This Time, No Roadside Assistance

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DAIMLERCHRYSLER always seems to outdo itself at the Detroit auto show, and this year was no exception. The company showcased celebrities like the chef Bobby Flay, and then generated a fresh round of buzz via an artificial ice rink (its surface carefully scuffed to keep visitors from slipping) that it built to show off its legendary Mercedes-Benz line.

For **DaimlerChrysler** itself, however, the corporate mood was just as cold as the ice. Although the German auto giant's chief executive, Dieter Zetsche, shook hands warmly with each of about two dozen journalists who came to a press briefing at last month's car fest, he grew unusually frosty when asked about the future of Chrysler, its struggling American brand. "We are in recovery mode again," he acknowledged.

Less than six weeks later, on Valentine's Day, Mr. Zetsche announced that DaimlerChrysler was keeping all options open as it tries to tackle its Chrysler problems. At least one of those options involves a possible sale: the company recently retained **JPMorgan Chase** to scout for a buyer willing to take Chrysler off its hands, most likely at a bargain-basement price. Suddenly, it seems like 1979 all over again: Chrysler is in crisis, with sales falling, costs rising and cars piling up on dealer lots. But this time, there is one big difference: No one is talking about a government-financed bailout to give Chrysler another chance — in part because it is no longer an American icon.

Chrysler is not "too big to fail," as it was described then, its tens of thousands of well-paying union jobs too vital to lose. It is now a vestigial part of a sector of the economy — manufacturing — that does not loom as large in the nation's consciousness. "It is a new world," said Ron Pinelli, the president of Autodata in

Woodcliff Lake, N.J., which tracks industry statistics. “If Chrysler disappeared, would anyone’s life change, except for the people that work for the company?”

Chrysler’s rebound from its near-death experience of the late ’70s is the stuff of legend. It survived back then by closing plants and persuading its remaining workers to accept pay cuts, among other things; then it repaid the government aid, with interest, well ahead of schedule. As recently as two years ago, the company was the money-spinning master of hot cars like the 300C and the PT Cruiser.

But now, Chrysler is fighting for its survival again, a situation that lays bare the failure of previous generations of managers to resolve, or even fully address, its many fundamental problems. Rather than using crises as opportunities to remake Chrysler in the model of its Japanese competitors, say analysts conversant with the company’s trajectory, a revolving cast of corporate stewards repeatedly relied on silver bullets to revive the automaker. Over and over, they introduced a single hot-selling model here or tightened the screws on suppliers there, instead of doing the tougher work that real transformation required.

Many in Detroit say they feel as if they have been sucker-punched. Overnight, Mr. Zetsche has gone from the jovial “Dr. Z,” who gamely starred in several hokey television commercials last summer in an effort to bolster Chrysler’s sales, to someone whom some employees regard as a symbol of betrayal by their German parent.

“It really did seem as if it came out of nowhere," said Kevin Boyle, a history professor at Ohio State University who was raised in Detroit and has written extensively about the auto industry. “People thought that this was the trade-off: they would give up being a hometown company for the security that the takeover was going to bring.

“It was absolutely a false sense of security,” he added. “But you see what you want to see.”

EVEN if the public spectacle of the last 10 days — Is Chrysler for sale? Who wants it? Who is a serious suitor and who is just flirting? — has been nothing more than an exercise in determining the company’s value on the open market, analysts say it is abundantly clear that the powers in Stuttgart have no special sentiment for Chrysler. Mr. Zetsche is already struggling with sagging popularity in Germany. A number of officials inside DaimlerChrysler blame him for failing to fix Chrysler when he served as its chief executive from 2000 to 2005, say people who advise the automaker but didn't want to be named because of their ties to the company.

Illustration by The New York Times

In particular, some of these officials have questioned why Mr. Zetsche allowed the company to keep developing big gas-guzzling S.U.V.'s and pickups when it became clear that gas prices were headed higher. Moreover, he left Chrysler in a virtual product drought for the better part of last year, after the company had gained sales and market share during 2005.

Still, analysts say the blame does not lie only with Mr. Zetsche or the other American and German executives who promised a "merger of equals" when Daimler-Benz combined with the Chrysler Corporation in 1998 (a nominally friendly merger that became an outright takeover in subsequent years).

In a large sense, they say, Chrysler is simply winding up where it might have been nearly three decades ago, had its former chief executive, Lee A. Iacocca, not been able to postpone the pain with $1.5 billion in federal loan guarantees and the introduction of smart-selling models like the K-cars, minivans and the Jeep Grand Cherokee — not to mention multiple reorganizations.

Despite that, "there was no root-and-branch transformation, not at Chrysler or at any of the Detroit companies," Professor Boyle said. "It must have driven the people inside those companies nuts."

Chrysler now exists in a world where the Big Three are all under siege — where, in fact, the very term Big Three no longer accurately describes Detroit's automakers. The old era ended last year, when **Toyota** slipped past DaimlerChrysler to rank third in American sales behind **General Motors** and **Ford**. Few could have third in American sales behind **General Motors** and **Ford**. Few could have envisioned this situation 28 years ago, when no less than Vice President Walter Mondale aligned himself with Mr. Iacocca to bolster the case for a federal bailout, so crucial was Chrysler to the American economy.

With the White House Christmas tree gleaming nearby, Mr. Mondale urged Congress to act quickly “so that we can provide security for thousands and thousands of jobs and insure Chrysler’s long-term success as a major American automotive producer.”

Chrysler’s present circumstances are an even sharper contrast to the giddiness, tinged ever so slightly with apprehension, that enveloped the company nine years ago, when its executives flocked to the New York Stock Exchange for a reception on the eve of the merger with Daimler-Benz.

Back then, Robert J. Eaton, Mr. Iacocca’s hand-picked successor, promised that Chrysler would be part of something grand, sweeping and — most of all — new. Mr. Eaton’s statements were in keeping with similar managerial pledges that Mr. Iacocca had previously recycled into two best-selling books. (A publicist for Mr. Iacocca did not respond to a request for an interview.)

But analysts say Mr. Iacocca’s efforts, followed by the DaimlerChrysler merger, served to mask serious underlying problems at Chrysler that heated competition from more nimble competitors has now brutally exposed. Chrysler’s travails have pointed out a truth about Daimler, too. Daimler and other German automakers, with their historical focus on craftsmanship and high performance, simply have trouble running mass-market brands — at least in markets like the United States where they cannot charge a premium.

Consider **Volkswagen**, which has tried endless solutions through the years and, like Chrysler, has been on a constant roller coaster of rising and falling sales, both in the United States and elsewhere. It, too, has failed in its latest turnaround effort, jettisoning senior managers like the former Chrysler president, Wolfgang Bernhard, and turning to **Porsche** as its own savior. **BMW,** for its part, doesn’t even try to wade into Chrysler territory. It has hesitated for years about selling a cheaper car in the United States, for fear of damaging its brand image, even though it offers one in Europe.

Lee Iacocca of Chrysler, seated, with President Jimmy Carter and Douglas Fraser of the U.A.W. in 1980, after Chrysler's bailout was signed.
Associated Press

Analysts also say that instead of leveraging its newfound identity as part of a global company, Chrysler stuck too long with its identity as a Detroit carmaker. DaimlerChrysler has long kept Mercedes-Benz and Chrysler apart, except for some tepid efforts at cooperation on cars like the Chrysler Crossfire, based on the Mercedes SLK, or the Chrysler 300 sedan, which has a Mercedes-designed transmission. Instead, Chrysler relied too long on the same mix of vehicles that made it so successful in the 1990s: the sport utilities, pickups and minivans that comprise about three-quarters of its sales.

"Chrysler's had a tendency in the past to miss when the market changes," said James Hall, vice president for industry analysis at AutoPacific, a consulting firm that is based in Tustin, Calif. Chrysler, Mr. Hall said, "has a cyclical history of falling into the barrel and clawing themselves out."

Those mistakes collided last year, when big vehicles lost favor with American consumers paying $2 to $3 a gallon for gasoline. But Chrysler kept building them, winding up with 100,000 more Jeeps, Dodges and Chryslers than dealers had ordered, and being forced to park the unsold vehicles in endless rows on lots surrounding Detroit's airports.

The situation is perplexing, given that Mr. Zetsche and his successor at Chrysler, Thomas W. LaSorda, were saying the right things — that Chrysler needed to model itself on Toyota and **Honda**, not on General Motors and Ford, and that the company had to move closer to what its customers wanted, not build cars simply to keep plants humming.

But the company has a long history of saying one thing while doing another. Acting as pitchman in the company's darkest days, Mr. Iacocca declared, "If you can find a better car, buy it!" Later on, he acknowledged that his name alone was not enough to sell "lousy cars" and that the company had to improve their quality before buyers would take a chance.

LIKEWISE, in the 1990s, Chrysler was universally declared by analysts to be the industry's low-cost producer, able to squeeze billions of dollars in savings out of its parts purchasing and to develop new models like the Plymouth Prowler in a fraction of the time and expense that other automakers might need.

Though the savings were genuine, they were not nearly enough to make the company competitive with Japanese competitors. Chrysler's real advantage was as the industry's high-margin automaker, earning an average of $1,400 a vehicle across its lineup — most of it coming on sales of S.U.V.'s and pickup trucks, for which there was little foreign competition — while G.M. and Ford were still making more cars, at a loss, than they were making light trucks at a profit.

Chrysler's big profits at the time, coupled with the zeal of Daimler-Benz's chief executive, Jürgen E. Schrempp, to create a global automotive giant, attracted the German luxury-car maker's most senior officers to Chrysler's glitzy headquarters in Auburn Hills, where Mr. Eaton was eager to cut a deal. The executives' confidence in the future of the combined company meant that dozens of pages of documents creating the merger contained no separation agreement — a prenuptial without provisions for a divorce.

German executives soon realized that Chrysler would not be the cash cow that they had hoped for. Still, Mr. Zetsche was the face of freundlichkeit, or friendliness, when he arrived in Detroit in 2000 to direct what became the first of three corporate restructurings. He acted quickly to become a part of the local community and a calming force. Detroit, which had been roiled by an outbreak of anti-German sentiment, adopted Mr. Zetsche as a favorite son.

When he left in 2005 to become chief executive of DaimlerChrysler, Mr. Zetsche was given a warm send-off by employees certain that he would look out for them in Germany. "He was supposed to be Chrysler's protector back in Stuttgart," wrote the Detroit News columnist Daniel Howes, "the mustachioed Mercedes-Benz veteran who learned what the Americans could do, how their market and its pressures were different, how the pentastar and the three-pointed star could work more closely together."

Dieter Zetsche, chief executive of DaimlerChrysler, left, with his colleagues Hartmut Schick, center, and Thomas LaSorda at a company news conference last month. Chrysler is fighting to survive, as it did in 1979. But this time, it isn't an American icon.
Rebecca Cook/Reuters

LAST fall, Mr. Zetsche flatly denied that Chrysler would be sold, after Bodo Uebber, DaimlerChrysler's chief financial officer, refused to rule out the possibility. Even as he inhaled the frigid air last month at the auto show in Detroit, Mr. Zetsche was still talking of Chrysler's value to DaimlerChrysler. The company, he said, "is in much better shape than it was six years ago," when he took charge.

Now Mr. Zetsche speaks of doing the best thing for Chrysler — and for its parent — a shift in phrase that has sent shivers down the backs of Chrysler's workers. Chrysler executives, meanwhile, are doing their best to put on brave faces about the company's future.

"I would not let one year say the entire story here has changed," Mr. LaSorda said last month. Sitting in the boardroom of the Detroit Fire Department, which lends Chrysler a firehouse each year during the auto show to use as a lounge for employees, dealers and the press, Mr. LaSorda talked up the company's efforts to heal tattered relationships with its dealers. Chrysler infuriated dealers last year when it tried to make them take on more vehicles when they could not sell the ones already on their lots.

"We lost their confidence and trust, and we are going to work tirelessly to get it back," he vowed.

Likewise, Chrysler dealers say they have accepted the olive branch and declare that they are ready to do battle yet once more to save the company. "We're fighters," said Eric Nielsen, a dealer at the Franklin Sussex Auto Mall in Sussex, N.J. "We're going to be there."

But there is no guarantee that they will be there under Daimler's wing — or anyone's, for that matter.

This time, neither Congress nor customers are in charge of Chrysler's ultimate fate. That lies with the DaimlerChrysler supervisory board in Germany, a 20-member collection of corporate executives, union leaders and industry experts that includes just four Americans.

The prospect that all the past efforts might have only forestalled Chrysler's demise is sad to Douglas A. Fraser, the 90-year-old former president of the United Automobile Workers union, who once lobbied alongside Mr. Iacocca to save the company.

"Chrysler would have ceased to exist" if not for the federal bailout, Mr. Fraser said. "It would have been devastating to an awful lot of people."

Even so, at least Chrysler workers at that time might have been able to find jobs in what was still the undisputed car-making capital of the North American market.

"Then, the workers would have had a chance at least to go to work at Ford or G.M.," Mr. Fraser said. "Now that's not an option."