

New DaimlerChrysler CEO Targets 'Infighting, Intrigues'

By **NEAL E. BOUDETTE** and **STEPHEN POWER**
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Dieter Zetsche doesn't become chief executive of [DaimlerChrysler](#) AG until Jan. 1, but already he has started work on a vital task: softening the caustic corporate culture that marked the tenure of outgoing CEO Juergen Schrempp.

In July, Mr. Schrempp, 61 years old, unexpectedly announced he would retire after 11 tumultuous years running the automaker. As his successor he named Mr. Zetsche, an occasional boardroom rival who engineered the dramatic turnaround of the company's U.S. arm, Chrysler Group.



In September, Mr. Zetsche, 52 years old, moved from Chrysler to the company's Stuttgart headquarters and took control of the Mercedes division. After only a few days as Mercedes chief he signaled a big change, telling the unit's entire management staff in a memo that he "won't tolerate any infighting, intrigues or political games."

The missive, Mr. Zetsche said in an interview during a gathering of Chrysler dealers in Las Vegas, was "a great chance to set the tone right from the beginning" and to make clear that under his leadership "what counts is performance," not internal alliances.

Dieter Zetsche

Such wasn't always the case under Mr. Schrempp. The prime mover behind the 1998 merger that created the German-American car maker, Mr. Schrempp epitomized the jet-setting, deal-making celebrity CEO of the 1990s. But when his strategy floundered and DaimlerChrysler's market value plunged, he came under sharp criticism from investors. At the company's April annual meeting, he faced hours of withering attacks on his strategy and leadership. That spectacle, people familiar with the matter said, contributed to his decision to retire with more than two years remaining on his contract.

Trading big-shot CEOs like Mr. Schrempp for more down-to-earth team-players is becoming more common in corporate boardrooms. Earlier this year, [Hewlett-Packard](#) Co. ousted the high-profile Carly Fiorina in favor of Mark Hurd, a low-key CEO from [NCR](#)

Corp. [Walt Disney](#) Co. downshifted from the domineering Michael Eisner to Robert Iger, who is more of a consensus-builder.

During the go-go 1990s, high-octane, ego-driven CEOs were in vogue, says Judith Glaser, a management expert who examines executive personalities in a coming book called "The Leadership DNA." But over time, she says, the "me-centric" approach can morph into a bullying style and create a vindictive, politicized atmosphere in which subordinates battle each other to win the boss's favor.

As a result, board members, employees and investors now find CEO hubris less appealing -- especially if the company's performance falters, Ms. Glaser says. "There's definitely a trend from the 'I-centric' personalities to the 'we-centric.'"



Juergen Schrempp

On Jan. 1, all eyes will be on the consensus-building Mr. Zetsche as he attempts to reverse several problems. At Mercedes, quality and profitability have both slid. Chrysler is profitable, but still earns far less than Japanese car makers and faces bitter price competition from [General Motors](#) Corp. and [Ford Motor](#) Co. And the company's German and American halves don't work together as closely as Mr. Zetsche would like.

To be sure, DaimlerChrysler's problems are nothing like the troubles at General Motors and Ford Motor, in part because of Mr. Zetsche's work at Chrysler over the last five years when he closed plants, slashed thousands of jobs and revitalized product development. Both GM and Ford are just tackling these issues now.

So far, the CEO-elect has declined to give much detail about how he plans to proceed in the new job. His five years at Chrysler, however, indicate he is a hands-on, straight-talking manager willing to suffer a short-term setback for long-term benefit. In contrast to Mr. Schrempp, who distanced himself from operational matters and rarely mixed with ordinary employees, Mr. Zetsche has spent time in the last two months with Mercedes designers, offering suggestions to improve the styling of several models in development. Earlier this month he spoke at a gathering of Chrysler dealers -- an audience Mr. Schrempp never addressed -- and vowed to return to speak to the group as CEO.

Mr. Schrempp was traveling and could not be reached for comment. A spokesman for DaimlerChrysler acknowledged that while the two executives have different management styles, Mr. Schrempp faced specific challenges that called for different strategies.

Unlike a lot of new bosses, Mr. Zetsche says he isn't planning to replace the outgoing CEO's confidantes who continue to hold powerful posts at headquarters. These include Mr. Schrempp's wife, Lydia, who has a highly paid job in the office of the CEO. Mr. Zetsche said she will stay with the company, although she won't be part of his management team. And shortly after he was named CEO-elect, Mr. Zetsche approached Hartmut Schick, head of corporate communications, and asked him to remain in the post.

Mr. Schick agreed. Though Mr. Zetsche acknowledged that "it's more usual" for a new boss to select his own key spokesman, he said he enjoyed a "totally open" relationship with Mr. Schick. Keeping him would also send a signal that he isn't intent on ousting Mr. Schrempp's team across the board.

Among U.S. dealers, Mr. Zetsche has been able to turn potentially combusive situations into victories. A few years ago, for instance, Chrysler was getting ready to launch a new truck with the powerful Hemi V8 engine -- a feature dealers were clamoring for. Mr. Zetsche halted production when tests showed a small part might fail prematurely. "It wasn't an easy decision," he recalled earlier this year. "It cost a lot of money, and we could have just shipped the engines and fixed them later."

When he explained at a meeting of angry dealers how putting the engine on hold for a few months was better than risking breakdowns that could damage Chrysler's long-term reputation, the audience gave him a standing ovation. Today, Hemi-powered cars and trucks generate huge profits.

In another tough area -- slashing costs at Mercedes's German plants -- Mr. Zetsche has already demonstrated his transparent management style. In September, after the company's supervisory board agreed to cut 8,500 jobs in Germany, Mr. Zetsche decided to deliver the bad news to workers himself at the Mercedes plant that would take the brunt of the cuts.

Officials at corporate headquarters in Stuttgart advised Mr. Zetsche not to do it. The executive went anyway, and despite the dour news he was "favorably received," said Rolf Weber, a union leader who represents the German workers and attended the meeting. Any booing was too scattered to be heard and on a few occasions, according to Mr. Weber and others who were present, Mr. Zetsche even received polite applause.

--Matthias Krust contributed to this article.

Write to Neal E. Boudette at neal.boudette@wsj.com and Stephen Power at stephen.power@wsj.com