MERGER ANALYSIS ON GLOBAL AUTOMOTIVE INDUSTRY
A CASE STUDY AT DAIMLER-CHRYSLER AUTOMOTIVE COMPANY

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ABSTRACT
This research aims to analyzing merger on global automotive industries to find out the causes of merger failure in global automotive industry. This research used a case study at Daimler-Chrysler automotive company. The decision to committed a merger strategy had an impact on the Daimler-Chrysler company, mainly in cultural differences between Germany and United States of America, where the Daimler-Benz and Chrysler Corporation originated. This research used a literature study research method by using library research related to Daimler-Chrysler merger, with qualitative descriptive analysis techniques. The results of this research indicated that the agreement to do a merger strategy between Daimler-Benz and Chrysler Corporation was caused by cultural differences as a new Daimler-Chrysler company. It makes Daimler-Chrysler must be able to collaborate and synergized with each other for merger integration can be successful. However, this was not able to be done by Daimler-Chrysler, so the merger between Daimler-Chrysler was failed in the end.

Keywords: corporate strategy, merger, cultural differences, Daimler-Chrysler

INTRODUCTION
The world of business has grown rapidly and continues to change, which makes companies must to try harder to be able to compete and survive in the competition. Companies can achieve quality and excellence and should become a market leader in the business that they are engaged in. In order for the company’s goals can be realized efficiently, every decision that taken by the company should be aligned, corrected, and rooted by the company’s core vision and strategy, to provide value and fit with the expectations desired by stakeholders (Aldaoud, 2015).

A merger is one of the strategies in business that supposed to capable to solve the problems faced by a company. So, by combining two or more companies based on their own resources and capabilities, they can create a competitive advantage for the company (Hitt, Ireland, & Hoskisson, 2001).

Automotive industries, as one of the big manufactured industries, have the power to influence the laborers, trades, capital markets, and governance macroeconomic and also their own objectives. The automotive industry has deals with consolidation that began around the 20th century, with the acquisition of Vauxhall and Opel by General Motors (Warter & Warter, 2016).

A fierce business competition, increasing cost pressures, and necessary for companies to adapt business processes at the multinational level showing that the internationalization market was exists. Hence, many companies are doing merger and acquisition (M&A)
Because of the decision to do M&A, the companies should provide a benefit by got value-added than before did a merger (Edwin L. Miller, 2008).

This research aims to analyze the merger at Daimler-Chrysler global automotive company, by reviewing cultural differences that happened between Germany Company–Daimler-Benz and American Company–Chrysler Corporation.

**LITERATURE REVIEW**

**Corporate Strategy**

Corporate strategy is a long-term objective of an organization, as well as plans and actions to be taken so that objectives can be achieved (Lynch, 2006). It is also related to overall the organization to create a value, and an organization’s ability to add value in the organization (Johnson, Whittington, & Scholes, 2011). So, corporate strategy used as an objective of organization to take a plan and action for creating a value in organization.

**Merger**

A merger is one of the corporate strategies that two companies were committed to integrating their company’s operations based on the same objectives relatively (Hitt, Ireland, & Hoskisson, 2011). Besides, the merger strategy also involves two companies that they were usually in the same size and already have named, also there are shares that will be exchanged with the formation of a new company (Wheelen & Hunger, 2012).

**Internal Factor Environment**

An internal factor environment consists of variables (strengths and weaknesses) that exist in the organization and usually not in the short-term control from top management. These variables include structure, culture, and human resources (Hunger & Wheelen, 1996). Those variables combined to provide an unique competencies, which can enable the organization to achieved their competitive advantages.

**External Factor Environment**

The external factor environment consists of variables (opportunity and threat) that comes from outside the organization and not specifically under short-term control from top management. These variables have two parts, its work environment and social environment (Hunger & Wheelen, 1996). Those parts are not directly related to the short-term activities of organization, but can influence the long-term decisions of organization.

**Culture and Organizational Culture**

Culture is thought that distinguished people from a group that programmed collectively and groups people into several dimensions. These cultural dimensions include power distance, uncertainty avoidance, individualism, masculinity, long-term orientation, and indulgence (Hofstede, 2001).

Organizational culture is a perception that has been adopted and developed in an organization, as an organization member who has embraced the organization culture for a long time (Robbins, 1996). Therefore, organizational culture has the ability to handling people in the organization so that activities can be running.

**RESEARCH METHOD**

This research is a qualitative descriptive study that takes a place in global automotive industry, a case study in Daimler-Chrysler automotive company. The Daimler-Chrysler merger has been taken in 1998 to 2007. As stated before, there is a cultural difference in the
Hasanuddin Journal of Applied Business and Entrepreneurship (HJABE) Vol. 4 No. 1, 2021

merger between Daimler-Benz and Chrysler Corporation as reviewed from internal factors environment and external factors environment, and to find out the reasons for the failed Daimler-Chrysler merger. In this case, analyzing a case study uses a literature study research method, based on a case study and supporting literature about the Daimler-Chrysler merger. The population in this research as well as being a sample for this research based on research object, its Daimler-Chrysler. The method applied to determine the samples in this research by saturation sampling, its determination of the sample using the population as the sample. The types of data are qualitative and secondary data that was obtained from book, publication research, and official website about the Daimler-Chrysler merger. The data collection technique using library research with collecting literature related to the Daimler-Chrysler merger. The data analysis method that was used in this research is qualitative descriptive analysis. The qualitative descriptive analysis is used to explained about the analysis of the Daimler-Chrysler merger.

RESULTS

Chronology of Daimler-Chrysler Merger

Jurgen E. Schrempp, as the management board of Daimler-Benz, in America for the North American International Auto Show in Detroit, was met Robert J. Eaton as a President and CEO of Chrysler Corporation to discuss a merger between Daimler-Benz and Chrysler Corporation. Then, in May 1998, Daimler-Chrysler declared a merger agreement, also they announced their merger as “merger of equals” and formed a new leading automotive, transportation, and service company on global with a merger value of $39 billion. And then, in August 1998, Daimler-Chrysler announced that Daimler-Chrysler shares have traded as global shares, and the Daimler-Chrysler merger transaction was closed and began to trade on global stock exchanges on November 1998 with DCX for shares symbol (Blasko, Netter, & Joseph F. Sinkey, 2000).

Motivation about Daimler-Chrysler Merger

The merger strategy that was taken by Daimler-Benz and Chrysler Corporation might have difficulties when the merger processes. However, Daimler-Chrysler is optimistic that the merger deals will have tremendous opportunities for the company. Because they have a clear vision that makes Daimler-Chrysler different from other automotive companies. Daimler-Chrysler also has peoples who are dedicated to the company. Due to Daimler-Chrysler merger objectives are become a global provider of automotive and transportation products and services by delivering excellent value for Daimler-Chrysler customers, employees, and shareholders, and also a company that their shares traded on 21 stock exchanges around the world (DaimlerChrysler AG, 1998).

Discussion

A business organization influenced by their environment, the dynamic environment and everything can changes anytime that makes organization to takes a quick and accurate decision. Internal and external environment in organization make an impact in operational activities. Therefore, the managers should do a proper analysis about the internal and external environment to understand the situation in the organization.

The M&A strategy used by companies to expand their companies into a larger company, and gain new market shares (Cancialosi, 2017). The merger agreement between Daimler-Benz and Chrysler Corporation in 1998, was declared as “merger of equals”. It means, the merger agreement should have the same and in line goals (Hollmann, Carpes, & Beuron, 2010). Declaration about the merger of equals showing that Daimler-Chrysler
forming a new company as a strategy to enlarge its market share and expand a new market segment (Kenton, 2007).

On the other hand, the term “merger of equals” had been used by one of the partners as a tool for “psychological reason” (Brew, 2014). Its effect on domination by one partner that makes diminishing of trust to the partner company, due to “hidden plan” taking by others. It is showed by the decision taken by Stallkamp, as the President of Chrysler, was retired at the end of 1999, followed by James P. Holden as top-level executive Chrysler Group (Zhang & Stening, 2013).

One of the factors that determine the success of integration and performance after a merger is the cultural dynamic that happens in the company when an agreement has been taken (Groysberg, Lee, Price, & Cheng, 2018). Therefore, it is important for two companies who taken the merger to be synergized for others, because it will be created a new culture in the company in the process of merger (Goure, 2018).

German peoples, Daimler-Benz originated, were really conservative, the ability to work in a team but tended to be individualistic, and efficient, and also precise. Contrast with American peoples, Chrysler originated, were tended to be more open, more courageous and creative, but very individualistic (Hofstede Insight). Individualism in American society consisted because people in America were used to negotiating individually about their work (Hollmann, Carpes, & Beuron, 2010).

Hence, cultural differences that happened between Daimler-Chrysler allowed friction in the corporate environment. It makes Daimler-Chrysler must compromise each other through the merger integration process (Goure, 2018).

Conclusion

The case of Daimler-Benz and Chrysler Corporation, in which both companies were engaged in the automotive industry, as a global automotive company when taking a merger agreement raises many assumptions that make the competitors of Daimler-Chrysler worried about the market more concentrated and global automotive market were dominated by Daimler-Chrysler. However, along with their merger decision, cultural differences were the problem that arose by taking the merger agreement. It was affected by activities and performance in the company.

The “merger of equals” agreement that is taken by Daimler-Chrysler should be an equal merger so that the goals of the company to expand its market share can be achieved. On the other hand, the cultural differences that happen between Germany and United States required them to carry out merger integration to combining the vision and mission of two companies, so it can be diminishing the friction in the working environment. However, in reality, Daimler-Benz and Chrysler were unable to collaborate with each other. Because of that, the merger integration process was hampered that affected the failure of the Daimler-Chrysler merger strategy.

REFERENCES


