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CHRYSLER-NISSAN PRODUCT SHARING DOESN'T GUARANTEE SUCCESS OF FUTURE PARTNERSHIP

BLOOMFIELD HILLS, MI – Chrysler's strategy to partner with Nissan in an effort to bring smaller cars to market with minimum capital investment is an effective way to quickly right-size the company, but won't guarantee that an alliance between the two will work, says a veteran automotive consultant who has led numerous large-scale transformation initiatives as a senior executive at multi-billion dollar manufacturers.

According to Mike Juras, chief executive officer of Vertare, an automotive product development consulting firm specializing in lean principles and agile manufacturing technologies, "Bringing businesses together to increase synergies is daunting and, based on recent history, can be extremely unproductive. The current failure rate for partnerships, according to our research is above 70%. The Daimler-Chrysler debacle is a glaring example."

The most common causes of failure cited by CEOs, according to Juras, are:

- Cultural differences (49%)
- Poor or unclear leadership (49%)
- Poor integration of processes (46%)

"As corporations and enterprises position themselves to compete in a global economy, a new way of doing business is emerging based not on linking several product development processes together or by using replication-based manufacturing methods. They simply won't work," says Juras. "Global enterprises are too big and too complex to simply try and fit together like puzzle pieces. Management has to look at non-traditional performance indicators to discover the hidden, structural issues that have hindered them from achieving the results they expected."

"The obvious need for partnerships, mergers and acquisitions in order to achieve the critical mass required to maintain a viable global footprint is one of the critical factors for success," Juras notes. "The other factor is the coordination and management of communication methods, knowledge transfers and systems thinking that is desperately needed in this new business environment."

"I think the team at Cerberus recognizes this, evidenced by their present product sharing plans with Volkswagen, Fiat, and Chery," says Juras. "But Chrysler has not partnered with another automaker on creating a new product, like the D-Car Project, which they desperately need in order to recapture momentum in the midsize market. I'm sure Frank Klegon understands the stakes involved in a successful launch."

(Frank Klegon, Chrysler executive vice president for product development, has hinted at discussions with China's Chery Automotive Co. about developing a midsize car.)

On the manufacturing side, Tom LaSorda, a Chrysler president and vice chairman, is equally cautious. "Forging the right tactical partnerships is critical to the long-term success of Chrysler," he said recently.

David Cole, chairman of the Center for Automotive Research in Ann Arbor, thinks the product sharing plans of Chrysler and Nissan could lead to stronger ties particularly between the business, technical, engineering and manufacturing people – all key players needed to bring new products to market.

It won't be easy but if any domestic OEM has a chance to make global partnerships work, Juras thinks it could be Chrysler, because it is a private company not accountable to shareholders and quarterly financials, which gives it greater flexibility and latitude in decision-making. Chrysler recently announced that it is talking to potential joint venture partners in China to boost sales in that nascent marketplace.

Juras, who spent a 30-year career at General Motors, believes Chrysler can become leaner and more agile in the marketplace and stands a good chance of becoming profitable more quickly than anticipated.

"To do this the Chrysler team must be able to view its Product Realization Process in an innovative way that allows them to immediately react to market variations," Juras says. "Without new approaches old responses will yield old results. New techniques such as framework-based process guidance will allow this."

At GM, Juras pioneered the implementation of lean engineering and played a key role in facilitating knowledge transfers and establishing learning partnerships between GM and several Japanese manufacturers. As Executive Vice President of a Tier One automotive supplier, he developed a global business operating system and initiated integration of a major European acquisition into the company. Later he started his own consulting firm, Vertare, which offers a unique process development system that helps guide successful partnerships by blending complex corporate cultures around work content using a simplified, graphical business language for ease of understanding and sharing of knowledge and information.

"The key to Chrysler's ability to enter into successful mergers and partnerships that are self-sustaining and profitable long-term is the product development area where 80% of product cost is determined upfront," says Juras. "From concept to launch, you must get it right the first time, especially if you're developing a collaborative global platform for different markets. The stakes are huge and I think Bob Nardelli (Chrysler chief executive) and his team know this. They're engaged in product sharing with OEMs like Nissan to test the waters."

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