

STEERING AHEAD

An interview with C. Robert Kidder, former chairman of the board of Chrysler Group and former CEO of Duracell



C. Robert Kidder

C. Robert Kidder is an executive who has passed almost every test of leadership, from navigating a financial crisis to successfully leading a leveraged buyout and subsequent public offering. Chosen by the U.S. Treasury Department to serve as chairman of the Chrysler Group, Kidder helped lead the company as it emerged from bankruptcy protection and completed its merger with Fiat. During his two-year tenure with Chrysler, he was able to strike the delicate balance of collaborating with regulators and various stakeholders without sacrificing decision-making power.

Kidder possesses the vantage points of both accomplished CEO and experienced board director. Most recently, he was chairman and CEO of private investment firm 3Stone Advisors and principal of Stonehenge Partners. During his six-year tenure as chairman and CEO of Duracell International, the company increased profits and became the largest maker of alkaline batteries in the mid-1990s. He also served as chairman and CEO of Borden Chemicals, leading a major restructuring and the ultimate sale of several of its business units. Currently, Kidder is lead director of Morgan Stanley's board and also serves on the boards of Merck & Co., Microvi Biotech, Nationwide Children's Hospital and Wexner Center Foundation. Spencer Stuart consultant Francois Truc recently spoke with Kidder about the state of the auto industry, his observations from working with a "rock star" CEO and what boards need to do to be successful in any sector.

You already sit on a number of boards — why did you want to take on such a huge role at a struggling company like Chrysler?

Bob Kidder: When I first was approached about a Midwestern company looking for an executive chairman, I said “No.” But when I got called back a few weeks later and was told, “By the way, the company I’m talking about is Chrysler,” I said, “Yes, I’ll do it,” without a second thought.

That’s really interesting. Why?

Because I understood the circumstances. It is a car company after all, which is interesting by its very nature. It’s been said that the media hype about car companies as a ratio to their market caps is the highest in the universe, and the reason everyone is interested is because everyone has a car. People have these incredible elephant-like memories about cars they had 22 years ago and everybody is willing to talk about their car at a cocktail party. It’s an interesting industry, but it’s a tough industry with a complex product and complex demands.

How did the board dynamic work in a situation like Chrysler’s, where you’re brought in as the company emerged from bankruptcy protection with restructuring efforts being led by the U.S. government?

It was really the government and Fiat discussing the terms of the merger and they came up with a solution and that solution obviously worked. But once that happened, the government was not involved. I was appointed as chairman and then recruited some directors with the help of Spencer Stuart. We operated like a board and

after every board meeting, I would pick up the phone and call Ron Bloom, the chief adviser to the Treasury Department on the auto industry, and tell him what happened. He had access to numbers, but he certainly wasn’t involved in trying to tell the company what we were doing, and indeed, to some extent, he did the opposite. He didn’t want the government to be seen as running the company.

Did the union have a voice in terms of governance? You had a lot of different stakeholders and perspectives to consider.

The UAW was not involved in governance. They had a representative on the board — Jim Blanchard, who was the eight-year governor of the state of Michigan and also a congressman and is now a lobbyist. But Jim, like everybody else who was on the board, acted in the interests of all shareholders. We went out of our way to instill that mindset. This wasn’t about a constituency board, this was about all Chrysler shareholders.

The government wasn’t much involved in the governance of the company on an ongoing basis, and the board had a slightly different role than typically would be the case. In this situation, because Fiat owned Chrysler at the outset, they were the 1,000-pound gorilla in the room, and (Fiat CEO) Sergio Marchionne was bigger than life to begin with. The board’s role was to try to maintain some balance between all the shareholders and Fiat, and Sergio gets respect in that role as well. The entire situation was fascinating. Here was a company coming out of bankruptcy with an international partner in Fiat after having failed with Daimler and private equity.

What makes a merger in this industry successful?

If you were to ask why the U.S. market has done better than the European market, it's because we went through this process of bankruptcy and downsizing and getting rid of elements of the infrastructure that European car companies were having a tough time doing. I think one of the reasons the merger with Fiat has worked so well is the culture. The two companies have done a very good job of getting together so that the cars they are now designing and producing are the result of a true merger — the Alfa-Romeo Guilietta with U.S. Dodge sheet metal and an engine that was a Fiat design that is being built in Dundee, Michigan. Right now, Europe is the perfect example of overcapacity and the inability to reduce it.

What do you think is critical to getting the product development equation right?

Chrysler, unlike any car company that I'm familiar with, gave the world its operating plan in 2008 and said, "Here's our plan for the next four years." That plan was obviously developed, discussed and approved at the board level. A key part of the plan was the feathering in of new products while a long-term product plan was being developed. For example, Sebring was an unsatisfactory car in the largest segment in the car business. They couldn't wait for three or four years to come up with something to compete in that space, so they decided to spend a lot more resources than you normally would on a refresh and accelerated it considerably. There was a lot of energy inside Chrysler, with people working 24/7 to get this new Chrysler 200 out in a timely way.

At that time, we already had changes to the Jeep Grand Cherokee on the drawing board. The Jeep brand is a very important one for Chrysler Fiat, and we had to do something that people wouldn't expect that would be extraordinary. That was a priority and that was the first launch of a totally new car. It's been very successful because it is a very good product. It was built off the Mercedes platform.

Leadership plays a big role in supporting product development and motivating a culture to create new products, especially in short time frames.

Sergio is a rock star. When I first met him, he walked into my office and he had on black jeans with a black sweater and a checkered shirt underneath it and a backpack over his shoulder — he looked like a kid on a college campus. But he is a very good CEO. Not just good, but really, really good, and the reason is that he picked his team based on criteria that most people don't use. He picked the team based on how well they were respected by their peers. That was the No. 1 criteria: respected. The second was: Would they be accountable for their actions? His third was intelligence and judgment. Functional background hardly even appeared on the list. Of the 15 people he had reporting to him, many of them had two responsibilities, so he just blew up the whole bureaucratic structure. He's a decisive guy, he's strategic, he's aggressive. He allows people to take risks. Indeed, he encourages them to take risks. He encourages them to be leaders and not followers.

How did those priorities come through in his management style?

He listens to people's arguments. He would sit down with people twice a year and then he'd have his whole team around the table and ask, "What do we think about John Doe?" Doe works for one of the people around the table. So everybody would have a kick at that can. "Is he collaborative? Is he holding up his end of the bargain? When we ask him to get something done, does he get it done?" Sergio is really engaged. This is not a guy who is up on the 27th floor periodically diving in and just reading the business reviews. That's not Sergio's style at all. And that is infectious. Chrysler's organization is successful today because people are buzzed.

They're having fun.

They're having fun, and they get stuff done. They're winning.

How did Sergio interact with the board?

He's very respectful of the board's role and respectful of the chairman's role. He knew more than I did about cars, but he never said, "Bob, that's the dumbest idea I've ever heard." We'd have a good discussion about it. Sometimes he'd convince me, and sometimes he'd alter his view a little bit.

The relationship with Sergio has obviously worked out well. How about the relationship with the union?

Chrysler did not shut down the factories. They stopped producing cars, but with Sergio's and his team's leadership, they began implementing

their version of world-class manufacturing. They began on day two, right after Sergio introduced himself and they closed down the factories and told all the people who worked there, who are UAW members, "Here's the deal. We're going to keep you employed, but you're now going to return this factory to its original state and we'll provide whatever resources are necessary to do that. When you're not doing that, we're going to have training for you in this new way of doing things and we're going to divide the world into small maintenance and large maintenance. Those of you who are operating on the line every day know what the small maintenance items are that should be taken care of and you'll do that. You guys in the big maintenance department are going to work with the OEMs and the producers to make sure this stuff is more reliable and that it's working every day."

So there was this great emphasis on this kind of blocking and tackling with the idea that we have to improve the quality, but the UAW members were all involved in this and all agreed to change their work rules to make this happen. The more success they saw as a result of that, the more empowered they felt to really change things. When President Obama came to the Jefferson North plant for the Jeep Grand Cherokee rollout, he got a good applause. But when Sergio was announced, he got this enormous applause. Reporters asked the crowd, "Why was that?" And the answer was, "He understands this is our house and we're proud of our house now." To have a better relationship with the UAW, the answer is to show respect and commit to sharing the ups and downs with them.

Based on all your experience with Chrysler, what do you believe are the skill-sets auto companies need?

I'd say one of the biggest skill-sets is consumer marketing. Many people have big careers without ever gaining traditional consumer marketing skills, starting with defining the brand. They assume things about the brand or don't define the brand very well. Chrysler made a name for itself in a Superbowl ad two years ago. It's very edgy — the Chrysler brand skews old, and you've got Eminem as your spokesperson and you don't talk about the car at all. You show up one time in front of a gospel choir and the rest is all about Detroit. And it drives people to the showroom and changes people's attitude about Chrysler. It's illustrative of the importance of thinking differently in this industry and thinking creatively about the company and the brands. It's being willing to take a risk. Consumer electronics marketing is also becoming an important skill-set. Just think about a car today: hundreds of CPUs on a car.

How can an automaker make better cars? How can the board contribute to that effort?

You can improve the odds considerably with a very disciplined product development process and a clear strategy that defines which customers you want to serve. There are 14.5 million vehicles going to be sold in the United States and approximately an equal number in Europe, and there are about 200 different types of cars. You have to be very clear about what you are and then deliver that really, really well.

Let me ask you a non-automotive question. You have led public companies, a private equity-backed company and a company that has gone through bankruptcy with government oversight. How do different types of ownership structures affect how the board works?

I would say that ownership structure matters less than having engaged directors doing their work. However, it seems to me that you're more likely to get engaged directors doing their work in private equity. If you're working with KKR, as I did for 17 years, you get really smart people who are very sensitive and know what they're doing. They are very sophisticated financially and are terrific partners. It's easy to work with them because you sit around a table at board meetings and you don't have to guess what the shareholders want — the shareholders are sitting right across the table from you.

You've had all this great board experience with lots of iconic companies and you've been an executive chair. What do board members need to do to be effective?

The first thing is to be engaged. Read the materials before you get there and listen — just the normal stuff — but also do other things to educate yourself, even just visiting a branch of the organization. You can also educate yourself by talking to investors. For me, it's having Morgan Stanley on my Google alerts, which I go through every morning and every night before I go to sleep, so that I learn a fair amount.

You're just always talking about it and being visible and curious.

Being engaged exists beyond the board meeting itself, including going to outside sources to learn things. In the case of Morgan Stanley, you have all these different capital standards that have emerged over the past few years, so I'm involved with groups of directors. We get together as lead directors or as directors in different networks and talk about things of interest to that particular group.

What do you believe the role of the lead director is?

The role of the lead director is not that he or she has more votes than anybody else, but that he or she is able to listen better than most and collect the information to ensure that management hears and responds to those concerns. If there were a

chairman instead of a lead director, I think the chairman would do exactly the same thing. I didn't see any difference between being a chairman and being a lead director, none.

How do you deliver those messages to management and the CEO?

During performance review time, I sit down and talk with every director, get a point of view and summarize that point of view. I then sit down with everybody together, express that point of view, and people have a chance to then stand up and say, "No, that's not what I said. Here's what I said." It's just a way of guiding the conversation. Then we invite the CEO back in with all the board members to update him. I'll have a subsequent conversation with him if I think something that should be said was left unsaid, so it's a very collaborative process.

Amsterdam
Atlanta
Barcelona
Beijing
Bogota
Boston
Brussels
Budapest
Buenos Aires
Calgary
Chicago
Copenhagen
Dallas
Dubai
Frankfurt
Geneva
Hong Kong
Houston
Istanbul
Johannesburg
London
Los Angeles
Madrid
Melbourne
Mexico City
Miami
Milan
Minneapolis/St. Paul
Montreal
Mumbai
Munich
New Delhi
New York
Orange County
Paris
Philadelphia
Prague
Rome
San Francisco
Santiago
Sao Paulo
Seattle
Shanghai
Silicon Valley
Singapore
Stamford
Stockholm
Sydney
Tokyo
Toronto
Vienna
Warsaw
Washington, D.C.
Zurich

ABOUT SPENCER STUART

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 54 offices in 29 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

Stay Connected to Spencer Stuart

    @SpencerStuView