DO CEOS REALLY MATTER?

There’s a BusinessWeek report that confirms two things I’ve been arguing for a while: that Bob Nardelli will be ousted no matter what happens with Chrysler in the upcoming two weeks.

> Chrysler CEO Robert Nardelli confirmed in a letter to employees today that he will likely be replaced as CEO of the automaker in the coming weeks as the company faces either an alliance with Italian automaker Fiat or a bankruptcy reorganization or liquidation. The company’s board, too, would be replaced, he said.

And that one of the reasons the Obama Administration treats the Fiat deal as a viable option for Chrysler is that they hope to put Sergio Marchionne, the head of Fiat, in charge of the merged company.

> In Nardelli’s letter to employees, the former Home Depot CEO said a new board of directors will have the power to appoint a new CEO. “The majority of the directors will be independent (not employees of Chrysler or Fiat),” Mr. Nardelli wrote. He added that the board “will have the responsibility to appoint a chairman and select a CEO with Fiat’s concurrence.”
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> Executives close to Chrysler say that it is possible that Fiat CEO Sergio Marchionne will hold the title of CEO, similarly to the way Carlos Ghosn was CEO of both Renault and Nissan for a few years after he was granted the job at Renault. Renault has a controlling interest in Nissan, and had sent Ghosn to Nissan to turnaround the then-ailing Japanese automaker.

Now, Marchionne is a darling of the Wall Street types because he managed to turn Fiat around.

> "The turnaround he steered at Fiat was just as miraculous as what Carlos Ghosn did at Nissan," says Tony Faria, business professor at the University of Windsor. "Fiat was in big difficulty, losing a lot of money. He had them in profitability in less than two years. The turnaround he steered was just magnificent."
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> Fiat—one of the oldest industrial businesses in Europe—was on the brink of bankruptcy when Marchionne was appointed CEO in 2004. Less than two years later, the maker of such brands as Ferrari, Alfa Romeo and Maserati returned to profitability as a world leader in environmentally friendly vehicles.
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> "He takes over and suddenly starts to pull all the right levers," says Eric Mayne, editor of news operations at Detroit-based WardsAuto.com. "At the same, time, miraculously, not only do they get their business model reorganized, but all this wonderful product starts bubbling to the top. I don’t think he can take credit for all of it, but certainly, his fingerprints are on the Cinquecento (Fiat 500), which is all the rage in Europe. If it comes here, it’s going to give the (BMW) Mini Cooper a run for its money."

But with its turnaround, Fiat is still plagued by some of the same problems that face Chrysler: qualify and cash flow.

> Fiat cars are unreliable and unsatisfying, according to two respected independent surveys of European-market vehicles.
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> What’s more, parent company Fiat Group appears not to have enough money to pay

> debt that matures in the next 12 months, Standard & Poor's said Tuesday as it downgraded Fiat's ratings.

So I wonder—can Marchionne really deliver everything the Obama Administration seems to expect from him? Is the Fiat turnaround sufficiently robust to call Marchionne a miracle-worker?

Now, frankly, I do think CEOs matter—having learned that lesson will Alan Mulally, the CEO of Ford. I was consulting with Ford when he was hired and the folks I knew there grumbled openly about this high-paid outsider. But within weeks, the decisions on cut-backs—for the first time that I had seen—began to make sense (one of these decisions was to move the lucrative contract I had to a supplier in Australia, which was a bummer for me but was absolutely the right business decision). Though I wouldn't particularly want to hang out with the guy, I've consistenly maintained that if it weren't for the credit crunch, it might have been Alan Mulally and not Marchionne being declared the latest miracle-worker in the auto industry.

My concern, though, is the standards for measurement. It absolutely makes sense to replace much of Chrysler's management, and Nardelli was never hired to "run" an auto company, he was hired to chop it up for sale.

But the same CEO fetishism that makes Marchionne (or perhaps in the future, Mulally) into the wunderkind of the Wall Street types crafting a Chrysler reorg refuses to see that most of the CEOs that ruined our economy remain in charge, releasing one after another transparently bogus earnings statement.

So, yeah, CEOs matter. But I'm not sure we yet know how to measure them.