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BUSINESS

Fiat Chrysler CEO Back to Square One Following Renault Deal Collapse

Unexpected breakdown of merger talks upends Chief Executive Mike Manley's big plan



Fiat Chrysler CEO Mike Manley would have moved to a new role had the Renault merger been successful. PHOTO: CHRIS J. RATCLIFFE/BLOOMBERG NEWS

By *Eric Sylvers*

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Fiat Chrysler Automobiles [FCAU 1.74% ▲](#) NV Chief Executive Mike Manley spent his first year in the job trying to motivate employees stunned by the sudden death last summer of his charismatic predecessor, Sergio Marchionne.

Now, the 55-year-old executive must again rally the workforce following Fiat Chrysler's failed merger proposal and a whistleblower lawsuit filed by one of the company's highest-ranking American executives.

Fiat Chrysler last week withdrew a proposal to merge with France's Renault SA [RNO 2.59% ▲](#) that would have created the world's third-largest car company by volume, with the Italian-American auto maker blaming the French government for creating barriers to the deal.

If Fiat Chrysler had been successful, Mr. Manley—the former head of the company’s Jeep and Ram brands—would have moved to a new role, becoming one of two chief operating officers at the combined entity, say people familiar with the plan. Renault’s chief, Jean-Dominique Senard, would have become CEO of the group, they say.

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The unexpected breakdown of talks leaves Mr. Manley to soldier on at the top, amid questions about whether the company will seek another merger partner—or even return to talks with Renault.

On Sunday, French Finance Minister Bruno Le Maire said that while the auto industry needs

further consolidation, Renault and Nissan Motor Co. should strengthen their two-decade partnership before getting involved in any new merger moves. The French government is Renault’s largest shareholder.

Fiat Chrysler declined to make Mr. Manley available for an interview. Since taking the helm last July, he has largely concentrated on operations and stayed out of the limelight.

Fiat Chrysler Chairman John Elkann led the charge in merger talks with Renault, meeting with both French government officials and Renault executives, while Mr. Manley worked to flesh out the details. Mr. Elkann, exasperated with the French government, was also the one to pull the plug.

On Friday, Mr. Manley, in an address to some employees, said that it can be difficult to make an about-face but sometimes it is the right thing to do.

Moving past the failed merger proposal could be a challenge for Mr. Manley and other company leaders, especially if it was regarded as a solution to a problem, said Peter Cappelli, a management professor at the University of Pennsylvania’s Wharton School of Business.

“It’s probably not going to be very satisfying for people to hear, ‘Oh well, we’re going back to business as usual,’” Mr. Cappelli said. “People want to hear a story that says, ‘OK, here’s where we’re going. Here is why this didn’t work out.’”

While Mr. Manley has repeatedly said Fiat Chrysler can thrive on its own, the company faces numerous hurdles, the biggest of which is generating enough cash to invest in electric cars and other new technologies as global auto sales cool. In 2018, Fiat Chrysler posted a 3% rise in net income to €3.6 billion (\$4.1 billion) as revenue advanced 4% to €115 billion. Profit and revenue fell in the first quarter of this year.

Mr. Manley also must fix Fiat Chrysler’s money-losing operations in China and Europe, confront the challenge of autonomous driving, build a stronger pipeline of new models, and improve

sales for its underperforming luxury brands, Maserati and Alfa Romeo, analysts say. The company is struggling with rising costs related to meeting tougher emissions standards, particularly in Europe—a problem it was hoping to remedy via a merger with Renault, a European leader in electric-car technology.

Fiat Chrysler, the third-largest U.S. car maker by sales, has sought partnerships to deal with the mounting costs. On Monday, it said it would begin integrating the self-driving technology of Silicon Valley startup Aurora into some commercial vehicles. Financial terms of the agreement weren't disclosed.

Mr. Manley played a pivotal role under Mr. Marchionne, turning Jeep from a U.S.-focused brand into a global success. Jeep sold fewer than 300,000 vehicles in 2009, the year Fiat took a stake in the then-bankrupt Chrysler. Last year, Fiat Chrysler sold more than 1.6 million Jeeps worldwide, according to LMC Automotive, surpassing even the Fiat brand to become the company's top seller.

Two months before his death last year, Mr. Marchionne had presented an aggressive set of operational and financial targets, including a big jump in profits and new models. Mr. Manley has inherited the goals, which were met with skepticism when they were laid out and have continued to draw doubts from many analysts.

“There is the big question of what Mr. Manley will do with Europe, but there are other issues such as sorting out the premium brands Maserati and Alfa Romeo that have underperformed the expectations set by Marchionne,” said Stephen Reitman, an analyst at Société Générale.

Fiat Chrysler's China business, an area Mr. Manley oversaw for years as head of Asia-Pacific, has also fallen short of expectations and is in need of a “reboot,” Mr. Reitman said.

The speed at which Mr. Manley confronts these challenges will influence how attractive Fiat Chrysler might be to another merger partner, say analysts.

The auto maker is also dealing with a whistleblower lawsuit filed by Reid Bigland, its current U.S. sales chief. Mr. Bigland accuses Fiat Chrysler of cutting his pay to punish him for cooperating with an investigation by the Securities and Exchange Commission into the company's sales-reporting practices.

Fiat Chrysler declined to comment on the lawsuit but said Mr. Bigland's incentive pay, like that of other corporate officers, is determined by the board of directors, which is still evaluating the issues that surfaced in the federal investigation. Deborah Gordon, Mr. Bigland's attorney, said his performance at work has never been an issue, including in 2018.

Along with the SEC probe, the U.S. Justice Department began investigating the company's sales-reporting practices after an Illinois dealership group filed a lawsuit claiming Fiat Chrysler used “strong-arm” tactics to get dealers to falsify monthly sales reports to inflate

results. Fiat Chrysler has denied the claims. The company settled the lawsuit in April with the dealership group.

—*Ben Foldy contributed to this article.*

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