

Corporate Governance and Communications Transparency in the DaimlerChrysler Post-Merger Era

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Abstract. This case study concentrates on comparing the German and U.S. corporate governance systems using the recent experiences of DaimlerChrysler AG and its chairman, Jürgen Schrempp, as reported in the international business press to illuminate differences in investor relations communications practices, in particular. The recent experience of DaimlerChrysler, because of its highly visible role as a “trailblazer” in the U.S. financial markets and due to the difficulties it has encountered, presents an excellent example for analysis of the governance issues inherent in a German-American direct foreign investment situation. Gaining a better understanding of the problems encountered by DaimlerChrysler should allow European business leaders to proactively design their own communications strategy including identifying potential pitfalls for their firms. Without this understanding, European firms could be discouraged from continuing to take advantage of the benefits of international financing and investment available from capital sources in U.S. stock and bond markets and business expansion opportunities in the U.S. product and service markets.

Keywords: corporate governance, investor relations, shareholder lawsuit, DaimlerChrysler, disclosure and transparency, merger of equals, board of directors.

1. The DaimlerChrysler “Merger of Equals”

1.1. Current Situation

In early 2003, the world business press reported on the dramatic financial and operational turnaround of the Chrysler Group of DaimlerChrysler AG under the leadership of German executive Jürgen Schrempp, chairman of DaimlerChrysler.¹ After six consecutive quarters of operating losses totaling about \$3.5 billion, excluding one-time charges, Chrysler announced that it had finally achieved an operating profit in all four quarters of the prior calendar year, totaling over \$1.3 billion. However, the press simultaneously reported that a “Time Bomb” threatened DaimlerChrysler’s future results.² A \$1 billion

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1. Alex Taylor, “Just another sexy sports car? Sure. But it’s also a whole new way of doing business at Chrysler”, *Fortune Europe Edition*, Vol. 147 No. 5, March 17, 2003, pp. 30-33.
 2. Dietmar Hawranek, “Zeitbombe in Delaware”, *Der Spiegel*, 12/2003, pp. 84-86.