

### SERGIO MARCHIONNE



*“Me in politics? Are you kidding? I’m a car worker. I make cars, trucks and tractors. I wasn’t born from a privileged caste, I remember my origins, I know that my father was a sergeant in the Carabinieri”*

*“At FCA we are, and will always be, about the music. Our approach will be different. Improvisational. Agile. Open to debate. And fearless, born out*

*of humility. There will never be room for mediocrity.”*

*“When I started university in Canada, I chose to study philosophy because, at that time in my life, it was important to me. Then I completely changed my course of study and went on to work as an accountant and then as a lawyer. I can’t say if philosophy made me a better lawyer back then or if it makes me a better CEO today. But it did open my eyes and my mind to other things.”*

*“I remember the first 60 days after I arrived: I walked around all the facilities and when I came back to Turin I went to Mirafiori on Saturdays and Sundays, it was empty, to see the showers, the changing rooms, the cafeteria. I changed everything: How can I ask a quality product for the workers and make them live in such deteriorated factory?”*

*There isn’t a movie about Sergio Marchionne yet, but there will be one, and probably with these quotes.*

A company on the edge of bankruptcy, inquiries conducted by Consob about convertendo, the war with banks, huge capital increase, a business that is losing money and needs to be rebuilt from scratch; small, not very international and ready to be eaten up by the competition. Try to imagine for

a moment what Marchionne had to deal with. Take the capitalization of Fiat on the day of the Italian- Canadian manager’s arrival, that had cut his teeth in Switzerland, and compare it to Fca’s today, together with the capitalization of Ferrari and Cnh Industrial. This is the only way to understand Marchionne’s miracle. He sextupled the group’s value but, above all, he prevented bankruptcy and converted the group into one of the auto industry’s leaders.

First the divorce with GM: “When you leave a table, even if you are enraged, you must keep your composure, let them understand that you may come back and start negotiating again”. A poker player: that’s how someone labelled him when he brought back home 2 billion dollars. Then the war with banks, about convertendo. Rumours, known only by a few, said that Lehman Brothers had given to Intesa, Unicredit and Mps the chance to become the largest shareholders of the Lingotto and steal it from the Agnelli, compelling them to leave or, in order to keep control, forcing them to submit a public tender offer. Exor figured out a masterly move to leave the ownership to the family, by accumulating options, and also to sidestep the tender. A Consob’s inquiry with judgments of the court of law followed. The result? That was the last time options weren’t considered on the public tender offers’ calculations.

Then Marchionne had to deal with the debt crisis that followed Lehman Brothers’ bankruptcy. The stock market only focused on the financial position and Fca’s was really stressed; the rating agencies considered its rating “junk”. Buying a Golf by instalments was cheaper than a Punto. Once he fixed the banks and GM, the focus finally shifted to the industrial front, with the still unbelievable masterstroke of the conquest of Chrysler and its turnaround.

I remember quite well his first conferences. He needed many breaks, he was an inveterate smoker. Even though he was almost a stranger he wasn’t afraid of constantly saying to analysts that they knew little about cars and that they were soon going to see estimates increase. He was always right. People said that he would have never brought out a winning car model, that he was only good at finance, at hiving off a company to reveal value. And that value was there, indeed.

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Now, his strategy is clear, crystal clear. He did not want to launch thousands of models, on the contrary, he wanted to reduce their number in order to increase their quality and margins. Less cars but more expensive “Because” – he said – “the middle class is disappearing”. Everybody was positive that he wanted to export the 500 in the USA, instead he exported Jeep all around the world: he started with 300,000 and hit 2 millions this year, coming close to BMW’s 2,1 millions. Goal of 2020: 2,8 millions of Jeep sold. The new CEO will do even better.

Investors still believe that Marchionne’s goal was selling the group but numbers say something else. With an expected net financial position positive at the end of the year for 4 billion euros, Fca from pray becomes predator. We could say a lot more about his unconventional yet winning ways, but you can find everything on the newspapers.

Let’s now enlarge our vision. Let’s look at this week’s mar-

kets. Taxes, trade wars, geopolitics tensions, the rise of oil price and a likely increase of rates. Marchionne has seen much worse and overcame it. How? We are, and will always be, about the music. Our approach will be different. Improvisational. Agile. Open to debate. And fearless, born out of humility. There will never be room for mediocrity.” Too often the stock market underestimates managers and only discovers them at the end of their mandate. Companies depend on the human element every day more. While most managers wonder about where the world will take them, the real question is: who is that manager that, in every context, is able to cope with difficult situations and brings his society beyond obstacles? Which groups are more liquid and capable of rapidly changing their strategies, better adjust to the environment and seize the chances before the others?

Thank you, Sergio.



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