT BELT BUZZER WARNING SOUNDS FOR APPROXIMATELY TWO SECONDS WHEN THE VEHICLE IGNITION IS TURNED

TO THE ON OR START POSITION AND THE DRIVER SEAT BELT IS FASTENED. THIS BUZZER ACTIVATION EXCEEDS THE LIMITATIONS SET FORTH IN THE STANDARD.

Consequence:
DRIVERS MAY BECOME CONFUSED REGARDING THE PURPOSE OF THE CHIME.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2000

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: OCT 27, 2000

NHTSA CAMPAIGN ID Number: 00V352000 NHTSA Action Number: N/A

Component: SEAT BELTS

Potential Number of Units Affected: 16,246

Summary:
VEHICLE DESCRIPTION: PASSENGER VEHICLES. THE SEAT BELT ANCHOR IN THE REAR FOLDING MIDDLE SEATING POSITION MAY HAVE BEEN MANUFACTURED WITH OUT-OF-TOLERANCE HARDWARE.

Consequence:
IF THIS IS THE CASE, THE SEAT BELT ANCHOR MAY NOT COMPLY WITH FEDERAL MOTOR VEHICLE SAFETY STANDARDS.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2000

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAR 26, 2003

NHTSA CAMPAIGN ID Number: 03V121000 NHTSA Action Number: PE03006

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
ON CERTAIN PASSENGER VEHICLES, THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2000

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: SEP 16, 2008

NHTSA CAMPAIGN ID Number: 08V465000 NHTSA Action Number: RQ08002

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
MERCEDES-BENZ IS RECALLING 125,228 MY 1998-2004 M-CLASS VEHICLES. THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP. THIS COULD RESULT IN A LOSS OF CONTROL AND A CRASH WITHOUT WARNING.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2000

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAR 31, 2011

NHTSA CAMPAIGN ID Number: 11V208000 NHTSA Action Number: PE10050

Component: VEHICLE SPEED CONTROL:CRUISE CONTROL

Summary:
MERCEDES-BENZ IS RECALLING CERTAIN MODEL YEAR 1999-2002 M-CLASS AND MODEL YEAR 2000-2003 M-CLASS AMG VEHICLES. THE CRUISE CONTROL SYSTEM IN THE AFFECTED VEHICLES ALLOWS THE DRIVER TO DISENGAGE THE SYSTEM IN A NUMBER OF WAYS, INCLUDING TAPPING THE BRAKE PEDAL, USING THE CRUISE CONTROL STALK, OR BRAKING THE VEHICLE ENOUGH TO REACH A CERTAIN RATE OF DECELERATION. MERCEDES-BENZ HAS DETERMINED THAT UNDER CERTAIN CIRCUMSTANCES USE OF THE BRAKE PEDAL MAY NOT AUTOMATICALLY DISENGAGE CRUISE CONTROL AS EXPECTED BY THE DRIVER, ALTHOUGH THE OTHER MEANS OF DEACTIVATING CRUISE CONTROL REMAIN FULLY OPERATIVE. SPECIFICALLY, WHERE THE DRIVER PUMPS THE BRAKES RATHER THAN APPLYING CONSISTENT PEDAL FORCE, THE LEVEL OF FORCE REQUIRED MAY BE UNUSUALLY HIGH.

Consequence:
DIFFICULTY OR DELAY IN DISENGAGING CRUISE CONTROL CAN INCREASE THE RISK OF A CRASH.

Link: http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2000&make=MERCEDES%2520BENZ&model=M%20CLASS&component_id=0&

TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=84569&PrintVersion=YES

2001

Report Date :	July 31, 2012 at **07:52 AM**
Search Type :	VEHICLE
Make:	MERCEDES BENZ
Model or Model No.:	M CLASS
Model Year:	2001

Make: MERCEDES BENZ
Model: M CLASS

Model Year: 2001

Manufacturer: MERCEDES-BENZ USA, LLC.
Mfr's Report Date: FEB 21, 2001

NHTSA CAMPAIGN ID Number: 01V061000
NHTSA Action Number: N/A

Component: ELECTRICAL SYSTEM:WIRING

Potential Number of Units Affected: 377

Summary:
VEHICLE DESCRIPTION: PASSENGER VEHICLES. CERTAIN ALL ACTIVITY MODULE II (AAM II) COULD HAVE A SUB-COMPONENT THAT COULD CAUSE THE MODULE TO INTERMITTENTLY NOT FUNCTION PROPERLY. THE AAM II CONTROLS A NUMBER OF SYSTEMS INCLUDING THE HIGH BEAM LIGHTS, INSTRUMENT CLUSTER, DOOR LOCKS, AND WIPER SYSTEMS.

Consequence:
THIS CONDITION COULD CAUSE AN INTERMITTENT NON-FUNCTIONING OF THESE SYSTEMS.

Make: MERCEDES BENZ
Model: M CLASS

Model Year: 2001

Manufacturer: MERCEDES-BENZ USA, LLC.
Mfr's Report Date: MAR 26, 2003

NHTSA CAMPAIGN ID Number: 03V121000
NHTSA Action Number: PE03006

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
ON CERTAIN PASSENGER VEHICLES, THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2001

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: SEP 16, 2008

NHTSA CAMPAIGN ID Number: 08V465000 NHTSA Action Number: RQ08002

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
MERCEDES-BENZ IS RECALLING 125,228 MY 1998-2004 M-CLASS VEHICLES. THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP. THIS COULD RESULT IN A LOSS OF CONTROL AND A CRASH WITHOUT WARNING.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2001

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAR 31, 2011

NHTSA CAMPAIGN ID Number: 11V208000 NHTSA Action Number: PE10050

Component: VEHICLE SPEED CONTROL:CRUISE CONTROL

Summary:
MERCEDES-BENZ IS RECALLING CERTAIN MODEL YEAR 1999-2002 M-CLASS AND MODEL YEAR 2000-2003 M-CLASS AMG VEHICLES. THE CRUISE CONTROL SYSTEM IN THE AFFECTED VEHICLES ALLOWS THE DRIVER TO DISENGAGE THE SYSTEM IN A NUMBER OF WAYS, INCLUDING TAPPING THE BRAKE PEDAL, USING THE CRUISE CONTROL STALK, OR BRAKING THE VEHICLE ENOUGH TO REACH A CERTAIN RATE OF DECELERATION. MERCEDES-BENZ HAS DETERMINED THAT UNDER CERTAIN CIRCUMSTANCES USE OF THE BRAKE PEDAL MAY NOT AUTOMATICALLY DISENGAGE CRUISE CONTROL AS EXPECTED BY THE DRIVER, ALTHOUGH THE OTHER MEANS OF DEACTIVATING CRUISE CONTROL REMAIN FULLY OPERATIVE. SPECIFICALLY, WHERE THE DRIVER PUMPS THE BRAKES RATHER THAN APPLYING CONSISTENT PEDAL FORCE, THE LEVEL OF FORCE REQUIRED MAY BE UNUSUALLY HIGH.

Consequence:
DIFFICULTY OR DELAY IN DISENGAGING CRUISE CONTROL CAN INCREASE THE RISK OF A CRASH.

Link: http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2001&make=MERCEDES%2520BENZ&model=M%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=92709&PrintVersion=YES

2002

Report Date :	July 31, 2012 at **07:54 AM**
Search Type :	VEHICLE
Make:	MERCEDES BENZ
Model or Model No.:	M CLASS
Model Year:	2002

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2002

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: FEB 13, 2002

NHTSA CAMPAIGN ID Number: 02V058000 NHTSA Action Number: N/A

Component: TIRES:SIDEWALL

Potential Number of Units Affected: 172

Summary:

CERTAIN PASSENGER VEHICLES EQUIPPED WITH DUNLOP SP5000 TIRES. SOME OF THESE TIRES HAVE A SEPARATION AROUND THE ENTIRE CIRCUMFERENCE IN THE AREA OF THE SIDE WALL AND TREAD.

Consequence:

THIS COULD RESULT IN PREMATURE TIRE WEAR.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2002

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: JUL 26, 2002

NHTSA CAMPAIGN ID Number: 02V203000 NHTSA Action Number: N/A

Component: SEAT BELTS:FRONT:WARNING LIGHT/DEVICES

Potential Number of Units Affected: 3,603

Summary:

CERTAIN PASSENGER VEHICLES FAIL TO COMPLY WITH THE REQUIREMENTS OF FEDERAL MOTOR VEHICLE SAFETY STANDARD NO. 208, S7.3, "OCCUPANT CRASH PROTECTION." THE SEAT BELT CHIMES MAY NOT FUNCTION AS DESIGNED AND IS NOT CONSISTENT WITH THE REQUIREMENTS OF THE STANDARD.

Consequence:

IF THE DRIVER BUCKLES HIS SEAT BELT PRIOR TO STARTING THE VEHICLE, THE CHIME WILL NOT SOUND AT ALL WHEN THE VEHICLE IS STARTED.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2002

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAR 26, 2003

NHTSA CAMPAIGN ID Number: 03V121000 NHTSA Action Number: PE03006

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
ON CERTAIN PASSENGER VEHICLES, THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2002

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: SEP 16, 2008

NHTSA CAMPAIGN ID Number: 08V465000 NHTSA Action Number: RQ08002

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
MERCEDES-BENZ IS RECALLING 125,228 MY 1998-2004 M-CLASS VEHICLES. THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP. THIS COULD RESULT IN A LOSS OF CONTROL AND A CRASH WITHOUT WARNING.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2002

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAR 31, 2011

NHTSA CAMPAIGN ID Number: 11V208000 NHTSA Action Number: PE10050

Component: VEHICLE SPEED CONTROL:CRUISE CONTROL

Summary:
MERCEDES-BENZ IS RECALLING CERTAIN MODEL YEAR 1999-2002 M-CLASS AND MODEL YEAR 2000-2003 M-CLASS AMG VEHICLES. THE CRUISE CONTROL SYSTEM IN THE AFFECTED VEHICLES ALLOWS THE DRIVER TO DISENGAGE THE SYSTEM IN A NUMBER OF WAYS, INCLUDING TAPPING THE BRAKE PEDAL, USING THE CRUISE CONTROL STALK, OR BRAKING THE VEHICLE ENOUGH TO REACH A CERTAIN RATE OF DECELERATION. MERCEDES-BENZ HAS DETERMINED THAT UNDER CERTAIN CIRCUMSTANCES USE OF THE BRAKE PEDAL MAY NOT AUTOMATICALLY DISENGAGE CRUISE CONTROL AS EXPECTED BY THE DRIVER, ALTHOUGH THE OTHER MEANS OF DEACTIVATING CRUISE CONTROL REMAIN FULLY OPERATIVE. SPECIFICALLY, WHERE THE DRIVER PUMPS THE BRAKES RATHER THAN APPLYING CONSISTENT PEDAL FORCE, THE LEVEL OF FORCE REQUIRED MAY BE UNUSUALLY HIGH.

Consequence:
DIFFICULTY OR DELAY IN DISENGAGING CRUISE CONTROL CAN INCREASE THE RISK OF A CRASH.

Link: http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2002&make=MERCEDES%2520BENZ&model=M%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=97548&PrintVersion=YES
2003

Report Date :	July 31, 2012 at *07:55 AM*
Search Type :	VEHICLE
Make:	MERCEDES BENZ
Model or Model No.:	E CLASS
Model Year:	2003

Make: MERCEDES BENZ　　Model: E CLASS

Model Year: 2003

Manufacturer: MERCEDES-BENZ USA, LLC.　　Mfr's Report Date: AUG 01, 2003

NHTSA CAMPAIGN ID Number: 03V289000　　NHTSA Action Number: N/A

Component: STEERING

Potential Number of Units Affected: 554

Summary:
ON CERTAIN PASSENGER VEHICLES, THE NUT ON THE BOLT WHICH CONNECTS THE STEERING GEAR TO THE STEERING COUPLING MAY NOT BE TIGHTENED CORRECTLY.

Consequence:
THE LOOSENING OF THE NUT COULD RESULT IN A SLIPPING OF THE

CONNECTION OVER TIME, INCREASING THE RISK OF A CRASH.

Make: MERCEDES BENZ
Model: E CLASS
Model Year: 2003
Manufacturer: MERCEDES-BENZ USA, LLC.
Mfr's Report Date: JUN 22, 2004
NHTSA CAMPAIGN ID Number: 04V296000
NHTSA Action Number: N/A
Component: SERVICE BRAKES, HYDRAULIC

Summary:
ON CERTAIN VEHICLES, THE ELECTRONIC MONITORING SYSTEM OF THE SENSOTRONIC BRAKE CONTROL (SBC) IS DESIGNED TO MONITOR THE PRESSURE GRADIENT WITHIN THE HIGH PRESSURE LINE OF THE BRAKE SYSTEM. IF AN UNACCEPTABLE PRESSURE GRADIENT IS DETECTED, THE SYSTEM WILL SWITCH, AS IT IS DESIGNED TO DO, INTO THE HYDRAULIC FUNCTION MODE.

Consequence:
IF VEHICLES ARE NOT ROUTINELY SERVICED AND HAVE EXTREMELY HIGH MILEAGE COMBINED WITH A HIGH NUMBER OF BRAKE ACTUATIONS, OR A HIGH BRAKE ACTUATION FREQUENCY, THE PUMP MOTOR OF THE SBC MAY RUN OUT OF PERMISSIBLE TOLERANCES, THEREBY TRIGGERING THE HYDRAULIC FUNCTION MODE.

Make: MERCEDES BENZ
Model: E CLASS
Model Year: 2003
Manufacturer: MERCEDES-BENZ USA, LLC.
Mfr's Report Date: MAR 31, 2005
NHTSA CAMPAIGN ID Number: 05V133000
NHTSA Action Number: N/A
Component: SERVICE BRAKES, HYDRAULIC

Summary:
ON CERTAIN VEHICLES, THE SENSOTRONIC BRAKE CONTROL (SBC) SYSTEM MAY PREMATURELY SHIFT TO THE HYDRAULIC BACK-UP FUNCTION MODE, DUE TO DETERIORATION OF THE WIRING HARNESS CONNECTION, OR DUE TO PREMATURE FAILURE OF THE HYDRAULIC PUMP.

Consequence:
IN THE HYDRAULIC BACK-UP MODE, THE DRIVER HAS BRAKING POWER SUFFICIENT TO STOP THE VEHICLE, ALTHOUGH GREATER BRAKE PEDAL PRESSURE IS REQUIRED AND THE BRAKE PEDAL TRAVEL WILL BE NOTICEABLY LONGER.

Make: MERCEDES BENZ
Model: E CLASS

Model Year: 2003

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: JUL 03, 2008

NHTSA CAMPAIGN ID Number: 08V303000 NHTSA Action Number: N/A

Component: ELECTRICAL SYSTEM

Summary:
MERCEDES-BENZ IS RECALLING MY 2006-2008 M-CLASS, R-CLASS, MY 2005-2009 SLK-CLASS, MY 2005-2008 C-CLASS, MY 2003-2004 AND 2006-2008 CLK-CLASS, MY 2003-2008 E-CLASS, MY 2004 AND 2008 CL-CLASS, MY 2008 CLS-CLASS, MY 2004 AND 2007-2008 S-CLASS, MY 2003 G-CLASS, AND MY 2003-2004, 2006 AND 2009 SL-CLASS VEHICLES. A SOFTWARE CALIBRATION NUMBER (SCN) CODING RECEIVED ON THE AFFECTED VEHICLES DURING A RECENT WORKSHOP VISIT WAS INCORRECT. DEPENDING ON THE MODEL YEAR AND MODEL AFFECTED, THE RESULTS OF AN INCORRECT SCN CODING CAN AFFECT A NUMBER OF VEHICLE SAFETY AND EMISSION FUNCTIONS INCLUDING THE FOLLOWING TYPES OF FUNCTIONS: (1) THE FUEL GAUGE READINGS MAY BE INCORRECT; (2) A STUCK FUEL-LEVEL SENSOR MAY NOT BE DISPLAYED IN THE INSTRUMENT CLUSTER; (3) THE OBD SYSTEM MAY CAUSE THE CHECK ENGINE LIGHT TO ILLUMINATE INCORRECTLY; AND, (4) THE SPEEDOMETER MAY BE OUT OF TOLERANCE.

Consequence:
IN THE EVENT OF A VEHICLE CRASH, THE ELECTRICAL FUEL PUMP MAY NOT RECEIVE A CRASH SIGNAL THAT IS REQUIRED FOR THE FUEL PUMP TO DISCONNECT AND PREVENT FUTURE FUEL DELIVERY AS DESIGNED.

Link: http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2003&make=MERCEDES%2520BENZ&model=E%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=104131&PrintVersion=YES

Report Date : July 31, 2012 at **07:56 AM**
Search Type : VEHICLE
Make: MERCEDES BENZ
Model or Model No.: M CLASS
Model Year: 2003

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2003

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAR 26, 2003

NHTSA CAMPAIGN ID Number: 03V121000 NHTSA Action Number: PE03006

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
ON CERTAIN PASSENGER VEHICLES, THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2003

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: SEP 16, 2008

NHTSA CAMPAIGN ID Number: 08V465000 NHTSA Action Number: RQ08002

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:
MERCEDES-BENZ IS RECALLING 125,228 MY 1998-2004 M-CLASS VEHICLES. THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:
THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP. THIS COULD RESULT IN A LOSS OF CONTROL AND A CRASH WITHOUT WARNING.

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2003

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAR 31, 2011

NHTSA CAMPAIGN ID Number: 11V208000 NHTSA Action Number: PE10050

Component: VEHICLE SPEED CONTROL:CRUISE CONTROL

Summary:
MERCEDES-BENZ IS RECALLING CERTAIN MODEL YEAR 1999-2002 M-CLASS AND MODEL YEAR 2000-2003 M-CLASS AMG VEHICLES. THE CRUISE CONTROL SYSTEM IN THE AFFECTED VEHICLES ALLOWS THE DRIVER TO DISENGAGE THE SYSTEM IN A NUMBER OF WAYS, INCLUDING TAPPING THE BRAKE PEDAL, USING THE CRUISE CONTROL STALK, OR BRAKING THE VEHICLE

ENOUGH TO REACH A CERTAIN RATE OF DECELERATION. MERCEDES-BENZ HAS DETERMINED THAT UNDER CERTAIN CIRCUMSTANCES USE OF THE BRAKE PEDAL MAY NOT AUTOMATICALLY DISENGAGE CRUISE CONTROL AS EXPECTED BY THE DRIVER, ALTHOUGH THE OTHER MEANS OF DEACTIVATING CRUISE CONTROL REMAIN FULLY OPERATIVE. SPECIFICALLY, WHERE THE DRIVER PUMPS THE BRAKES RATHER THAN APPLYING CONSISTENT PEDAL FORCE, THE LEVEL OF FORCE REQUIRED MAY BE UNUSUALLY HIGH.

Consequence:
DIFFICULTY OR DELAY IN DISENGAGING CRUISE CONTROL CAN INCREASE THE RISK OF A CRASH.

Link: http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2003&make=MERCEDES%2520BENZ&model=M%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=104566&PrintVersion=YES

2004

Report Date :	July 31, 2012 at *07:57 AM*
Search Type :	VEHICLE
Make:	MERCEDES BENZ
Model or Model No.:	E CLASS
Model Year:	2004

Make: MERCEDES BENZ | Model: E CLASS

Model Year: 2004

Manufacturer: MERCEDES-BENZ USA, LLC. | Mfr's Report Date: DEC 17, 2003

NHTSA CAMPAIGN ID Number: 03V534000 | NHTSA Action Number: N/A

Component: SEAT BELTS

Summary:
ON CERTAIN PASSENGER VEHICLES, SOME SEAT BELT BUCKLES MAY HAVE A BURR ON A METAL COMPONENT OF THE LOCKING MECHANISM. THE PRESENCE OF THE BURR COULD PREVENT THE SEAT BELT FROM LOCKING UNDER CERTAIN CIRCUMSTANCES.

Consequence:
IN THE EVENT OF A CRASH, THE SEAT OCCUPANT MAY NOT BE PROPERLY RESTRAINED, INCREASING THE RISK OF INJURY.

Make: MERCEDES BENZ | Model: E CLASS

Model Year: 2004

Manufacturer: MERCEDES-BENZ USA, LLC. | Mfr's Report Date: JUN 22, 2004

NHTSA CAMPAIGN ID Number: 04V296000 | NHTSA Action Number: N/A

Component: SERVICE BRAKES, HYDRAULIC

Summary:
ON CERTAIN VEHICLES, THE ELECTRONIC MONITORING SYSTEM OF THE SENSOTRONIC BRAKE CONTROL (SBC) IS DESIGNED TO MONITOR THE PRESSURE GRADIENT WITHIN THE HIGH PRESSURE LINE OF THE BRAKE SYSTEM. IF AN UNACCEPTABLE PRESSURE GRADIENT IS DETECTED, THE SYSTEM WILL SWITCH, AS IT IS DESIGNED TO DO, INTO THE HYDRAULIC FUNCTION MODE.

Consequence:
IF VEHICLES ARE NOT ROUTINELY SERVICED AND HAVE EXTREMELY HIGH MILEAGE COMBINED WITH A HIGH NUMBER OF BRAKE ACTUATIONS, OR A HIGH BRAKE ACTUATION FREQUENCY, THE PUMP MOTOR OF THE SBC MAY RUN OUT OF PERMISSIBLE TOLERANCES, THEREBY TRIGGERING THE HYDRAULIC FUNCTION MODE.

Remedy:
DEALERS WILL INSPECT THE SBC HYDRAULIC UNIT, REPLACING IT IF NECESSARY. THE RECALL BEGAN ON OCTOBER 21M 2004. OWNERS SHOULD CONTACT MERCEDES-BENZ AT 1-800-367-6372.

Notes:
MERCEDES-BENZ RECALL NO. 2004 050014. CUSTOMERS CAN ALSO CONTACT THE NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION'S AUTO SAFETY HOTLINE AT 1-888-DASH-2-DOT (1-888-327-4236).

Make: MERCEDES BENZ | Model: E CLASS

Model Year: 2004

Manufacturer: MERCEDES-BENZ USA, LLC. | Mfr's Report Date: MAR 31, 2005

NHTSA CAMPAIGN ID Number: 05V133000 | NHTSA Action Number: N/A

Component: SERVICE BRAKES, HYDRAULIC

Summary:
ON CERTAIN VEHICLES, THE SENSOTRONIC BRAKE CONTROL (SBC) SYSTEM MAY PREMATURELY SHIFT TO THE HYDRAULIC BACK-UP FUNCTION MODE, DUE TO DETERIORATION OF THE WIRING HARNESS CONNECTION, OR DUE TO PREMATURE FAILURE OF THE HYDRAULIC PUMP.

Consequence:
IN THE HYDRAULIC BACK-UP MODE, THE DRIVER HAS BRAKING POWER SUFFICIENT TO STOP THE VEHICLE, ALTHOUGH GREATER BRAKE PEDAL PRESSURE IS REQUIRED AND THE BRAKE PEDAL TRAVEL WILL BE NOTICEABLY LONGER.

Make: MERCEDES BENZ | Model: E CLASS

Model Year: 2004

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: JUL 03, 2008

NHTSA CAMPAIGN ID Number: 08V303000 NHTSA Action Number: N/A

Component: ELECTRICAL SYSTEM

Summary:
MERCEDES-BENZ IS RECALLING MY 2006-2008 M-CLASS, R-CLASS, MY 2005-2009 SLK-CLASS, MY 2005-2008 C-CLASS, MY 2003-2004 AND 2006-2008 CLK-CLASS, MY 2003-2008 E-CLASS, MY 2004 AND 2008 CL-CLASS, MY 2008 CLS-CLASS, MY 2004 AND 2007-2008 S-CLASS, MY 2003 G-CLASS, AND MY 2003-2004, 2006 AND 2009 SL-CLASS VEHICLES. A SOFTWARE CALIBRATION NUMBER (SCN) CODING RECEIVED ON THE AFFECTED VEHICLES DURING A RECENT WORKSHOP VISIT WAS INCORRECT. DEPENDING ON THE MODEL YEAR AND MODEL AFFECTED, THE RESULTS OF AN INCORRECT SCN CODING CAN AFFECT A NUMBER OF VEHICLE SAFETY AND EMISSION FUNCTIONS INCLUDING THE FOLLOWING TYPES OF FUNCTIONS: (1) THE FUEL GAUGE READINGS MAY BE INCORRECT; (2) A STUCK FUEL-LEVEL SENSOR MAY NOT BE DISPLAYED IN THE INSTRUMENT CLUSTER; (3) THE OBD SYSTEM MAY CAUSE THE CHECK ENGINE LIGHT TO ILLUMINATE INCORRECTLY; AND, (4) THE SPEEDOMETER MAY BE OUT OF TOLERANCE.

Consequence:
IN THE EVENT OF A VEHICLE CRASH, THE ELECTRICAL FUEL PUMP MAY NOT RECEIVE A CRASH SIGNAL THAT IS REQUIRED FOR THE FUEL PUMP TO DISCONNECT AND PREVENT FUTURE FUEL DELIVERY AS DESIGNED.

Link: http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2004&make=MERCEDES%2520BENZ&model=E%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=112855&PrintVersion=YES

Report Date :	July 31, 2012 at *07:57 AM*
Search Type :	VEHICLE
Make:	MERCEDES BENZ
Model or Model No.:	M CLASS
Model Year:	2004

Make: MERCEDES BENZ Model: M CLASS

Model Year: 2004

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: SEP 16, 2008

NHTSA CAMPAIGN ID Number: 08V465000 NHTSA Action Number: RQ08002

Component: STEERING:HYDRAULIC POWER ASSIST:HOSE, PIPING, AND CONNECTIONS

Summary:

MERCEDES-BENZ IS RECALLING 125,228 MY 1998-2004 M-CLASS VEHICLES. THE HOSE CLAMP USED TO SECURE THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:

THE LOSS OF POWER STEERING FLUID MAY RESULT IN DIMINISHED POWER STEERING OVER TIME AND ULTIMATELY CAN DAMAGE THE POWER STEERING PUMP. THIS COULD RESULT IN A LOSS OF CONTROL AND A CRASH WITHOUT WARNING.

http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2004&make=MERCEDES%2520BENZ&model=M%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=494774&PrintVersion=YES

2005

Report Date :	July 31, 2012 at *07:58 AM*
Search Type :	VEHICLE
Make:	MERCEDES BENZ
Model or Model No.:	E CLASS
Model Year:	2005

Make: MERCEDES BENZ

Model: E CLASS

Model Year: 2005

Manufacturer: MERCEDES-BENZ USA, LLC.

Mfr's Report Date: JUN 22, 2004

NHTSA CAMPAIGN ID Number: 04V296000

NHTSA Action Number: N/A

Component: SERVICE BRAKES, HYDRAULIC

Summary:

ON CERTAIN VEHICLES, THE ELECTRONIC MONITORING SYSTEM OF THE SENSOTRONIC BRAKE CONTROL (SBC) IS DESIGNED TO MONITOR THE PRESSURE GRADIENT WITHIN THE HIGH PRESSURE LINE OF THE BRAKE SYSTEM. IF AN UNACCEPTABLE PRESSURE GRADIENT IS DETECTED, THE SYSTEM WILL SWITCH, AS IT IS DESIGNED TO DO, INTO THE HYDRAULIC FUNCTION MODE.

Consequence:

IF VEHICLES ARE NOT ROUTINELY SERVICED AND HAVE EXTREMELY HIGH MILEAGE COMBINED WITH A HIGH NUMBER OF BRAKE ACTUATIONS, OR A HIGH BRAKE ACTUATION FREQUENCY, THE PUMP MOTOR OF THE SBC MAY RUN OUT OF PERMISSIBLE TOLERANCES, THEREBY TRIGGERING THE HYDRAULIC FUNCTION MODE.

Make: MERCEDES BENZ

Model: E CLASS

Model Year: 2005

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAR 31, 2005

NHTSA CAMPAIGN ID Number: 05V133000 NHTSA Action Number: N/A

Component: SERVICE BRAKES, HYDRAULIC

Summary:
ON CERTAIN VEHICLES, THE SENSOTRONIC BRAKE CONTROL (SBC) SYSTEM MAY PREMATURELY SHIFT TO THE HYDRAULIC BACK-UP FUNCTION MODE, DUE TO DETERIORATION OF THE WIRING HARNESS CONNECTION, OR DUE TO PREMATURE FAILURE OF THE HYDRAULIC PUMP.

Consequence:
IN THE HYDRAULIC BACK-UP MODE, THE DRIVER HAS BRAKING POWER SUFFICIENT TO STOP THE VEHICLE, ALTHOUGH GREATER BRAKE PEDAL PRESSURE IS REQUIRED AND THE BRAKE PEDAL TRAVEL WILL BE NOTICEABLY LONGER.

Make: MERCEDES BENZ Model: E CLASS

Model Year: 2005

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: JUL 03, 2008

NHTSA CAMPAIGN ID Number: 08V303000 NHTSA Action Number: N/A

Component: ELECTRICAL SYSTEM

Summary:
MERCEDES-BENZ IS RECALLING MY 2006-2008 M-CLASS, R-CLASS, MY 2005-2009 SLK-CLASS, MY 2005-2008 C-CLASS, MY 2003-2004 AND 2006-2008 CLK-CLASS, MY 2003-2008 E-CLASS, MY 2004 AND 2008 CL-CLASS, MY 2008 CLS-CLASS, MY 2004 AND 2007-2008 S-CLASS, MY 2003 G-CLASS, AND MY 2003-2004, 2006 AND 2009 SL-CLASS VEHICLES. A SOFTWARE CALIBRATION NUMBER (SCN) CODING RECEIVED ON THE AFFECTED VEHICLES DURING A RECENT WORKSHOP VISIT WAS INCORRECT. DEPENDING ON THE MODEL YEAR AND MODEL AFFECTED, THE RESULTS OF AN INCORRECT SCN CODING CAN AFFECT A NUMBER OF VEHICLE SAFETY AND EMISSION FUNCTIONS INCLUDING THE FOLLOWING TYPES OF FUNCTIONS: (1) THE FUEL GAUGE READINGS MAY BE INCORRECT; (2) A STUCK FUEL-LEVEL SENSOR MAY NOT BE DISPLAYED IN THE INSTRUMENT CLUSTER; (3) THE OBD SYSTEM MAY CAUSE THE CHECK ENGINE LIGHT TO ILLUMINATE INCORRECTLY; AND, (4) THE SPEEDOMETER MAY BE OUT OF TOLERANCE.

Consequence:
IN THE EVENT OF A VEHICLE CRASH, THE ELECTRICAL FUEL PUMP MAY NOT RECEIVE A CRASH SIGNAL THAT IS REQUIRED FOR THE FUEL PUMP TO DISCONNECT AND PREVENT FUTURE FUEL DELIVERY AS DESIGNED.

Link: http://www-

odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2005&make=MERCEDES%2520BENZ&model=E%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=114724&PrintVersion=YES
2006

Report Date :	July 31, 2012 at *07:59 AM*
Search Type :	VEHICLE
Make:	MERCEDES BENZ
Model or Model No.:	E CLASS
Model Year:	2006

Make: MERCEDES BENZ
Model: E CLASS
Model Year: 2006
Manufacturer: MERCEDES-BENZ USA, LLC.
Mfr's Report Date: JUL 03, 2008
NHTSA CAMPAIGN ID Number: 08V303000
NHTSA Action Number: N/A
Component: ELECTRICAL SYSTEM

Summary:
MERCEDES-BENZ IS RECALLING MY 2006-2008 M-CLASS, R-CLASS, MY 2005-2009 SLK-CLASS, MY 2005-2008 C-CLASS, MY 2003-2004 AND 2006-2008 CLK-CLASS, MY 2003-2008 E-CLASS, MY 2004 AND 2008 CL-CLASS, MY 2008 CLS-CLASS, MY 2004 AND 2007-2008 S-CLASS, MY 2003 G-CLASS, AND MY 2003-2004, 2006 AND 2009 SL-CLASS VEHICLES. A SOFTWARE CALIBRATION NUMBER (SCN) CODING RECEIVED ON THE AFFECTED VEHICLES DURING A RECENT WORKSHOP VISIT WAS INCORRECT. DEPENDING ON THE MODEL YEAR AND MODEL AFFECTED, THE RESULTS OF AN INCORRECT SCN CODING CAN AFFECT A NUMBER OF VEHICLE SAFETY AND EMISSION FUNCTIONS INCLUDING THE FOLLOWING TYPES OF FUNCTIONS: (1) THE FUEL GAUGE READINGS MAY BE INCORRECT; (2) A STUCK FUEL-LEVEL SENSOR MAY NOT BE DISPLAYED IN THE INSTRUMENT CLUSTER; (3) THE OBD SYSTEM MAY CAUSE THE CHECK ENGINE LIGHT TO ILLUMINATE INCORRECTLY; AND, (4) THE SPEEDOMETER MAY BE OUT OF TOLERANCE.

Consequence:
IN THE EVENT OF A VEHICLE CRASH, THE ELECTRICAL FUEL PUMP MAY NOT RECEIVE A CRASH SIGNAL THAT IS REQUIRED FOR THE FUEL PUMP TO DISCONNECT AND PREVENT FUTURE FUEL DELIVERY AS DESIGNED.

Link: http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2006&make=MERCEDES%2520BENZ&model=E%20CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=418772&PrintVersion=YES

Report Date :	July 31, 2012 at *08:00 AM*
Search Type :	VEHICLE
Make:	MERCEDES BENZ
Model or Model No.:	M-CLASS

Make: MERCEDES BENZ Model: M-CLASS

Model Year: 2006

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: MAY 13, 2005

NHTSA CAMPAIGN ID Number: 05V224000 NHTSA Action Number: N/A

Component: STEERING:HYDRAULIC POWER ASSIST SYSTEM

Potential Number of Units Affected: 7,191

Summary:

ON CERTAIN PASSENGER VEHICLES, A HOSE CLAMP THAT SECURES THE POWER STEERING FLUID COOLING HOSE TO THE POWER STEERING FLUID COOLER MAY NOT PROVIDE SUFFICIENT CLAMPING FORCE FOR THIS CONNECTION.

Consequence:

A LOSS OF POWER STEERING FLUID CAN DAMAGE THE POWER STEERING PUMP AND MAY RESULT IN DIMINISHED POWER ASSIST FOR STEERING WHICH COULD LEAD TO A CRASH.

Make: MERCEDES BENZ Model: M-CLASS

Model Year: 2006

Manufacturer: MERCEDES-BENZ USA, LLC. Mfr's Report Date: JUL 03, 2008

NHTSA CAMPAIGN ID Number: 08V303000 NHTSA Action Number: N/A

Component: ELECTRICAL SYSTEM

Summary:

MERCEDES-BENZ IS RECALLING MY 2006-2008 M-CLASS, R-CLASS, MY 2005-2009 SLK-CLASS, MY 2005-2008 C-CLASS, MY 2003-2004 AND 2006-2008 CLK-CLASS, MY 2003-2008 E-CLASS, MY 2004 AND 2008 CL-CLASS, MY 2008 CLS-CLASS, MY 2004 AND 2007-2008 S-CLASS, MY 2003 G-CLASS, AND MY 2003-2004, 2006 AND 2009 SL-CLASS VEHICLES. A SOFTWARE CALIBRATION NUMBER (SCN) CODING RECEIVED ON THE AFFECTED VEHICLES DURING A RECENT WORKSHOP VISIT WAS INCORRECT. DEPENDING ON THE MODEL YEAR AND MODEL AFFECTED, THE RESULTS OF AN INCORRECT SCN CODING CAN AFFECT A NUMBER OF VEHICLE SAFETY AND EMISSION FUNCTIONS INCLUDING THE FOLLOWING TYPES OF FUNCTIONS: (1) THE FUEL GAUGE READINGS MAY BE INCORRECT; (2) A STUCK FUEL-LEVEL SENSOR MAY NOT BE DISPLAYED IN THE INSTRUMENT CLUSTER; (3) THE OBD SYSTEM MAY CAUSE THE CHECK ENGINE LIGHT TO ILLUMINATE INCORRECTLY; AND, (4) THE SPEEDOMETER MAY BE OUT OF TOLERANCE.

Consequence:

IN THE EVENT OF A VEHICLE CRASH, THE ELECTRICAL FUEL PUMP MAY NOT RECEIVE A CRASH SIGNAL THAT IS REQUIRED FOR THE FUEL PUMP TO DISCONNECT AND PREVENT FUTURE FUEL DELIVERY AS DESIGNED.

Link: http://www-odi.nhtsa.dot.gov/recalls/recallresults.cfm?start=1&SearchType=DrillDown&type=VEHICLE&year=2006&make=MERCEDES%2520BENZ&model=M-CLASS&component_id=0&TYPENUM=1&SUBMIT=Retrieve%20Recalls&prod_id=206207&PrintVersion=YES

U.S. National Transportation Statistics Appendix

1.1. Retrieved from: http://www.bts.gov/publications/national_transportation_statistics/.

EIDESSTATTLICHE ERKLÄRUNG

Hiermit versichere ich, John Riach, die vorliegende Arbeit selbstständig und unter ausschließlicher Verwendung der angegebenen Literatur und Hilfsmittel erstellt zu haben. Alle Stellen, die wörtlich oder sinngemäß veröffentlichtem oder unveröffentlichtem Schrifttum entnommen sind, habe ich als solche kenntlich gemacht. Die Arbeit wurde bisher in gleicher oder ähnlicher Form keiner anderen Prüfungsbehörde vorgelegt und auch nicht veröffentlicht.

Paderborn, den 22.10. 2012