

LaSorda's future uncertain

Auto analysts divided over what bumping to No. 2 spot at Chrysler means

Dave Hall
Windsor Star

Wednesday, August 08, 2007

Less than three months after taking over as president and CEO of a newly reorganized Chrysler Group, the future of Windsor native Tom LaSorda with the Auburn Hills automaker is now being questioned by auto analysts.

In May, LaSorda called it a "proud day" when he took over following the announcement that Cerberus Capital Management had bought the company from its German owners.

On Monday, LaSorda was bumped to the No. 2 position when Cerberus brought in Robert Nardelli, a former CEO of Home Depot, to take over the company.

Some give LaSorda less than a year before he leaves the firm he briefly headed, either by choice or otherwise. Tony Faria, a professor in the University of Windsor's Odette School of Business, said the decision by Cerberus, which officially took over control of Chrysler on Friday, was a surprise but also "a clear demotion" signalling a lack of faith in LaSorda's ability to lead Chrysler back to profitability.

"I've been saying all along that I thought Tom had one year and I still believe he'll be gone within a year either because he resigns or because Nardelli moves him out," said Faria.

But Kenneth Dalto of Kenneth Dalto & Associates of Farmington Hills, Mich., said "unless he quits, LaSorda could be there for several years because the Germans like him, the UAW likes him, the dealers and suppliers all like him and right now, Cerberus sorely needs trust and credibility."

Dalto said he brings all these positives. "Plus he's a car guy and they're not car guys," he said. "They don't have it in their blood -- he does."

He said this is a car company which needs to be making the right product decisions. "And I see LaSorda being part of that."

For now, LaSorda stays on as president and vice-chairman of its board with responsibility for manufacturing and labour relations.

But according to Faria, LaSorda may well view this new company hierarchy as a blow to his ego and will start looking for alternative employment in the near future. Faria said that despite LaSorda's public comments about working as a partner with Nardelli, "I believe LaSorda is not happy about this.



CREDIT: Jeff Kowalsky, Bloomberg News.

Tom LaSorda, vice chairman and president of Chrysler LLC, right, passes by Robert Nardelli, incoming chief executive officer of the company, during the "The New Chrysler: First Day" event. Chrysler LLC named former Home Depot Inc. Chief Executive Officer Robert Nardelli as CEO, demoting Tom LaSorda, as new owner Cerberus Capital Management LP takes control of the automaker.

"Despite what he's saying about egos and that being No. 1 isn't important, when you've reached that level in any organization being No. 1 certainly is important," said Faria.

In the short term, Cerberus may need him more than LaSorda needs Cerberus, according to another analyst. Erich Merkle, an auto analyst at IRN Inc. of Grand Rapids, Mich., also said: "I don't see Tom being there for the long term."

Merkle said he believes Cerberus needs him to handle negotiations with the UAW but once those are over, "I don't see him staying much longer."

Union negotiations, which began last month in the U.S., are expected to last into the fall.

Merkle also said LaSorda could still be valuable on the product side of the company because decisions about what happens four to five years from now are big decisions and they are being made now.

"You have to make sure there are products in the pipeline and you have to make sure they're the right products for the marketplace at the time," said Merkle.

Merkle pointed to the new Windsor-built minivan and the redesigned 2009 Dodge Ram as being perfect examples of good decisions made well before Cerberus even came into the picture.

"In many respects, all Nardelli and Cerberus have to do is concentrate on cutting costs and let the revenue side take care of itself because the company has strong rich life cycles in some key product programs," said Merkle.

Dalto said Cerberus "is tough but they're not stupid and for them, Nardelli is the perfect turnaround guy. But he's not a consensus-builder and I don't see him being there beyond three to four years."

And Merkle said with Nardelli acting as a "very polarizing figure, we haven't seen the end of changes at Chrysler."

Faria agreed and said that the departure of Chrysler chief operating office Eric Ridenour and the demotion of LaSorda is just the beginning of changes at Chrysler.

"At Home Depot, Nardelli changed virtually everyone in the entire senior corporate ranks and much the same could happen again," said Faria. "In a struggling organization such as Chrysler, senior people could well be viewed as part of the problem rather than part of the solution."

In addition, former Chrysler Group COO Wolfgang Bernhard, widely expected to return to Auburn Hills as chairman of the board, doesn't even have a place on the board after turning down an offer to become its non-executive chairman.

dhall@thestar.canwest.com or 519-255-5777, ext. 408.

© The Windsor Star 2007

[CLOSE WINDOW](#)

Copyright © 2007 CanWest Interactive, a division of [CanWest MediaWorks Publications, Inc.](#) All rights reserved.