UNIVERSITI POLY-TECH MALAYSIA
UPTM

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)
BACHELOR OF BUSINESS ADMINISTRATION (HONOURS)
BACHELOR OF CORPORATE ADMINISTRATION (HONOURS)
BACHELOR OF BUSINESS ADMINISTRATION (HONOURS) HUMAN RESOURCE MANAGEMENT

COURSE	:	**STRATEGIC MANAGEMENT FOR ACCOUNTING / STRATEGIC MANAGEMENT**
COURSE CODE	:	**MGT4453 / MGT4343**
DURATION	:	**3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **THREE (3)** questions.
2. Answer ALL questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
   i. The Question Paper
   ii. An Answer Booklet
   iii. The Case Study title "Chrysler in Trouble "
4. Do not bring any material into the examination hall.
5. Please write your answer using permanent ink.

MYKAD / PASSPORT NO. : ____________________

ID. NO. : ____________________

LECTURER : ____________________

SECTION : ____________________

DO NOT OPEN THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 2 printed pages including the front page

Answer ALL questions.

1. As the operations manager of a manufacturing company, recent production delays and high defect rates have affected customer orders. You need to create a strategy to optimize operations and improve overall performance.

   Discuss **FOUR (4)** core processes involved in strategic management.

   (20 marks)

2. Answer the following questions based on the case titled **"Chrysler in Trouble"**:

   a. Demonstrate **ONE (1)** relevant situation for each element of the SWOT analysis: Strengths, Weaknesses, Opportunities, and Threats.

   (20 marks)

   b. Illustrate **TWO (2)** strategies that Chrysler has implemented at each level: corporate, business, and functional.

   (30 marks)

   c. Interpret **THREE (3)** strategy implementation actions has adopted to maintain its competitive position in the automotive industry.

   (15 marks)

   (Total: 65 marks)

3. A service company is experiencing decreasing profits, variable employee performance, and increasing customer complaints. As a strategic manager, discuss **THREE (3)** types of control that can help ensure the organization reaches its desired performance goals.

   (15 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER

CASE 17

Chrysler in Trouble

Barnali Chakraborty, under the direction of Vivek Gupta

"For too long, Chrysler moved too slowly to adapt to the future, designing and building cars that were less popular, less reliable and less fuel efficient than foreign competitors."[1]

BARACK HUSSAIN OBAMA
PRESIDENT OF THE UNITED STATES, IN APRIL 2009

"More than anything the consumers are very hesitant to do business with a manufacturer in bankruptcy."[2]

PETER GRADY
EXECUTIVE AT CHRYSLER, IN MAY 2009

"This partnership (with Fiat SpA) transforms Chrysler into a vibrant new company with a wealth of strategic advantages. It enables us to better serve our customers and dealers with a broader and more competitive line-up of environmentally friendly, fuel-efficient high-quality vehicles."[3]

BOB NARDELLI
CHAIRMAN AND CEO OF CHRYSLER LLC, IN MAY 2009

Chrysler Files for Bankruptcy

ON APRIL 30, 2009, CHRYSLER MOTORS LLC (CHRYSLER), the third largest automobile manufacturer in the United States, filed for bankruptcy protection under Section 363[4] of Chapter 11[5] of the U.S. bankruptcy code in the Manhattan Bankruptcy Court along with its 24 wholly-owned U.S. subsidiaries. As part of its bankruptcy filing, Chrysler announced that it would establish a global strategic alliance with Fiat SpA (Fiat).[6] It would create a new company in which Fiat would initially have a 20% stake, which would later be increased up to 35%. The Voluntary Employees' Benefit Association (VEBA)[7] would have a 55% stake in it and the U.S. Treasury Department (U.S. Treasury) an 8% stake. The Canadian and Ontario governments would have a combined 2% stake, with the Canadian government holding 1.33% and the Ontario government holding the remaining 0.67% stake.

Chrysler was struggling to stay afloat even after receiving financial aid in the form of a federal loan of US$4 billion in January 2009, out of the requested amount of US$7 billion. However, with declining sales, it had become increasingly difficult for Chrysler to continue with its operations. Therefore, in its Restructuring Plan for Long-Term Viability, submitted on February 17, 2009, the company asked for another US$2 billion federal loan over and above the US$7 billion loan it had requested earlier. For Chrysler to get an additional federal loan, the U.S. government had made it a condition that the company should establish an alliance with Fiat on or before April 30, 2009. The company was also required to restructure its debt and negotiate with UAW (United Auto Workers)[8] and CAW (Canadian Auto Workers)[9] to reduce costs. Although Chrysler was able to reach an agreement with Fiat and had convinced UAW and CAW to reduce costs, it failed to get all its creditors to agree to debt restructuring. The company finally had to file for bankruptcy protection. Commenting on the company's bankruptcy filing, Bob Nardelli (Nardelli), Chairman and CEO of Chrysler, said, "Even though total agreement was not possible, I am truly grateful for all that has been sacrificed, on the part of many of Chrysler's stakeholders to reach an agreement in principle with Fiat. My number one priority has been to preserve Chrysler and the thousands of people who depend on its success. While I am excited about the creation of the global alliance, I am personally disappointed that today Chrysler has filed for Chapter 11. This was not my first choice."[10]

While some analysts were apprehensive about Chrysler's viability, others were of the view that Chrysler would come out of the bankruptcy soon. According to Lee Iacocca (Iacocca), former Chairman and Chief Executive Officer (CEO) of Chrysler, "It pains me to see my old company, which has meant so much to America, on the ropes. But Chrysler has been in trouble before, and we got through it, and I believe they can do it again."[11]

About Chrysler

The history of Chrysler can be traced back to the 1920s. In 1921, Walter P. Chrysler (Walter) joined as Chairman of Maxwell Motor Corporation (Maxwell).[12] During that time, Maxwell had high debts because of its declining sales after World War I.

In 1923, the production of automobiles under the brand name of Maxwell was stopped. In 1924, a new vehicle named Chrysler Six, which had a light, powerful, high-compression six-cylinder engine and the first ever four-wheel hydraulic brakes, was launched in the U.S. automobile market. The vehicle was available for US$1,565.

In 1928, the company acquired the Dodge Brothers firm and became the third largest automaker in the United States. The company also started the DeSoto and Plymouth divisions. The company positioned the Plymouth brand as a low priced car, while DeSoto was introduced in the medium price segment.

In 1934, the company introduced the Chrysler Airflow, one of the first cars to be aerodynamically designed. However, it was not able to generate much interest among the public. Nonetheless, the company was able to survive during the Great Depression[13] because of the strong sales generated by the entry-level Dodge and Plymouth brands.

In 1951, Chrysler developed the Firepower, the first hemispherical-head V8 engine, which later became popular as the HEMI® engine.[14] By the end of the 1950s, the company had become famous for creating power steering, power windows, the alternator, electronic fuel injection, and many other automotive innovations.

In the 1960s, Chrysler expanded into Europe and formed Chrysler Europe by acquiring the UK-based Rootes Group,[15] Simca,[16] and Barreiros.[17] In the 1970s, the company had to face new challenges such as issues related to environmental pollution and rising gas prices. It also started facing competition from foreign car manufacturers such as Honda Motor Company (Honda) and Toyota Motor Corporation (Toyota).

The oil crisis of the 1970s[18] resulted in a high demand for fuel-efficient cars. American customers started preferring small, fuel-efficient Japanese cars as compared to the U.S.-made bigger cars. Moreover, as the performance of the Japanese cars was superior to the cars made in the United States and their prices were competitive compared to the American cars, there was an increase in their sales.

In the 1970s, Chrysler's sales started declining. In 1978, the company hired Iacocca as the Chief Operating Officer (COO) of Chrysler Corporation. In September 1979, Iacocca was promoted to Chairman and CEO. Soon after, he carried out a revamping exercise in the company and set up a new management team.

Iacocca initiated several cost-cutting measures including scaling down nonproductive operations, closing down plants, stopping some employee benefits, initiating temporary layoffs, and so on. In the late 1970s, the company had a debt of approximately US$4.75 million and was in deep financial trouble. It had to ask for financial help from the U.S. government. In 1979, U.S. President Jimmy Carter signed a bill through which the U.S. government provided a US$1.5 billion federal loan to Chrysler Corporation. The federal loan helped the company restructure itself.

During the restructuring, Chrysler's product line was substantially expanded. Iacocca emphasized manufacturing passenger cars, like the Dodge Caravan and Plymouth Voyager, which received a good response from consumers. Apart from that, the company also focused on designing fuel-efficient K Cars.

By the early 1980s, Chrysler had started recovering from the crisis. In 1983, seven years ahead of schedule, the company repaid the federal loan. In 1984, the company reported a profit of US$2.4 billion.

Between 1984 and 1988, Chrysler acquired many companies including Gulfstream Aerospace Corporation, a corporate jet manufacturer; Lamborghini, the Italian luxury car manufacturer; Finance America; E. F. Hutton Credit Corporation; American Motors Corporation; and so on. Through the acquisition of American Motors Corporation, the world famous Jeep® brand came into the company fold. In 1987, the company increased its shareholding in Mitsubishi Motors Corporation and entered into a strategic alliance with Samsung, a South Korean electronics company.

In the late 1980s, the financial condition of Chrysler Corporation started deteriorating. The company began taking cost-cutting measures and introduced fuel-efficient vehicles like the Dodge Shadow and the Plymouth Sundance. In 1989, it started a US$1 billion cost-cutting and restructuring program. On December 31, 1992, Iacocca retired as the CEO of the company. In 1996, the company shifted to its new headquarters in Auburn Hills, Michigan, in the United States.

The Failed Merger with Daimler-Benz

In May 1998, Chrysler Corporation and Daimler-Benz AG (Daimler), a German automobile manufacturing company founded in 1926, agreed to combine their businesses in what they called a "merger of equals." On November 12, 1998, the merger process was completed. Through a deal worth US$37 billion, the new company was named DaimlerChrysler AG (DaimlerChrysler). Under DaimlerChrysler, Chrysler Corporation assumed its new name as DaimlerChrysler Motors Company LLC and its U.S. operations started being referred to as the Chrysler Group. The merger resulted in the world's third[19] largest automobile company in terms of revenues, market capitalization, and earnings and the fifth[20] largest in terms of number of units produced.

To avoid a clash between the German and American management styles, the Chrysler Group continued to manufacture mass market passenger cars and Daimler to build its luxury marquee Mercedes. In the third quarter of 2000–2001, the Chrysler Group reported a loss of

US$512 million, which resulted in a decline of share value to US$40 in September 2000 from US$108 in January 1999. After the merger, the market share of the Chrysler Group also fell from 16.2% to 13.5%. After the bad performance reported by the company, its two successive American presidents, James P. Holden and Thomas Stallkamp, were fired within a span of 19 months. Dieter Zetsche, a Daimler executive, was appointed as CEO of Chrysler and he appointed another Daimler executive, Wolfgang Bernhard, as the Chief Operating Officer (COO). According to the analysts, the sequence of events demoralized the employees of the Chrysler Group, which became a division of DaimlerChrysler and did not have any representative on the DaimlerChrysler board of management.

The merged entity started facing problems mainly because of the significantly different cultures of the two companies. While the Americans valued efficiency, empowerment, creativity, and informal relationships among the employees, the Germans followed more of a bureaucratic culture. Apart from cultural differences, other factors like differences in pay structures, different working styles, and so on, also played a critical role in creating a rift between the two companies.

For example, in Daimler, high disparities in pay package were discouraged and top management employees did not receive high incentives. In the American pay structure, however, the top executives were paid higher salaries and incentives.

The working styles of both the companies also differed significantly. While the Germans were used to having long meetings and submitting lengthy reports, the Americans preferred to spend less time on discussions. While the Americans preferred experimenting by following a trial and error method, the Germans had a comprehensive plan that they followed exactly.

In early 2007, DaimlerChrysler AG engaged in talks with Cerberus Capital Management L.P. (Cerberus)[21] to sell the Chrysler Group. In May 2007, it announced that it would sell an 80.1% stake of Chrysler to Cerberus for US$7.4 billion.

On May 21, 2007, Daimler announced that, as part of the deal of selling Chrysler to Cerberus, it would provide US$1 billion for Chrysler's pension plan, if the pension plan would be terminated within five years. Daimler assumed the responsibility of the pension payment as per the agreement between Chrysler and the U.S. Pension Benefit Guaranty Corporation (PBGC).[22] Commenting on Daimler's announcement, Vince Snowbarger, Interim Director of PBGC, said, "I commend both Daimler and Cerberus on their willingness to work with the PBGC to protect the retirement security of Chrysler workers and retirees. Both Daimler and Cerberus have made significant financial commitments to strengthen Chrysler pensions. Daimler has agreed to provide a guarantee of $1 billion to be paid into the Chrysler plans if the plans terminate within five years."[23]

In July 2007, the European Commission approved the pension deal. On August 6, 2007, Daimler sold off the majority stake to Cerberus. Chrysler became Chrysler Motors LLC (Chrysler) and DaimlerChrysler AG changed its name to Daimler AG. Nardelli was appointed as Chrysler's Chairman and CEO. Commenting on the deal, John Snow, the Chairman of Cerberus, said, "We are aware that Chrysler faces significant challenges, but we are confident that they can and will be overcome. A private investment firm like Cerberus will provide management with the opportunity to focus on their long-term plans rather than the pressures of short-term earnings expectations."[24]

In fiscal 2007, Chrysler reported an 8% growth in sales in markets outside the United States as compared to that of 2006. However, the sales in the U.S. market in 2007 declined by 3% compared to the previous year. Commenting on the strong growth in international sales, Jim Press (Press), Vice Chairman and President of Chrysler, said, "This is a revitalized organization, moving in the right directions, with a renewed emphasis on putting the global customer first at every step in the process—anxious to serve, proud of the value and quality of our products. I am pleased to say that our global results are beginning to show this."[25]

Chrysler Asks For Financial Aid

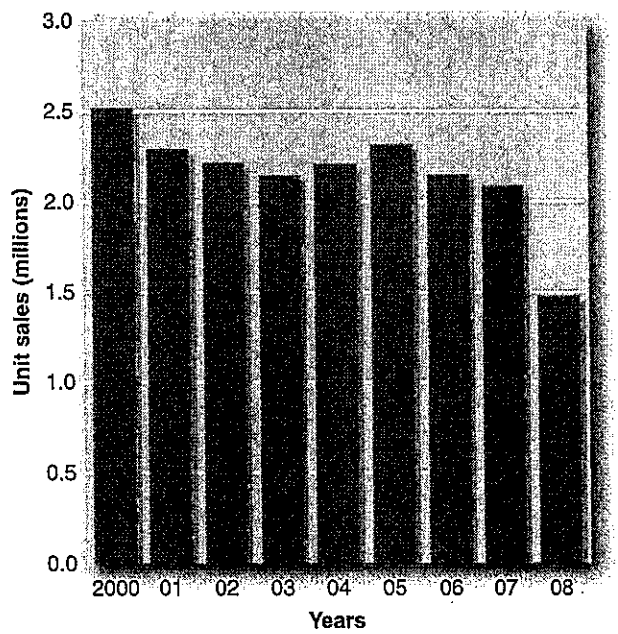
In 2007, Chrysler reported a net loss of US$1.6 billion. The company's financial problems continued in 2008, due to declining sales. (See **Exhibit 1** for Chrysler's annual U.S. sales between 2000 and 2008.)

In October 2008, Cerberus and General Motors Corporation (GM)[26] engaged in discussions regarding the merger of GM and Chrysler. Under the deal, it was proposed that GM would acquire Chrysler's automotive operations and Cerberus would get a 49% stake in General Motors Acceptance Corporation (GMAC).[27] However, the deal did not materialize.

In November 2008, Nardelli announced in the media that Chrysler required US$4 billion to run its operations until March 2009. Overall, Chrysler sought US$7 billion financial aid from the U.S. government. On December 17, 2008, Chrysler announced that on December 19, 2008, it would close its 12 North American plants due to weak demand. In December 2008, the sales figure of Chrysler declined by 54% as compared to the sales reported in the corresponding month of 2007.

On January 2, 2009, Chrysler received a US$4 billion federal loan. According to the terms of the loan, Chrysler had to submit a restructuring plan by February 17, 2009, for achieving long-term viability of its operations. On February 17, 2009, Chrysler submitted the restructuring plan to the U.S. Treasury and the U.S. Auto Task Force.[28] (See **Exhibit 2A and 2B** for Chrysler's restructuring plan.) In the plan, Chrysler made a request for an additional federal loan. The company said that, due to the worsening demand for its cars and trucks, it required a total of US$9 billion including the US$4 billion it had already received. The company wanted the loan by March 31, 2009, to continue with its operations. Commenting on Chrysler's request for an additional federal loan, Nardelli said, "We believe the requested working capital loan is the least-costly alternative and will help provide an important stimulus to the U.S. economy and deliver positive results for American taxpayers."[29]

EXHIBIT 1
Chrysler's Annual U.S. Sales (2000–06)



SOURCE: *Accessed from "Chrysler Bankruptcy Deal Revealed," http://news.bbc.co.uk, April 30, 2009.*

EXHIBIT 2A Highlights of the Three Alternatives Mentioned in Chrysler's Restructuring Plan for Long-Term Viability

STAND-ALONE PLAN

In its Stand-Alone Plan, Chrysler said,

- The company can be viable on a stand-alone basis in the short/midterm with the following assumptions:
  - i. The balance sheet is restructured to substantially reduce current debt and debt servicing requirements;
  - ii. Targeted concessions are obtained from all constituents;
  - iii. Additional U.S. government funding of $5 billion and DOE 136 funding of $6 billion is secured; and
  - iv. SAAR (Seasonally Adjusted Annual Rate) ≥ 10.1 million units.
- To be viable on a longer term basis, it is critical that Chrysler continues to pursue strategic partnerships/consolidation to be both operationally viable (i.e., meet energy and environmental regulations) and financially viable (i.e., create an acceptable ROI to shareholders and positive NPV).
- In a sustained U.S. industry below 9.1 M SAAR, we believe Chrysler LLC will struggle to remain viable and will require an additional restructuring and funding.

STRATEGIC PARTNERSHIP/CONSOLIDATION

In its Strategic Partnership/Consolidation Plan, Chrysler said,

- In all industry scenarios (SAAR levels), Chrysler will be more viable, both operationally and financially, with a strategic partner.
- Chrysler has signed a non-binding MOU with Fiat that will significantly enhance its viability by creating additional free cash flow over the 2009–2016 period and leverage the advanced powertrain and small car technology that has made Fiat number one in Europe in low CO_2 emissions.
- Fiat's proposal is contingent upon Chrysler LLC restructuring its debt, obtaining concessions, and receiving adequate government funding.
- In a sustained U.S. industry below 9.1 M SAAR, we believe even with Fiat, Chrysler LLC will struggle to be viable and will require additional restructuring and funding.
- Fiat alliance will create incremental jobs in the United States during the first five years compared with the Stand-Alone Plan.
- There exist further benefits from U.S. consolidation but no clear action path with GM.

ORDERLY WIND DOWN

In its Orderly Wind Down Plan, Chrysler said,

- If Chrysler LLC is not able to successfully:
  - i. Restructure its balance sheet to substantially reduce its liabilities;
  - ii. Negotiate targeted concessions from constituents;
  - iii. Receive an additional $5 billion capital infusion from the U.S. government, as represented in the Stand-Alone Plan, then the only other alternative is for Chrysler to file for Chapter 11 as a first step in an orderly wind down.
- Chrysler LLC would seek debtor-in-possession financing from both private sector lenders and the U.S. government. We believe the estimated size of the financing need is US$24 billion over a two-year period.
- Without adequate DIP financing we estimate that the first lien lenders will only realize a 25% recovery, the U.S. government 5%, while all other creditors will receive nothing.
- An Orderly Wind Down will result in a significant social impact, with 300,000 jobs lost at Chrysler and its suppliers and over 3,300 dealers failing. Around 2–3 million jobs could be lost due to a follow-on collapse in the wider industry, resulting in a US$150 billion reduction in U.S. government revenue over 3 years.

SOURCE: *"Chrysler Restructuring Plan for Long-Term Viability," http://www.media.chrysler.com, February 17, 2009.*

EXHIBIT 2B Highlights of Chrysler Restructuring for Long-Term Viability

STRATEGIC ALLIANCE

Chrysler has signed a non-binding agreement to pursue a strategic alliance with Fiat that represents significant strategic and financial benefits to the stakeholders. The written and oral testimony Chrysler submitted to the U.S. House and Senate in 2008 stated the company's intent to seek the benefits of global partnerships and alliances. The proposed Fiat Alliance would enhance Chrysler's viability plan and would provide the company with access to competitive fuel-efficient vehicle platforms, distribution capabilities in key growth markets, and substantial cost-saving opportunities.

PRODUCTS

Chrysler's product line is a key component of its Viability Plan. In 2010, the company will launch four highly successful platforms: a new Jeep Grand Cherokee, a new Dodge Charger, a new Dodge Durango, and a new Chrysler 300 (the most awarded car in automotive history since its launch in 2005). The Chrysler 300 launch will be followed by a new, bolder Dodge Charger and an all-new unibody Dodge Durango.

In 2008, Chrysler offered six vehicles with highway fuel economy of 28 miles per gallon or better. For 2009, 73% of Chrysler LLC's vehicles showed improved fuel economy compared with the previous year's models. Fuel economy will continue to improve in 2010 with the introduction of the all-new Phoenix V6 engine, which will provide fuel-efficiency improvements of between 6% to 8% over the engines it replaces. A two-mode hybrid version of the company's best-selling vehicle, the Dodge Ram, is scheduled for 2010. The first Chrysler electric-drive vehicle is also scheduled to reach the market in 2010. It will be followed by other electric-drive vehicles, including Range-extended Electric Vehicles, in the following years in order to further reduce fuel consumption.

The proposed Fiat alliance would further help the company achieve these standards as Chrysler gains access to Fiat's smaller, fuel-efficient platforms and powertrain technologies. The alliance would enable Chrysler to reduce its capital expenditures while supporting the company's commitment to develop a portfolio of vehicles that support the country's energy security and environmental objectives.

RESTRUCTURING ACTIONS

Chrysler LLC has aggressively restructured operations to significantly improve cost competitiveness while improving quality and productivity. Through year end 2008, Chrysler has

- Reduced fixed costs by US$3.1 billion
- Reduced its workforce by 32,000 (a 37% reduction since January 2007)
- Eliminated 12 production shifts
- Eliminated 1.2 million units (more than 30%) of production capacity
- Discontinued four vehicle models
- Disposed of US$700 million in non-earning assets
- Improved manufacturing productivity to equal Toyota as the best in the industry as measured by assembly hours per vehicle according to the Harbour Report
- Achieved the lowest warranty claim rate in Chrysler's history
- Recorded the fewest product recalls among leading automakers in 2008

The following additional restructuring actions are planned in 2009:

- Reduce fixed costs by US$700 million
- Reduce one shift of manufacturing
- Discontinue three vehicle models
- Sell US$300 million additional non-earning assets

MANAGEMENT CONCESSIONS

- Chrysler will fully comply with the restrictions established under section 111 of EESA relative to executive privileges and compensation. In addition, the company has suspended the 401k match, incentive bonuses, and merit increases, and has eliminated retiree life insurance benefits.

(Continued)

EXHIBIT 2B Highlights of Chrysler Restructuring for Long-Term Viability (*continued*)

DEALER CONCESSIONS

- Chrysler will achieve cost savings/improved cash flow through a number of initiatives including reduced dealer margins, elimination of fuel fill, and reduction of service contract margins.

UNION CONCESSIONS

- The signed term sheets for the UAW Labor Modifications and VEBA modifications fundamentally comply with the requirements set forth in the U.S. Treasury Loan and once realized would provide Chrysler with a workforce cost structure that is competitive with the transplant automotive manufacturers. This agreement is subject to ratification.

SUPPLIER CONCESSIONS

- The company has initiated the dialogue with its suppliers and believes that it will be able to obtain substantial cost reductions from suppliers that will result in achieving targeted savings. Chrysler supports the supplier associations' proposals, which would provide a government guarantee of OEM accounts payables.

SECOND LIEN DEBT HOLDERS CONCESSIONS

- Chrysler anticipates that the holders of the Second Lien Debt will agree to convert 100% of their debt to equity. Chrysler's Viability Plan includes expectations to further reduce its outstanding debt by US$5 billion. In addition to strengthening the company's balance sheet for the long term, this reduction will provide immediate cash flow via interest savings of between US$350 million and US$400 million annually.

SOURCE: *"Chrysler LLC Viability Plan Submitted Today to the U.S. Treasury Department," http://www.chryslerllc.com, February 17, 2009.*

On March 30, 2009, the U.S. Treasury and the U.S. Auto Task Force rejected Chrysler's stand-alone Viability Plan. The U.S. Auto Task Force announced that it would provide another US$6 billion federal loan to Chrysler. However, in order to get the additional loan, Chrysler would have to form an alliance with Fiat by April 30, 2009. In addition, the company would have to restructure its debt and would have to negotiate with the UAW and CAW unions to reduce employee benefits and increase productivity.

In order to form an alliance with Fiat, in April 2009, Chrysler started the process of getting approval from its 45 lending institutions to surrender the first lien debt[30] of US$6.9 billion. It also entered into negotiations with UAW for it to accept a 55% equity stake in the new company in lieu of Chrysler's contribution to UAW's retiree health care trust fund, VEBA. The negotiations also included some adjustments to the UAW's 2007 collective bargaining agreement.

On April 21, 2009, the U.S. Treasury announced that it would give Chrysler US$500 million over and above the US$4 billion it had already given to continue its operations.

Meanwhile, on April 26, 2009, the CAW ratified an agreement it had reached with Chrysler in early April 2009. The agreement helped Chrysler to save US$240 million in annual costs. Giving details, Ken Lewenza, President of CAW, said, "Some of it comes from reduced compensation, some of it comes from lower legacy costs, some of it comes from increased productivity and efficiencies in the workplace."[31]

On April 28, 2009, the four largest creditor banks—JPMorgan Chase & Company,[32] Goldman Sachs Group Inc.,[33] Morgan Stanley,[34] and the Citigroup Inc.,[35] which collectively held 70% of Chrysler's total debt—approved the U.S. Treasury's offer of US$2 billion given to Chrysler's first lien debtors.

On April 29, 2009, the UAW also ratified the agreement it had reached with Chrysler. In the agreement, UAW agreed to have a 55% equity stake in the company after an alliance with

Fiat, instead of Chrysler's contribution in VEBA. UAW would also have a representative on the board of the new company.

However, the attempt to gain support from all the creditors was unsuccessful. About 20 financial firms including Oppenheimer Funds and Stairway Capital, who collectively held US$1 billion, declined to agree to the terms of the proposed debt restructuring. Analysts opined that the creditors might be better off after bankruptcy filing and liquidation of Chrysler's assets. They also opined that, in case of a bankruptcy filing by Chrysler, the creditors would have no choice but to accept the US$2 billion offered by the U.S. Treasury.

The U.S. government later offered the creditors another US$250 million, which made the total offering US$2.25 billion. However, the deal did not materialize. Criticizing the creditors, President Barack Obama said, "A group of investment firms and hedge funds decided to hold out for the prospect of an unjustified taxpayer-funded bailout. They were hoping that everybody else would make sacrifices and they would have to make none. Some demanded twice the return that other lenders were getting. I don't stand with them."[36]

The Bankruptcy

On April 30, 2009, Chrysler and its 24 wholly-owned U.S. subsidiaries filed for bankruptcy. However, Chrysler's Mexican, Canadian, and other international operations were not part of the bankruptcy filing. The company filed the bankruptcy under Section 363 so that it would be able to emerge from bankruptcy within 30 to 60 days. According to Obama, "It would be a very quick type of bankruptcy and they could continue operating and emerge on the other side in a much stronger position."[37]

As part of the bankruptcy filing, the U.S. Treasury was to give Chrysler a total of US$8 billion in additional aid including up to US$3.3 billion in debtor-in-possession (DIP)[38] financing and up to US$4.7 billion in exit financing.[39] Chrysler would have to repay the loan amount within the next eight years.

The financial arm of Chrysler was to be merged with GMAC, the finance arm of GM. During the bankruptcy period, the U.S. government was to back the warranty on Chrysler vehicles. Encouraging consumers to buy Chrysler products, Obama said, "No one should be confused about what a bankruptcy process means. This is not a sign of weakness, but rather one more step on a clearly charted path to Chrysler's revival."[40]

The new company would retain the Chrysler corporate name and would be run by a board of nine members including six members appointed by the U.S. government and three by Fiat. Nardelli was to resign as the CEO of Chrysler after the company emerged from bankruptcy and a new chief executive would be appointed.

As part of the bankruptcy, Cerberus and Daimler were to give up their respective equity stakes of 80.1% and 19.9% in Chrysler. In the new company, VEBA would have a 55% stake and Fiat a 35% stake. Of the remaining 10% equity stake in the new company, the U.S. Treasury would have 8% for the US$4.5 billion loan it had provided Chrysler. The Canadian and Ontario governments would have a combined 2% stake for the US$3.8 million provided to Chrysler—US$1.5 billion from the Ontario government and the remaining from the Canadian government. The creditors would receive US$2 billion for the US$6.9 billion they had lent to Chrysler.

On May 5, 2009, the company's bankruptcy was approved by the Manhattan Bankruptcy Court. Analysts welcomed Chrysler's decision to file for Chapter 11 bankruptcy. According to Aaron Bragman, Automotive Analyst at IHS Global Insight, "With all the major stakeholders accounted for and in agreement, such a bankruptcy could be theoretically accomplished much more easily than it otherwise would have been."[41]

The Chrysler-Fiat Alliance

On May 5, 2009, Chrysler filed for bankruptcy. The company announced that it had reached an agreement to establish a global strategic alliance with Fiat. (See **Exhibit 3** for logos of Chrysler and Fiat.) The company also made a reference to all its efforts to enter into partnerships with different automobile companies, including GM, Volkswagen, Toyota, Honda, Nissan, and Hyundai. However, except for Fiat, no other options had been viable for it, the company said. Thomas LaSorda, Vice Chairman of Chrysler, said, "Despite continual efforts over the course of approximately two and a half years, no party except Fiat has emerged as a viable and willing alliance partner for us."[42]

As part of the alliance, Chrysler decided to sell all its assets to Fiat except eight factories: a sedan plant in Sterling Heights, Michigan; a St. Louis-area pickup-truck plant; a Dodge Viper sports car plant in Detroit; factories in St. Louis and Newark, Delaware; a metal stamping plant in Twinsburg, Ohio; an engine plant in Kenosha, Wisconsin; and an axle plant in Detroit. Commenting on the decision, Max Gates, spokesperson from Chrysler, said, "While some facilities may eventually close, none other than Newark and St. Louis South are scheduled for closure in the near term. Virtually all of the labor associated with these facilities will be offered employment with the new company."[43]

After the alliance was formed, the new company would be the world's sixth-largest car manufacturer. Commenting on the alliance with Fiat, Nardelli said, "Our viability for the long term would be enhanced even more by global strategic alliances and partnerships. The proposed Fiat alliance provides significant benefits to Chrysler. Fiat would make available to us its entire product portfolio and powertrain technology, worldwide distribution capabilities for vehicles we produce today, and synergies in the areas of purchasing and engineering, among others. We estimate the cash value of Fiat's contribution to be between eight and ten billion dollars considering the cost to develop these vehicles, platforms, and power trains from scratch."[44]

In the new company, Fiat was to initially have a 20% stake. Later, it could increase its stake by 15% in three stages of 5% each. Fiat was to increase the first 5% stake in the new company for providing a 40 mpg (miles per gallon) vehicle platform (i.e, assisting the new company to manufacture a vehicle which would give a mileage of 40 mpg.) The new vehicle would be produced in the United States. Fiat could increase its stake in the new company by another 5% after providing Chrysler a "fuel-efficient engine family" which would be produced in the United States and would be used in Chrysler vehicles. The third increase of a 5% stake would be for giving Chrysler access to Fiat's global distribution network. Fiat would not have to pay anything for its stake in Chrysler. It thus could increase its stake to 51% by 2016, after the new company had repaid the U.S. government's loan. Commenting on Chrysler's alliance

EXHIBIT 3
Logo of Chrysler and Fiat

SOURCE: *Tim O'Brien, "Bankrupt Chrysler U.S. Announces Alliance with Fiat," http://www.motorreport.com.au, May 01, 2009.*

with Fiat, Obama said, "It's a partnership that will give Chrysler a chance not only to survive, but to thrive in a global auto industry."[45]

With this alliance, Chrysler and Fiat would have access to each other's market. According to Pierluigi Bellini, an automotive analyst with IHS Global Insight, "Fiat has wanted to get back into the U.S. market for years, so this is a very good opportunity for them because it produces a quick entry."[46]

According to some analysts, the alliance between Chrysler and Fiat would not only help both the companies to access each other's market, but would also help to create jobs. According to a statement from Chrysler, the alliance would help the company to create or preserve more than 5,000 manufacturing jobs.[47] See **Exhibit 4** for synergies of the Chrysler-Fiat alliance mentioned in Chrysler's Restructuring Plan for Long-Term Viability. According to Sergionot Marchionne (Marchionne), Fiat, along with Chrysler, would be able to produce their first vehicle in the United States in early 2011.

EXHIBIT 4
Synergies of Chrysler-Fiat Alliance Mentioned in Chrysler's Restructuring Plan for Long-Term Viability

Area	Approach	Cash Flow Impact Total 2009–2016 (In US$ Billions)	EBITDA Impact Total 2009–16 (In US$ Billions)
Products/ Platform Sharing	2 million products localized or sold in NAFTA and exported to global markets	1.4	2.1
Distribution	New Chrysler markets adding 393,000 units, Alfa Romeo distributed in NAFTA	1.3	1.3
Purchasing	Integrate sourcing with Fiat Group	3.2	2.8
Other Opportunities	Powertrain, technology, logistics, SG&A expense, other funding for NSCs provided by Fiat	1.0	1.2
	Total Synergies*	**6.9**	**7.4**

Alliance with Fiat Benefits (in US$ Billions)**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
EBITDA Synergy Benefits	0.0	0.0	0.3	1.2	1.3	1.5	1.6	1.5
Cash Synergy Benefits (cumulative)^	(0.1)	(0.1)	(0.2)	1.0	2.4	3.9	5.5	6.9

Notes:
* Synergies incremental to Chrysler only as calculated by Chrysler.
** A strategic alliance could reduce Chrysler's overall capital requirements and could create additional jobs in the United States. Additionally, the alliance would have the potential for better efficiency spending of DOE funds.
^ The negative cash impact in the first three years is due to spending approx US$1 billion in new platforms and powertrain technology offset by synergy savings.

SOURCE: *"Chrysler Restructuring Plan for Long-Term Viability," http://www.media.chrysler.com, February 17, 2009.*

What Went Wrong?

According to the analysts, the major reasons for Chrysler's present financial problems were its poor business strategy, lack of innovation, and the global financial crisis. According to David Lewis, professor at the University of Michigan's Ross School of Business, "In recent decades, it's had a more turbulent time, with more ups and downs than other automakers. Each decade, it seemed that Chrysler had a crisis."[48]

Chrysler failed to bring out new vehicles that met changing customer needs ahead of the competition. The global financial crisis[49] in 2008 only resulted in further deterioration of the company's financial health.

Poor Business Strategy

Analysts attributed Chrysler's financial problems to its poor business management. In the early 1970s, when fuel prices were going up and consumers in the United States started preferring fuel-efficient vehicles, Japanese companies like Toyota and Honda began coming out with compact and fuel-efficient cars to cater to these needs. However, Chrysler's focus remained more on SUVs and trucks, leaving the Asian carmakers to capitalize on this change in consumer preferences.

Other analysts criticized Chrysler's decision to merge with Daimler. According to Iacocca, "Eaton[50] panicked. We were making $1 billion a quarter and had $12 billion in cash, and while he said it was a merger of equals, he sold Chrysler to Daimler-Benz, when we should have bought them."[51]

Similar analysts also criticized Daimler's decision to run Chrysler as a stand-alone division. They opined that Daimler wanted to keep Chrysler separate from its luxury Mercedes-Benz marquee. By doing this, it did not take advantage of the benefits of developing vehicles together.

Lack of Innovation

According to analysts, Chrysler's sluggishness in launching innovative models when its Japanese competitors kept coming out with new designs resulted in the company's declining sales. Japanese companies continued to offer fuel-efficient vehicles, while Chrysler continued to produce fuel-guzzling trucks.

Chrysler, which had been the innovator of automatic transmission, power steering, and brakes, just did not live up to the consumer's expectations. Although it came up with some innovative products in the early 1980s, quality-related issues dented the brand image of its cars.

After the merger with Daimler, Chrysler introduced some new models. However, those models did not get much consumer attention. According to Jim Hall, Managing Director of 2953 Analytics of Birmingham, Michigan, "The truth is Daimler did them no favors. They approved products that previous Chrysler management wouldn't have approved if they were completely drunk and beaten crazy."[52]

Even after Cerberus bought a majority stake in Chrysler, the company could not invest enough money in research and development because of the declining sales of Chrysler's vehicles. The U.S. Auto Task Force also commented in March 2009 that "Chrysler's products have also historically underperformed in terms of quality, which remains a significant challenge. Unlike GM, which has had a number of successful recent product introductions and has developed a new global product development process that has promise, there are few tangible signs that Chrysler can reverse its share erosion."[53]

EXHIBIT 5
Chrysler U.S. Sales in April 2009

Sales	April 2009	April 2008	Volume Change (In %)	Four Months Ended April 2009	Four Months Ended April 2008	Volume Change (In %)
Car	15,563	39,564	−61	73,764	185,165	−60
Truck	61,119	108,187	−44	250,126	416,457	−40
Total	76,682	147,751	−48	323,890	601,622	−46

SOURCE: *"Chrysler LLC Reports April 2009 U.S. Sales," http://www.chryslerllc.com, May 1, 2009.*

The Global Financial Crisis

In 2008, the tight credit situation, volatility in the stock markets, problems in the U.S. housing market, increases in unemployment, and declines in incomes started affecting consumer spending. As a result, the U.S. car market was also badly affected. Those who wanted to purchase vehicles found it difficult to get loans or found the available financing too expensive.

In 2008, the U.S. auto industry experienced its worst year since 1992. The total sales of cars and light trucks were 13.2 million, a decline of 18% compared to 2007. The United States was the largest market for Chrysler. As of November 2008, "73 percent of its sales were from the U.S., 61 percent of its vehicles were produced in the country, 78 percent of its materials were purchased in the U.S. and 62 percent of its dealers were based in the U.S."[54]

As Chrysler's market was restricted to the United States alone, the global financial crisis which originated in the country affected its sales badly, leaving the company struggling to carry on its business. Chrysler reported a 48% decline in vehicle sales in the United States for the month of April 2009 as compared to the same month of 2008. In April 2009, Chrysler sold 76,682 units of vehicles in the United States. Its sales in April 2009 were also 24% less compared to the sales reported in March 2009. See **Exhibit 5** for Chrysler's U.S. sales in April 2009.

The Challenges

Industry analysts were also apprehensive about whether the small cars that the new company was to produce would be successful in the United States. According to Dennis DesRosiers, a Canadian Automotive Analyst, "First, Americans have to embrace smaller cars, which they never have. Second, they have to buy Italian small cars, which they never have. Third, Fiat/Chrysler has to find a way to make small cars profitable in North America, which no one, including the Japanese, has been able to do."[55]

Analysts were also worried about the rising competition in the car market. According to them, companies like Chevrolet, Ford, Toyota, and Honda had already launched their small car models in the United States. They were of the opinion that Fiat's entry into the United States, especially at the time of an economic slowdown, may not be a success. According to Eric Heymann, Auto Analyst at Deutsche Bank AG,[56] "Entering the U.S. market is not easy for anyone. Just look at how long it took the German or Japanese carmakers to be successful in the U.S."[57] Some analysts also worried about Chrysler being jointly owned by different entities such as the U.S. Government, Canadian Government, Ontario Government, UAW, and Fiat. They opined that, given the failed merger of Daimler and Chrysler, it would be difficult for all these entities to work together and repay the federal loan. According to Mirko Mikelic, portfolio manager at Fifth Third Bank,[58] "The biggest concern now is that the different stakeholders will be able to make the tough decisions they need to make."[59]

Although analysts were apprehensive about Chrysler's survival after the Fiat alliance, they were of the view that the alliance was still a better option than Chrysler trying to survive alone as this would just not be possible. According to Bob Corker, a Republican Senator from the U.S. state of Tennessee, "I have not seen a way that Chrysler makes it as a standalone entity. It's really a merger of two weaker entities, though I think it's better than Chrysler being on its own."[60]

On May 8, 2009, it was announced that Sergio Marchionne would be the chief of the new company after its alliance with Fiat was completed. Analysts were concerned about whether cultural issues would crop up after an Italian took charge of an American company. In April 2009, when asked about whether he would be the head of Chrysler after its alliance with Fiat, Marchionne said, "It's possible that I will have to divide my time between running Fiat and running Chrysler. Fundamentally, that's possible, but the title isn't important. What's important is that they hear me at Chrysler.[61] Analysts also wondered whether Marchionne could successfully run the new company or not. According to Karl Brauer, Editor In Chief of Edmunds.com,[62] "No matter how capable a businessman you are, taking on another car company that's been losing money for years and at the same time taking a bigger stake in an industry that's in freefall and has an uncertain future is a huge gamble."[63] Citing the poor performance of Chrysler, analysts expressed concern about the company's viability in the future. According to Capstone Advisory Group (Capstone),[64] Chrysler, which had lost US$16.8 billion in 2008, was expected to lose US$4.7 billion in 2009. Jeremy Anwyl, the Chief Executive of Edmunds.com, said, "The challenge is going to be for Chrysler to communicate some sort of a compelling reason to buy their products. What's the reason to consciously pick a Chrysler, Jeep, or Dodge over a competitive vehicle with all of this stuff (bankruptcy) going on?"[65]

However, Chrysler was optimistic about its future. Press said, "The industry appears to have stabilized, as it's been fairly level for the past four months. We know where the bottom is and, as the economy struggles to recover, vehicle sales should follow.[66] On May 7, 2009, Chrysler started a global corporate advertising campaign to restore confidence in the company among consumers. The campaign created by BBDO Detroit had TV ads with the tagline, "We're building a better car company . . . come see what we're building for you." The print ad had already started appearing in newspapers from May 3, 2009, under the headline, "We're building a better car company." From May 11, 2009, the ad was shown on network primetime television. The first 30-second spot, called "Bright Future," showed the strength of Chrysler and how it was restructuring itself and had finalized its alliance with Fiat. The second 30-second spot, called "Open Road," showed its products and their features.

Commenting on the advertisement campaign, Steve Landry, Chief of Chrysler Sales and Marketing, said, "We want to establish a level of trust and confidence that customers can still buy cars and trucks from us and it is business as usual. We are working to exit bankruptcy as fast as we can."[67] He added, "When we asked consumers what they wanted to know about Chrysler, they told us to tell them about our products, tell them why they should buy our vehicles, and give them a reason why they should be confident in the future of this company. We believe this campaign delivers on all of those objectives."[68]

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4. Section 363 refers to the section of the U.S. Bankruptcy Code that allows a company to enter a court supervised process to sell assets quickly as the best means to protect value for the benefit of its stakeholders. Unlike a typical bankruptcy proceeding,

which can often take a few years to resolve, the advantage of 363 bankruptcy is speed. Through the 363 process, a company is able to emerge from bankruptcy in approximately 30 to 60 days (Source: http://www.chryslerrestructuring.com).

5. Chapter 11 of the United States Bankruptcy Code permits reorganization under the bankruptcy laws of the U.S. It can be filed by any business, whether a corporation or a sole proprietorship, although it is mostly used by corporate entities. A Chapter 11 debtor usually proposes a plan of reorganization to keep its business alive and pay creditors over time.
6. Founded in 1899, Fiat SpA is an Italian automobile manufacturer headquartered in Turin, Italy. For the fiscal 2008, the company earned revenues of €59.4 billion.
7. The Voluntary Employees' Beneficiary Association (VEBA) under Internal Revenue Code section 501(c)(9) of Internal Revenue Service of the United States Department of the Treasury is an organization organized to pay life, sick, accident, and similar benefits to members or their dependents, or designated beneficiaries. Members of this organization must be individuals who are employees who have an employment-related common bond. This common bond may be a common employer (or affiliated employers), coverage under one or more collective bargaining agreements, membership in a labor union, or membership in one or more locals of a national or international labor union. VEBA allowed a company to make tax free contributions into the fund, which is later used to pay benefits to its employees. The main aim of setting up this organization was to ensure the employees continued to get benefits even if the company got into financial trouble. (Source: http://www.irs.gov)
8. UAW was founded in 1935. As of 2008, it was one of the largest labor unions in North America.
9. CAW, one of the largest labor unions in Canada, was founded in 1985.
10. "Chrysler LLC and Fiat Group Announce Global Strategic Alliance to Form a Vibrant New Company," http://www.chryslerllc.com, April 30, 2009.
11. Tom Krisher and Stephen Manning, "Chrysler Succumbs to Bankruptcy After Struggle," http://news.yahoo.com; April 30, 2009.
12. Maxwell Motor Corporation was founded in 1904.
13. The Great Depression that started in 1929 refers to the economic slump in North America and Europe. The effects of the depression were felt across the world and it lasted till the late 1930s. The Great Depression resulted in a major fall in stock prices, which adversely affected individuals, financial institutions, and banks, leading to the closure and insolvency of several banks. This led to reduced demand, spending, and production, and to increased unemployment.
14. A Chrysler Hemi engine, known by the trademark Hemi, is an internal combustion engine built by Chrysler that utilizes a hemispherical combustion chamber. A hemispherical (i.e., bowl-shaped) combustion chamber allows the valves of a two valve-per-cylinder engine to be angled rather than side-by-side. This creates more space in the combustion chamber roof for the use of larger valves and also straightens the airflow passages through the cylinder head (Source: http://en.wikipedia.org).
15. The Rootes Group is a British automobile manufacturer. It was founded in 1913. Chrysler acquired the Rootes Group in 1967.
16. Simca was a French automaker and marquee, founded in 1934. In 1958, Chrysler bought a 15 percent stake in it. Later, in 1970, the company was acquired by Chrysler.
17. Barreiros was a Spanish manufacturer of engines, trucks, buses, tractors, and automobiles. The company was founded in 1954. It was acquired by Chrysler in 1969 (Source: http://en.wikipedia.org).
18. In 1973, the Yom-Kippur war also known as The October War, broke out between Israel and some of its Arab neighbors, when Israel attacked Egypt and Syria. Oil supply was disrupted because of the war and the oil prices jumped from US$ 3 to US$ 12 per barrel. The rise in oil prices resulted in an increase in gasoline prices in the U.S. from 38.5 cents per gallon in May 1973 to 53.1 cents per gallon in June 1974. In order to reduce fuel consumption, the U.S. government imposed a 55 miles per hour speed restriction on vehicles.
19. In 1998. the world's first two largest automobile companies in terms of revenues were General Motors and Ford Motor Company.
20. In 1998, the world's four largest automobile company in terms of number of units produced were General Motors, Ford Motor Company, Toyota, and Volkswagen respectively.
21. Cerberus Capital Management is a private equity firm; headquartered in New York, the U.S. It was founded in 1992.
22. The Pension Benefit Guaranty Corporation (or PBGC) is an independent agency of the U.S. government that was created by the Employee Retirement Income Security Act of 1974 (ERISA) to encourage the continuation and maintenance of voluntary private defined benefit pension plans, provide timely and uninterrupted payment of pension benefits, and keep pension insurance premiums at the lowest level necessary to carry out its operations (Source: http://en.wikipedia.org).
23. "Daimler Assumes $1 Billion Chrysler Pension Plan Risk." http://in.reuters.com, May 21, 2007.
24. Chris Isidore, "Daimler Pays to Dump Chrysler," http://money.cnn.com, May 14, 2007.
25. "Chrysler LLC Announces 2007 Global Sales; International Markets Results Best in Company's History: Minivan Reign Continues," http://www.chryslerllc.com, January 2009.
26. General Motors Corporation (GM), a multinational automobile manufacturer, was founded in 1908. It is headquartered in Detroit, Michigan, the U.S. In the fiscal 2008, it reported a revenue of US$ 148.979 billion and a net loss of US$ 30.9 billion.
27. General Motors Acceptance Corporation (GMAC) was started in 1919 to finance car buyers. It sold commercial and automotive financing, real estate services, and insurance and mortgage products. In 2006, GM sold 51 percent stake of GMAC to Cerberus Capital Management in 2006.
28. On February 16, 2009, Barack Hussein Obama, the President of the U.S., launched the U.S. Auto Task Force, to oversee the restructuring of the U.S. auto industry.
29. Chris Isidore, "GM, Chrysler Ask For $ 21.6 Billion More," http://money.cnn.com, February 18, 2009.
30. First lien debt is the highest priority debt in the case of default. If a property or other type of collateral is used to back a debt, first lien debt holders are paid before all other debt holders. (Source: http://www.investorwords.com)
31. "Chrysler, CAW Reach Deal To Save Company $240m A Year," http://www.cbc.ca, April 24, 2009.
32. JPMorgan Chase & Company is a U.S.-based, leading global financial services firm. It was formed in 2000, after the merger when Chase Manhattan Corporation acquired JP Morgan & Company. As of December 31, 2008, it reported a net revenue of US$ 67,252 million and a net profit of US$ 5,605 million.
33. Goldman Sachs Group, Inc is a bank holding company that is engaged in investment banking, securities services, and

investment management. For the fiscal year 2008, the company reported revenues of US$ 53.579 billion and net income of US$ 2.322 billion (Source: http://en.wikipedia.org).

34. Morgan Stanley is a US-based global financial services provider. It acts as a financial advisor to companies, governments, and investors from across the world. For the fiscal year 2008, it reported a net revenue of US$ 62.262 billion and a net income of US$ 1.707 billion (Source: http://www.morganstanley.com).

35. Citigroup Inc. is an international financial conglomerate with operations in consumer, corporate, investment banking and insurance. For the fiscal 2008, it reported total revenues of US$ 52.793 billion and net loss of US$ 27,684. (Source: http://www.citigroup.com).

36. "Chrysler Bankruptcy Deal Revealed." http://news.bbc.co.uk, April 30, 2009.

37. "Chrysler Approaches Key Deadline," http://news.bbc.co.uk, April 30, 2009.

38. Debtor-in-possession (DIP), under the United States bankruptcy law, is a person or corporation who has field a bankruptcy petition, but remains in possession of property upon which a creditor has a lien or similar security interest. DIP financing is a special form of financing provided for companies in financial distress or under Chapter 11 bankruptcy process. The specialty of DIP financing is that it gets priority over existing debt, equity, and other claims (http://en.wikipedia.org).

39. Exit financing in bankruptcy is the funding that is given to a bankrupt company to come out of bankruptcy. In order to get exit financing, the company requires to prepare a plan of reorganization which has to be supported by all of its creditors. If the bankruptcy court also agrees to the plan, then the company can come out of bankruptcy with the exit financing.

40. Clare Trapasso and Larry Mcshane, "Despite Bankruptcy, Chrysler Still Has Fans Who Say Car Company Will Survive." http://www.nydailynews.com, April 30, 2009.

41. IHS Global Insight is the global leader in economic and financial analysis forecasting and market intelligence. As of 2008, it had more than 3,800 clients in industry, finance, and government. (Source: http://www.globalinsight.com)

42. "In Fiat, Chrysler Has a Simpatico Dance Partner," http://www.mydigitaltc.com. May 5, 2009.

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48. Christine Tierney, "Chrysler's History Full of Crisis, Comebacks," http://www.detnews.com. May 1, 2009.

49. The global financial crisis of 2008–09 was an ongoing major financial crisis that affected all countries across the world. The crisis was triggered when sub-prime mortgages were offered to borrowers without a proper check being done on whether they would be able to repay the loan or not. When several of these borrowers defaulted, there was a ripple effect in the U.S. economy. The financial crisis became prominent from mid-2008 with the failures of several large U.S.-based financial firms. Soon, it started affecting financial markets of other countries also.

50. Robert Eaton was the Chairman and CEO of Chrysler Corporation between 1993 and 1999.

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