JOHN DARLING, HANNU SERISTÖ and MIKA GABRIELSSON

Anatomy of Crisis Management: A Case Focusing on a Major Cross-cultural Clash within DaimlerChrysler

ABSTRACT

This article explores the issue of crisis management within the arena of a major cross-cultural conflict surrounding the merger of two giants in the international automobile industry – the German-based Daimler-Benz and the American-based Chrysler Corporation. The merger was formally announced in mid-1998, and soon thereafter a major crisis arose in the process of integrating the organizational cultures of the two firms. The crisis has become so great that it even threatens the long-term existence of DaimlerChrysler as this mega international corporation was originally conceived to be. A paradigm of crisis management composed of four distinct phases – the prodromal crisis, acute crisis, chronic crisis and crisis resolution – is used as the principal focus of analysis. In conclusion, it is noted that DaimlerChrysler executives – German as well as American – must create a global organization that reflects shared values and purpose, while also honoring national differences.

Key words: *Crisis, Management, Leadership, Cross-Cultural, DaimlerChrysler*

JOHN DARLING, Ph.D., Distinguished Visiting Professor of International Business
Helsinki School of Economics • e-mail: jrd@gvtc.com
HANNU SERISTÖ, D.Sc. (Ec.), Professor of International Business
Helsinki School of Economics • e-mail: hannu.seristo@hse.fi
MIKA GABRIELSSON, D.Sc. (Ec.), Professor of International Business
Helsinki School of Economics • e-mail: mika.gabrielsson@hse.fi

Lysippis was a famous Greek sculptor. From a huge block of stone he had carved a singular statue. A passerby asked him what the statue represented and Lysippis replied, "It is the statue Opportunity." "But why," asked the passerby, "do you have the statue standing on its toes?" "Because opportunity stays but a moment," Lysippis answered. "Then why do you have wings on its ankles?" "Because opportunity flies quickly," was the reply. "Why do you have a lock of hair on its forehead?" Lysippis paused for a moment and replied, "When opportunity approaches, you can seize it easily." "Why then do you have a bald place on the back of its head?" "When opportunity passes by you cannot seize it," Lysippis concluded. – Author Unknown

INTRODUCTION

Effective crisis management in business is not unlike the metaphor noted above – with one caveat. When a crisis is approaching, it is much easier to seize and act upon, but of course it *must be realistically recognized*. Once a crisis has passed through the threshold of prodromal (preliminary) recognition and action it is much more difficult to seize and effectively act upon, and thus the opportunity to more easily deal with it will have passed. Business firms are affected by many difficult issues including corporate mergers and acquisitions – particularly those that bridge various types of cultural boundaries, sudden or significant changes in competitors and in new market products, changes in the availability of resources, government regulations, and a variety of other crisis and possibly crisis-like events that are not generally associated with the normal on-going operations of a firm.

In the case of virtually every business firm, a particular crisis can be expected to be on the horizon, presently existing in full force, or having just passed through – or a combination thereof. The constant existence of crises has also taught the world of business that a crisis can occur with little to no warning, anywhere, anytime. And it can happen to any business firm, large or small, at every stage of development, in every industry, and operating locally, nationally or internationally. It is, in other words, the safest of assumptions that a crisis looms on the horizon of every firm (Nurmi and Darling, 1997, pp. 78–80). However, this is not necessarily bad news – merely reality. And if this reality is accepted as a given, one will acknowledge that in these complex and unpredictable times anything is possible, including a crisis that may be at least initially perceived as devastating and professionally threatening to individuals and/or firms. If managers will accept this, then they will be in the right frame of mind to accept the contention that forms a basic premise of this article: with proper advanced contingency planning and preparation, and appropriate recognition, there can often be a positive opportunity side to a crisis. The Chinese have embraced this idea. The symbol of their word for crisis, called *weiji*, is actually a combination of two words: ″danger″ and ″opportunity.″

One does not have to be a president, managing director, or chief operating officer of a major internationally-recognized firm, such as DaimlerChrysler, to benefit from the ideas presented here. Virtually every individual, at any level in the management leadership arena of business, can manage a crisis to his or her advantage. This is true for board members, chief executive officers, vice-presidents, department managers, or whatever. The key word here is ″individual.″ While a crisis may strike at the heart of an organization, it is always an individual (or team of individuals) who must have the courage to respond. As has been noted, courage is the greatest of all virtues, because if one does not have courage he or she may not have the opportunity to use any of the other virtues.

There are typically four distinct phases of a business crisis paradigm – focusing on the prodromal crisis, acute crisis, chronic crisis and crisis resolution stages (Fink, 1986), and each of these phases will be described in some degree of detail in the present case analysis. Within the framework of this paradigm, the objective of this article is to explore the efforts that are commensurately necessary for successful crisis management in a cross-cultural merger of two major global enterprises functioning in the high-exposure arena of public opinion. The analysis focuses on the much-publicized DaimlerChrysler merger experience and post-merger managerial leadership, or lack thereof, that was shown in an effort to deal effectively with the evolving crisis event surrounding the integration of the two organizational cultures. There is very little doubt that cultural differences played a major role in this particular global consolidation and corresponding international crisis situation.

It is widely understood that in the case of international mergers, over half of all of them fail, at least in part, because the merging organizations' cultural norms, beliefs, and values are incompatible (Clemente and Greenspan, 1999, p. 12). There would have been an abundance of research data available regarding culture-related clashes in cross-border mergers, but obviously DaimlerChrysler management did not study the previous cases thoroughly enough, or underestimated the role of culture in the post-merger management and stakeholder context (Edmondson, 2004, p. 52). The DaimlerChrysler merger, as will be shown in this analysis, was not an ordinary merger. This merger had embedded within it the existence of two very strong yet different organizational cultures that were expected to become integrated to facilitate achievement of the goals and objectives of the merged cross-cultural global enterprise. Failure to successfully integrate the two cultures gave rise to a crisis that still threatens the existence of DaimlerChrysler.

CONCEPTUAL FRAMEWORK FOR CRISIS MANAGEMENT

Nature of Crisis Management

In analyzing the nature of crises and crisis management, one must first recognize what crisis management is not (Littlejohn, 1983, pp. 10–11). Crisis management is not mismanagement. Often, due to inappropriate or inadequate planning or the absence of any kind of substantive planning at all, business firms engage in regular crisis-type situational reactions. Without ordered priorities, the management of a firm seldom knows which situations call for immediate attention and which do not. As a result, management is often unable to continue functioning in the face of a true crisis situation. This is mismanagement! Crisis management should be composed of a systematic approach for dealing with real crises so that the organization continues to function normally in its operations.

Nor is crisis management a quick-fix solution. However, the time window to act is often very narrow. Crisis management entails forecasting, identifying, studying and acting upon crisis issues, and establishing procedures that would enable an organization to prevent or cope with crises (Nurmi and Darling, 1997, pp. 98–101). Crisis management is usually not solely represented by a separate operational unit within the firm. It is typically a systems-based combination of operational units brought together to manage a particular situation. And finally, crisis management does not require that all personnel, or even a large number of personnel, stop functioning to address a given crisis. In essence, effective crisis management provides a business firm with a systematic, orderly response to crisis situations. This response paradigm permits the organization to continue its day-to-day operations while a particular crisis is being managed. Furthermore, systematic crisis management creates an early detection or warning system. Many crises can be prevented – or at least dealt with more effectively – through early detection. In addition, a business firm should capitalize on the expertise of appropriate individuals from various operational areas to plan for and manage the crisis situation when it arises. The contemporary-based quantum skills of seeing intentionally, thinking paradoxically, feeling vitally alive and involved, knowing intuitively, acting responsibly, and trusting life's processes can be of enormous value in effective crisis management (see Shelton and Darling, 2001, pp. 47–48). Understanding and using these quantum skills helps crisis managers to create more intentionally and creatively, and to give them a deeper sense of meaning and fulfillment, and concern for the good of the whole.

Definition of a Crisis

The term ″crisis management″ is commonly used because it can apply to a wide variety of circumstances that might disrupt the normal course of activities in an organization. The term ″crisis″ will obviously vary from one firm to another. Furthermore, some organizations will prefer to replace the word ″crisis″ with the word ″issue.″ Instead of calling it ″crisis management,″ it might be referred to as ″issue management,″ or in the case of more optimistic managerial leaders, ″opportunity management.″ However, the label is not the important thing. What matters is the overall manner in which a firm systematically and continuously audits its environment and operations in all of its organizational arenas, and plans for how crises, however interpreted, can be appropriately managed.

What defines a crisis in business operations depends on a number of variables: the nature of the event; importance of the issue to the stakeholders involved (Näsi, 1995, pp. 34–38); impact on other firms and industries; how many and how quickly individuals inside and/or outside of a particular firm need to be helped or informed; who and how many people need interpretation of the events, and how accessible those individuals are; how much interaction with the media is necessary; what the media choose to emphasize; who and how many people need emergency care; how much the organization needs to assert control and demonstrate that it is capable of responding; and how quickly the firm needs to respond (Shelton, Hall and Darling, 2003, pp. 313–315). A crisis may also be defined by feelings of panic, fear, danger or shock, and the commensurate inter-organizational effect those feelings have.

Anatomy of a Crisis

The real challenge is not just to recognize crises, but to recognize them in a timely fashion and with a will to address the issues they represent. What are the early warning signs? What analyses serve to give early warning of change and the possibility of a future organizational crisis? Again, the challenge is not only to recognize the crisis but also to bring the complex factors into focus in such a manner that individuals can understand and marshal the forces necessary to address the situation. In all organizations, the process may move beyond the firm to determine the interaction of external and internal environments and factors in the various operational arenas involved.

A crisis has been defined as a ″turning point for better or worse,″ ″decisive moment,″ or ″crucial time.″ A crisis can also be described as ″a situation that has reached a critical phase.″ A crisis is, therefore, an unstable time or state of affairs in which a decisive change is impending – either one with a distinct possibility of a highly undesirable outcome, or one with a distinct possibility of a highly desirable and extremely positive outcome. Any executive who can predict and plan for a turning point in his or her organization stands a far better chance of capitalizing on that opportunity than someone who allows the crisis to sneak up on him or her unprepared. Contrary to popular belief, a crisis may not be necessarily bad. It is merely characterized by a certain degree of risk and uncertainty (Fink, 1986, p. 15). Crisis management – planning for a crisis, a turning point – is the art of removing much of the risk in uncertainty, thereby allowing those concerned to achieve more control over the destiny of an organization, and thus creatively exercising the role of management leadership (Darling, Shelton and Walker, 2002, pp. 47–50).

Crises can be of short duration or long duration, with minor or major impacts on a particular organization. A crisis in a business firm can therefore consist of as many as four different and distinct phases, although in some cases these phases can be so closely related that they fuse together in close proximity. These phases are: (1) Prodromal Crisis Stage; (2) Acute Crisis Stage; (3) Chronic Crisis Stage; and (4) Crisis Resolution State. The operative word with regard to the anatomy of a crisis is, of course, for the managerial leaders to *recognize* and begin to take control of the crisis situation. The manager has to recognize the prodrome in order to intervene proactively. Not all crises have all four of the crisis stages noted above, but each of the four is very common to any major crisis (see Figure 1).

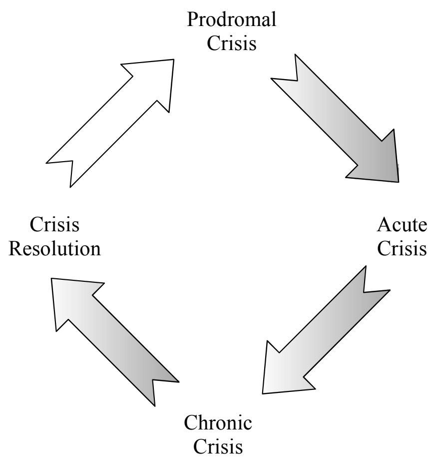

FIGURE 1. Phases of a Typical Crisis Cycle. Adapted from: Fink, 1986, p. 26.

Role of Management Leadership

It is through the development and implementation of meaningful leadership strategies that *effective crisis management* becomes a reality for a business firm. In this regard, there is a profound difference between management and leadership, but one should readily recognize that both are important (Darling, McKenna and Walker, 2002, pp. 135–136). To manage means to bring about, to accomplish, to have responsibility for, and to conduct. To lead means to perceive, to influence, and to guide in direction, course, action or opinion. The distinction is crucial when it comes to successful crisis management, particularly across cultural boundaries.

Managers are people who do things right, and leaders are people who do the right things. Thus, the difference is that managers control resources, master procedures and routines, and accomplish goals and objectives, while effective leaders communicate and coordinate among people in guiding the organization's operations. Indeed, leaders are those individuals who take responsibility for crisis management and the individuals affected, and implement contingency planning paradigms that benefit stakeholders and their organizations.

The degree to which managers are also leaders when it comes to dealing with crises relates to how they understand and carry out their responsibilities. Those who are successful view themselves as leaders, not just managers. This is to say that they concern themselves with their organization's excellence in all respects. Their perspective is vision-oriented (Bennis and Nanus, 1985, pp. 21–23). They do not limit attention to the *how to*, the proverbial *nuts and bolts* of operational performance, but include the parameters of planning and action, the *doing the right things*, particularly as those relate to the meaningful involvement of all stakeholders within the organization in addressing crisis opportunities (situations).

With regard to successful crisis management, a primary test of effective leadership lies in giving opportunities for meaningful involvement to others within the situational context of the business firm or organization. This helps enormously in the process of providing meaning and a sense of worth – thus an increased level of commitment and dream-fulfillment – for people in the organization (Wilkinson, 2003, pp. 155–156). Effective managerial leadership in dealing with crises requires individuals who do not depend on hierarchy and subordination. These contemporary leaders help to create enhanced capacity in their people. Subordinate leaders and followers, in turn, give up their need to be treated like only internal organizational employees, and instead also become responsible stewards of the organization's stakeholders (Näsi, 1995, pp. 95–97).

To be successful in today's crisis-intensive world, managerial leaders must develop and nurture new skills – skills that are congruent with the perspective of business organizations as human-based systems that are fundamentally encased in a highly changeable, interactive, systemic working condition, rather than stable, machine-like operations. The basic principles of quantum mechanics and relationships provide meaningful insights into a world that is both objective and subjective, logical and irrational, linear and nonlinear, orderly and chaotic; and a world in which the process of observation somehow affects that which is observed (Shelton and Darling, 2001, pp.45–46).

THE CASE OF DAIMLERCHRYSLER

Nature of the Crisis

The merger of Daimler-Benz and the Chrysler Corporation was initially touted as a corporate merger of equals (Akre, 1998, p. C3; and Vlasic, 1998a, p. B1). At the beginning, the international media and financial markets viewed this merger as a strong alliance – a thoroughly integrated trans-Atlantic powerhouse (Hesselwood, 1998, p. 68). Today, DaimlerChrysler is widely viewed as a German-controlled holding company with significant North American operations. It all began on 12 January 1998 when Juergen Schrempp, Chairman of Germany-based Daimler-Benz, suggested a merger to Robert Eaton, Chief Executive Officer and Chairman of the American-based Chrysler Corporation. Negotiations transpired quickly involving meetings on both sides of the Atlantic. On 6 May 1998 the merger agreement was signed in London, and, on 7 May, the merger was formally announced worldwide, with the new company to be called DaimlerChrysler AG, with Schrempp and Eaton as co-chairmen (Shelton, Hall and Darling, 2003, p. 313).

The merger announcement was widely disseminated with generally positive commentary and commensurate effects throughout the auto industry and the financial markets (Nees, 1998, p. M5). With a $92 billion market value, annual revenues of $130 billion, and 421,000 employees worldwide, this was the largest industrial merger in history, at that time. It would create the world's fifth largest automaker, changing the structure of the automobile industry (Nees, 1998, p. M6). On 14 May 1998, the Daimler-Benz Supervisory Board agreed to the merger. The European Commission approved the merger on 23 July 1998, followed by the U.S. Federal Trade Commission on 31 July. Details of the merger were spelled out in a 143 page proxy statement and related documents filed with the U.S. Securities and Exchange Commission. (For a brief description of the basic terms of the merger, see Shelton, Hall and Darling, 2003, p. 313.)

Schrempp and Eaton lobbied extensively for the merger to alleviate stakeholder anxiety and provide reassurance that the two automakers were, indeed, equal partners in this historic merger (Vlasic, 1998A, p. B1). In light of the very positive predictions presented, shareholders of both companies overwhelmingly approved the merger on 18 September 1998 (Phillips, 1998, p. C5). In its first full year of post-merger operation, revenues grew 12 per cent, operating profits increased 38 per cent, net income grew by 30 per cent, 19,000 new jobs were created, and more than 4.4 million vehicles were sold (Eaton and Schrempp. 2000, pp. 7–8).

This positive immediate post-merger picture belied the evolving discord and crisis at DaimlerChrysler. Just before the merger, and during the year immediately following the merger, several key executives who had been credited with Chrysler's success in the 1990s either retired or defected to the Ford Motor Company or General Motors Corporation (Shelton, Hall and Darling, 2003, p. 314). On 24 September 1999, the President of DaimlerChrysler's North American operations, was fired; and shortly thereafter, Eaton announced that he was retiring. This left Schrempp, as Chairman, and in sole control of DaimlerChrysler. By this time, the DaimlerChrysler "merger of equals" had turned into a German acquisition of a U.S. company. One of the key by-products of this acquisition was the major brain drain, with key executives who had led Chrysler to a solid reputation in its domestic and international markets for creativity, efficiency and profitability, no longer part of the new organization.

This management brain drain at Chrysler was evolving into a crisis situation for DaimlerChrysler, and Schrempp began moving members of his German management team into key Chrysler positions. In fact, Chrysler was on track to post losses of hundreds of millions of dollars in 2001; and orders from dealers had slowed to such a point that production shutdowns were forecast by the end of 2000 (Howes, 2000b, p. A1). Chrysler had gone from being one of the world's most profitable automakers to being a strong organizational as well as financial drain on DaimlerChrysler. Skeptical shareholders began leaving, driving DaimlerChrysler's stock price to less than half of its post-merger high of $101 per share (Bradsher, 2001, p. C5). Organizational restructuring, worker layoffs, production cutbacks and other cost-cutting measures were announced. However, there was little evidence that the DaimlerChrysler management then in place attempted to identify and resolve the root problems that led to failed expectations and unfulfilled synergies (Shelton, Hall and Darling, 2003, p. 314). No one seemed to pay much attention to the basic cross-cultural clashes that played a key role in causing DaimlerChrysler to fall from the mountaintop of record profits to the valley of significant losses. Thus, the financial operational data of Chrysler disguised that which can be hypothesized to have been the trigger for the major crisis at DaimlerChrysler – that of the cultural collision that occurred in the organizational and operational interrelationships between the Germans and the Americans.

Crisis Management of DaimlerChrysler

Each crisis is unique, and managers adjust and respond differently to each situation. In addition, the same situation may be a crisis at one time, but not at another. As noted above, the cultural differences between Daimler-Benz and Chrysler were an important foundation for the mutual attraction between the two companies. The Germans admired the entrepreneurial spirit and innovative thinking of the Americans, while the Americans respected the methodological engineering and technical capabilities of the Germans. Like people playing the dating game, the leaders of these two corporate giants were attracted to their opposites. And, like many marriages of opposites, the differences led to a crisis disaster. No one seemed to know how to discover common ground and act on the crisis situation at hand.

It would have been much better if Schrempp had recognized the crisis as an organizational culture issue, gathered around him a special team of culturally-sensitive Daimler and Chrysler management personnel and, in this major crisis situation, taken action to appropriately inform individuals that he and his team were personally responsible for managing the process of response. The language of crisis conditions is very important. In times of crises, words and their use have great power (Darling, 1994, p. 5). Consequently, the public affairs office of the firm needs to be kept informed of all issues relating to the crisis as well as any element that has the potential of becoming an issue. In crisis situations, the president and other selected people, particularly key stakeholders, should be informed as expeditiously as possible if they are not directly involved. In other words, all appropriate stakeholders should be appropriately informed in a timely manner.

Prodromal Crisis Stage

As noted earlier, the prodromal crisis stage is the warning stage, which may be extremely short or even immediate. The prodromal crisis stage in the current case situation concerning Daimler-Chrysler was no doubt in existence before the merger was consummated; but at least it should have been anticipated given the vast differences that have historically existed between German and American cultural attributes.

Integrating two independent companies with divergent cultures into one cohesive organization is a major undertaking. The process is even more challenging when the merged organizations have their roots in two different countries. Germans and Americans have often ignored cultural differences during initial merger negotiations; however, those differences typically resurface when the actual integration efforts begin and, in essence, signal a major crisis situation (Nees, 1998, p. M6). Misunderstandings between Germans and Americans have often occurred because of differences in communication styles, planning and decision-making processes, negotiation strategies, and leadership practices (Shelton, Hall and Darling, 2003, p. 315). Studies have suggested that Germans are less individualistic than Americans, tend to feel more uncomfortable with uncertainty and ambiguity, and have a longer-term time orientation. Germans also reflect a greater degree of indirectness in their communication styles and respect for title, age and background connections. Americans tend to grant status based more on achievement (Luthans, 1998, pp. 595–602).

These general societal values are, of course, reflected in corporate cultural norms. Therefore, the corporate culture of Daimler-Benz could have been expected to be dramatically different from that of Chrysler. This is particularly apparent in preferred leadership styles. German managers frequently prefer a more autocratic style than their American counterparts, and their employees typically expect to be treated accordingly. Research also indicates that a higher percentage of Germans are obedient to their managers than are Americans (Luthans, 1998, p. 591). For example, American employees often feel comfortable challenging their managers, perhaps even giving them advice. German employees, on the other hand, expect their managers to give them specific instructions and they typically follow them unquestioningly. In addition, many Germans view American hiring and firing practices as unnaturally brutal (Daft and Noe, 2001, p. 62). In German companies, employees are protected by much stronger labor laws and union rules (George and

Jones, 2002, p. 582). On the other hand, in Germany employees are represented in the corporate management through the ″Mitbestimmung″ system (″co-determination″), and partly, therefore, labor unrest in Germany is very uncommon, indeed.

The American-based Chrysler and German-based Daimler-Benz obviously mirrored these cultural differences. Chrysler had a reputation for having a more freewheeling, open culture, in contrast to the more traditional, top-down management style practiced at Daimler-Benz (Akre, 1998, p. C3). Daimler-Benz was synonymous with words like conservative, efficient and safe; whereas, Chrysler was known as daring, diverse and creative. In fact, these cultural differences in many ways were the foundation for the mutual attraction between the two companies, but belied the crisis situation that was imminent.

Interestingly, on the corporate structure level, the units of Daimler-Benz (passenger cars, commercial vehicles, aerospace and services) had long been very independent, as had the foreign subsidiaries of Daimler-Benz (Hannan, Podolny and Roberts, 2001, pp. 1–2). On the other hand, Chrysler had been characterized as being very strongly centralized in management structure. Also, in addition to the strong autonomy of units within Daimler-Benz, it must be emphasized that Daimler-Benz was not only focused on passenger cars like Chrysler; the commercial vehicles (buses, trucks and vans) represented about 30 percent of total sales volume at the time of the merger.

In this case situation regarding DaimlerChrysler, the prodrome (from the Greek for ″running before,″ and meaning the ″warning sign,″ or the ″pre-crisis″) should have become obvious to the management and appropriate steps could have been taken accordingly. Occasionally a prodrome may be oblique and much harder to recognize, and sometimes the prodrome is evident but no action is taken and an acute crisis occurs, as was true at DaimlerChrysler. Occasionally no action is taken as a result of a prodrome which may be caused by ″analysis paralysis″ or obsessive decision-making within the business firm (Nurmi and Darling, 1997, p. 174). The reason why prodromes are so important to catch early on is that it is so much easier to manage a crisis at this stage. In the case of most crises, it is much more logical to take care of the problem before it becomes acute, before it erupts and causes possible complications, or, in the case of DaimlerChrysler, financial disaster. Therefore, the ideal crisis management paradigm would appear similar to Figure 2. However, in the case of DaimlerChrysler the sensitivity to cultural differences may not have been considered to be of major importance, or perhaps were even ignored due to the more autocratic German style of corporate management, and it was therefore impossible to control movement of the crisis from the prodromal stage to the acute stage.

Acute Crisis Stage

Chrysler's President, throughout the merger negotiation phase with Daimler-Benz, was charged

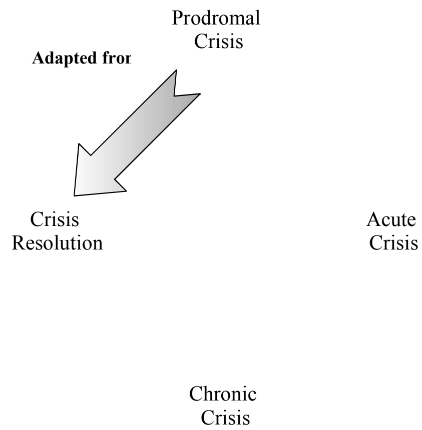

FIGURE 2. Appearance of a Preferred Crisis Cycle Adapted from: Fink, 1986, p. 26.

with overseeing the integration of these two culturally diverse organizations. He rejected the view that rather than a merger, the deal represented Daimler's buyout of Chrysler, and he verbally dismissed the assumption that in a corporate marriage, one company and its culture must inevitably emerge as dominant (Akre, 1998, p. C3). However, he apparently lacked either the leadership skills or political savvy needed to help this new entity develop a unique culture that represented the best of both worlds; and he was fired a year after the merger was consummated. Soon thereafter, the newly merged organization began its enormous spiral into financial decline. The forecasted synergies never materialized, and Schrempp and his management team at DaimlerChrysler lost the opportunity for creative and meaningful response that could have made a significant difference.

Of course, it would have been of significant importance if Schrempp had already recognized the impending crisis at the prodromal stage, or the warning phase. Knowing how to recognize and manage the prodrome before it erupts into the far more serious acute crisis stage is often what spells the difference between a business firm that benefits during a crisis, and one that suffers needlessly. DaimlerChrysler management needed to understand the prodromal crisis to be a predecessor to an acute crisis.

In many respects this is the point of no return with regard to crisis management. Once the warnings have ended and the organization has passed from the prodromal to the acute crisis stage, management can almost never recover the ground lost in the process. Some damage has been done; how much additional damage occurs depends, in most cases, on the quality and ingenuity of the firm's management leadership.

At the point when major differences of cultural norms were finally recognized, Daimler-

Chrysler had passed from the prodromal state to the acute stage of the crisis. The key, of course, is to control as much of the crisis as possible at this stage. If the acute crisis cannot be controlled, the manager should see if he or she can exert some degree of influence over where, how and when the crisis erupts, quite often in the public arena with commensurate extensive media coverage. In many respects, the DaimlerChrysler management team failed to effectively deal with the acute crisis stage and dissipate the enormous negative results of this stage. The firm had apparently failed to make contingency plans as to how it was going to deal with crisis situations, when they occurred; and having failed to plan how it was going to deal with them, lost the opportunity for effective crisis management.

One of the major difficulties in managing a crisis during the acute phase – even if an organization is ready for it – is the avalanche-like speed and intensity that often accompany and characterize this stage. The speed is dependent primarily on the type of crisis, while the intensity is usually determined by the severity and/or value of the possible outcomes (Darling, 1994, pp. 6–7). Failing to gauge the potential speed and the intensity while the organization was still in the prodromal stage, DaimlerCrysler management lost the opportunity to prepare for managing and controlling the crisis through the acute stage. The acute crisis stage is quite often the shortest of the four phases in the crisis cycle; but because of its intensity this stage often may feel, to the organization, as though it is the longest phase.

Once a business firm has entered the acute crisis stage, managers and other appropriate individuals need to assess how much immediate danger exists and determine which people, if any, are most vulnerable to the crisis and its repercussions. In a given crisis, the danger may be localized to a specific area of the firm or to a particular population within the firm. Managers need to think creatively and ensure that all of the appropriate stakeholders of the organization know what is happening and feel involved in the firm's response to the crisis (Shelton, Hall and Darling, 2003, pp. 318–319).

Chronic Crisis Stage

The chronic crisis stage is sometimes referred to as the clean-up phase of a crisis situation. With regard to some crises involving business firms, if there is to be a government investigation, an audit, a newspaper exposé, or a long period of interviews and explanations, this is when such lingering issues settle in. This stage is also a period of recovery, of self-analysis or self-doubt, and of healing. It may also be a time of financial upheaval, management shake-ups, or other operational problems. With regard to DaimlerCrysler, the chronic crisis stage may exist for many years.

Skillful managerial leaders of business organizations use the chronic crisis state wisely as a good time for further crisis management planning – analyzing what went right or what went wrong, and why the crisis event occurred – and taking appropriate actions. With good crisis management skills, this period may also become a time for congratulations and for plaudits and testimonials of how the crisis was successfully handled. Successful crisis management is typically a team effort within the organization, and recognition should be appropriately given (Darling, McKenna and Walker, 2002, pp. 139–141).

Crisis Resolution Stage

It is this fourth and final stage that should be the crisis management goal during the preceding three phases. When the prodrome is spotted, the executive's objective as an effective crisis manager is to seize control swiftly and calculate the most direct and expedient route to achieving a resolution of the crisis. The managerial leader's goal is to focus the turning point into an opportunity if at all possible. However, if the prodrome opportunity slips by unchecked, as was true at DaimlerCrysler, the actions and decisions during the acute and chronic crisis stages should be guided by the primary goal of: "What can be done by the organization to speed up this phase and resolve this crisis as quickly as possible?"

In reality, as might already have been discovered in any given firm, the light of resolution the manager begins to see at the end of one crisis tunnel may very well be the prodromal light of an oncoming crisis (Fink, 1986, p. 17). That would be bad enough if it wasn't also for the acute and/or chronic whistle of other crises sneaking up on the managerial leader in the same tunnel. Because crises are not tiered on a convenient plateau system, crisis cycles often make it difficult to see where and when one crisis ends and another begins, or at what stage the firm is in when

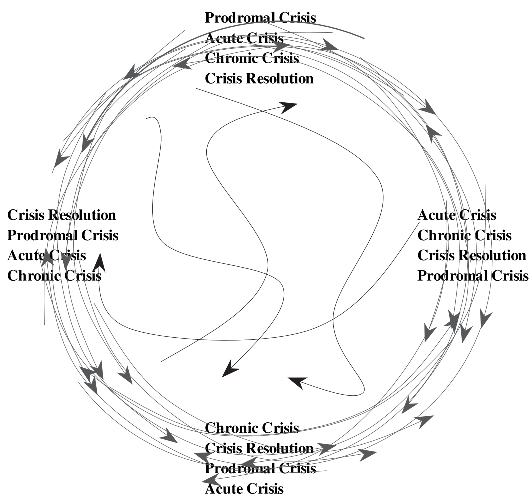

FIGURE 3. How Crisis Cycles May Appear. Adapted from: Fink, 1986, p. 27.

encountering multiple crises simultaneously (see Figure 3). This is especially true in situations where the ripple-effect complications of one crisis set off one or more other crises within the business firm.

IMPORTANCE OF PLANNING AND RELATIONSHIPS

It would be a useless investment of time and energy for managerial leaders to spend a great deal of time conjuring up all the crises their firms potentially may face in the future. The list may well be infinite; but what is eminently more sensible, and much more manageable, is to identify the processes necessary for assessing and dealing with future crises as they arise (Nurmi and Darling, 1997, pp. 169-171). At the heart of this process are appropriate information systems, planning procedures, and decision-making techniques. At the center of any meaningful system for problem-recognition and decision-making regarding crises lies a soundly based information system. An important element of such a system includes the capability to describe the firm's current situation and to make solid projections about its future. A continuous organizationally-oriented environmental scan, which is a product of the collection of relevant data on economic, social, government, technology, competitive and other developments over a period of time, connects the organization with the larger world and is used to identify trends and forecast their possible impact on the business and its operations.

The interesting irony of the planning process within the typical business firm is that planning has often been seen as less important in times of calm; but it is virtually impossible in times of crisis as the organizational constituencies may often move to protect their own special interests, as was no doubt the case of the German and American management personnel at DaimlerCrysler. Comprehensive planning must become an integral part of a firm's mode of operation in good times and bad. An ongoing planning process that includes alternatives and contingencies is a major element in determining an organization's ability to respond to crises. And, of course, a superior information system and a quality planning process do a firm little good if the ability to convert the results of planning into action is lacking. The uncertainties of the future call for a more inclusive process in decision-making, based on concern about the future success of an organization. It also requires involvement by all affected parties in the interactive and decision-making processes, and a sense that decisions are made openly and that a realistic climate of fairness exists.

Certainly the DaimlerChrysler merger appeared to trigger unresolved issues for individuals on both sides of Atlantic. Conflict has occurred over many issues, such as compensation. The Germans do have much to teach Americans about equitable pay ratios and concern for the welfare of employees. Americans, on the other hand, can teach Germans about the value of teaming and the importance of diversity. At the time of the merger, Chrysler had in place a product quality improvement partnership program to improve quality by increasing teamwork (Shelton, Hall and Darling, 2003, p. 321). Chrysler used this program to increase the maturity level, i.e., the emotional intelligence, of its workers. Hopefully the senior managers of the DaimlerChrysler organization can learn to exhibit a similar level of emotional intelligence and cultural sensitivity, thereby helping them learn a key lesson of the present crisis situation which should bode well in future operational settings. In so doing, they will learn that profits are a by-product of relationships, and they will use the power of relationships to integrate the best of both cultures, thus creating a highly synergistic, high-performance, twenty-first century organization.

SUMMARY AND CONCLUSIONS

There is a story from ancient Greek history that illustrates the importance of the leadership role in crisis management. One day the famous Greek philosopher and teacher, Aristotle, was approached by the king, Philip of Macedonia. Like some parents today, Philip was not happy with the existing school system and wanted a private tutor for his young son. The boy was 11 years of age at the time. His name was Alexander; and in time, history would refer to him as Alexander the Great. For an entire year, Aristotle was employed by Philip to teach Alexander. He taught him a lot of things about mathematics, politics, history and philosophy, and about how to lead people.

One day they stopped in the middle of a mathematics lesson and Alexander asked his teacher, ”How many is one?” There were a number of ways Aristotle could have answered a question like that. He could have said, ”It is a unity; it is a prime number; it is half of two; it has two halves.” But realizing the importance of his teaching role, Aristotle asked for a day or so to think about it. The next day Aristotle taught to young Alexander – this future warrior king, this future extender of Greek civilization throughout the entire known world – this very important leadership lesson. He said: ”In the arena of human affairs, and of successful organizational leadership, one can be a very great many.”

During any crisis being faced by a business firm, its stakeholders look for concrete signs that the organization is taking the situation seriously and is responding with respect for the rights of all individuals involved. Such was not the case with DaimlerChrysler (Edmondson, 2004, p. 52). The prodromal crisis stage was not appropriately identified and plans made to effectively address the cross-cultural dichotomy that existed in the newly-merged corporate entity. Therefore, when the acute crisis stage was entered into, DaimlerChrysler was not able to address, in a positive and opportunistic manner, the chronic crisis situation and move quickly to the crisis resolution stage. By not reflecting a sensitivity to cross-cultural differences, maintaining open channels of communication, and involving appropriate individuals within the organization, DaimlerCrysler lost the opportunity to engage in crisis management in an effective and meaningful manner; and, in essence, may have lost the opportunity to create a major influence in the future of the international and global automobile industry. As implied in the metaphor noted at the beginning of this article, opportunities to make a difference in crisis management may remain for only a moment, pass by quickly, and once passed, may be lost forever. The examination of the DaimlerCrysler crisis management efforts has resulted in a more realistic and detailed undertanding of what a crisis actually is and how it should be managed, or in this case how not to manage it.

Robert Kennedy made it popular, but George Bernard Shaw said it long ago: "Some see things as they are, and ask: Why? I prefer to see things as they might be, and ask: Why not?" Crisis management in a business firm can often be a positive turning point for the organization, if responsible individuals will reflect true management leadership skills, seize the opportunities available to make a difference in the firm and the lives of individuals they are called upon to serve, and throughout this exciting journey remember that "in the arena of crisis management, of successful managerial leadership, one can be a very great many." DaimlerChrysler executives must learn how to create a global organization with shared values and purpose, while also honoring national differences. When this happens, these executives will discover that merger success, particularly across cultural boundaries, is a by-product of the quality of stakeholder relationships and unity established within the framework of diversity. This may very well call for an intersection of two research fields. Mergers and acquisitions have been primarily researched from an integration development viewpoint (Haspelagh and Jemison, 1991, pp. 12–13), but not from the possible crisis management perspective (Fink, 1986, pp. 20–28). We suggest further cross-fertilization between the mergers and acquisitions, and crisis management research fields.

The authors are currently very active in several research projects, the purpose of which is the study and analysis of successful crisis management experiences of executives in various international and global business enterprises. They welcome the comments by other scholars interested in creating the development of new crisis management paradigms, facilitating the enhancement of successful crisis management skills, and training and developing more effective management leadership in addressing crisis management situations in international and global business operations. ■

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