

# Chrysler's Relevance to Indian Management

By GARRY JACOBS

For three decades it has been the custom of management scientists and business leaders in developing countries to look up to the West, and especially the USA, as a model of ultra-efficient and innovative management. The stereotype of Western perfection is so well established that few in India are aware of the similarities and parallels between management issues facing giant American multinationals and those confronting companies of all sizes in this country.

Recently doubts have been raised as to how far Western models are really applicable in the distinctly different social and economic milieu of Asian countries; and there has even been an attempt to reverse the historical process by introducing essentially Eastern practices, particularly Japanese, in Western nations.

Perhaps no single event has had such a disillusioning impact on the image of Western efficiency as the recent crisis of Chrysler Corporation, the third largest us car manufacturer, and at one time among the ten largest American companies. Chrysler's share of the us car market fell from a high of 22% in 1951 to a low of 8% in 1978. In 1979 and 1980 losses rose to \$ 1.1 billion and \$ 1.7 billion respectively the largest losses of any corporation in history.

Despite its enormous size—its annual sales of over Rs. 10,000 crores is equal to the entire Third Plan outlay of the Indian Government—Chrysler's crisis is relevant to Indian managers because of the nature of the

problems the firm is confronting and the inability of Western models to fully explain and resolve these problems.

Chrysler offers an opportunity for examination of these problems from a different perspective whose origins are uniquely Indian, to determine how far this perspective, which I refer to as the Consciousness Approach, may illumine what has thus far remained obscure in the case of Chrysler; and by extension, how far it may be usefully applied to other cases in the Indian context today.

Chrysler's performance this year has defied the near unanimous prediction of Wall Street experts that it would not survive beyond the first quarter of 1981.

In what is proving to be another bad year for the American car industry, in July 1981 Chrysler recorded its 9th consecutive month of increased sales, up 23% from last year, and at the breakeven point for the first time in three years; while its two larger competitors, General Motors and Ford, are reporting sales more than 5% below last year's level.

Intractable problems confront management in every industry at one time or another. When such problems arise and there is unanimity among the experts that they are insoluble, we sometimes

see life take a different course leading to a solution and eventually to greater prosperity. In early 1980 Chrysler came to such a point in its corporate life.

Chrysler's performance has surprised those who looked only at the statistics and failed to see that even at its lowest ebb, Chrysler possessed the organisational vitality required for survival and growth. Life is not limited to the material plane of physical objects and actions. It exists at many levels which are interconnected and interacting: the vital level of nervous energy, life force and emotion also referred to as psychological; the mental level of ideals, ideas, understanding; and the spiritual levels beyond.

Problems which express in one plane of life often have their origin in another plane. This is the basis of psychosomatic illnesses, i.e., psychological problems expressing as physical disorders. Solutions may be found at the level of expression which is usually physical or at the level of causation which is often vital or mental. Solving problems at a higher level is more effective, because the energy of each successively higher level is greater than that of the plane below it and, therefore, more powerful.

An industrial organisation like Chrysler is not merely a physical structure of buildings, machinery and equipment; even though its functioning is primarily at the physical level of production and material systems. A company is a living organism which exists on all the planes of life. The vital level

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of the organisation consists of the energies and dynamic processes which translate plan into action to yield concrete results. The mental level is composed of the founding ideals, principles and rules for governing its operations, decision-making processes, systems of communication, etc.

Modern science in general and management as one branch of science focuses primarily on the physical plane. When problems arise in industry, physical solutions are sought which often address only the outer symptom and not the inner cause of the problem. When such solutions fail, as they have so often for Chrysler, the experts predict doom for the company.

In Chrysler's case most of the problems originate in the higher planes and do not lend themselves to effective handling at the physical level. The root cause of Chrysler's difficulties is a lack of clearly defined purpose. The company has never formulated definite goals in terms of the type of products it should produce or the market it should serve.

As Peter Vanderwicken wrote of Chrysler six years ago: 'Any successful business is founded on a concept of a product it can make or a market it can serve. This idea becomes the company's central heritage. Over time it comes to dominate both the strategy and the spirit of the company, so that problems and opportunities are seen in relation to the fundamental principle. Organisations can often move beyond their original concept, but they can seldom abandon it.'\*

Both of Chrysler's competitors did formulate a clear purpose and stick to it. Henry Ford's idea was to build an inexpensive car for the masses, and that idea still dominates. General Motor's

\*'What's Really Wrong at Chrysler', Fortune Magazine, May 1975, p. 176.

strategy formulated in the 1920s was 'a car for every purse and purpose' and that remains the strategy today. The key point is that both of these companies have adopted strategies which integrate production, marketing, and profitability.

Chrysler, on the other hand, has based itself on a different type of idea which can best be summed up as 'engineering for engineering's sake'. From the beginning its founder, Walter Chrysler emphasised quality and innovative engineering as the central goal of the company, and over the years Chrysler has led in this field.

This policy implies that good sales, efficiency, and profitability will necessarily follow where engineering is the best. It is an incredibly naive assumption which over the years has produced some disastrous results. For example, in the late 1960s Chrysler's engineers shifted to production of powerful 'hot rod' engines for nearly all their car models, and continued this trend even after the oil crisis when the market for 'gas guzzlers' had collapsed. This insistence on engineering features, and their failure to respond to changes in market demand, led to losses of \$ 52 million in 1974 on sales of \$ 11 billion, an astounding achievement which may be appropriately described as 'sales for sale's sake' and not for the sake of profits!

The same lack of contact with a greater reality or purpose repeats in the manufacturing division too, as 'production for the sake of production' and not to meet actual demand. In one documented case several years ago the pressing section insisted on producing the most expensive item, i.e., fenders, to show higher output at a time when the assembly section had no need of extra fenders and no place to safely store them.

What Chrysler is lacking is not a

purpose, for that they have, but a purpose broad enough to include all the goals essential for long term corporate survival. This particular defect is part of a larger syndrome which is very commonly found among Indian companies. It arises from emphasis on *form* rather than on *content*; and it commonly occurs wherever prestige and position are considered more important than performance and profitability. In Chrysler it is the prestige and importance of the engineering department which matters most. In India it is that of the bureaucrat, the graduate, the higher officer, the college degree, etc.

Since Chrysler's problems are not essentially physical, physical solutions will always prove inadequate. The best short term approach is to focus attention at the vital level of dynamic processes in order to inject fresh energies into the organisation and revitalise its functioning. This can be achieved by activating forces of that level through efforts to accelerate physical movements along the chain of production, streamlining the movement of paperwork related to the chain of production, speed up collection and disbursement of funds, increase cleanliness and orderliness and reduce noise of all types, improve the speed and accuracy of accounts, etc.

But, for a permanent solution, Chrysler must re-evaluate its own mental constitution and decision making processes. It needs to reformulate its purpose so as to more fully integrate production, marketing and profitability. It needs to establish a proper balance of power between its divisions, and a more rational hierarchy of decision making authority.

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