

Sergio Marchionne: An Indelible Legacy

Judith Harris (July 31, 2018)



The record left by Sergio Marchionne, for 14 years the head of what is now Fiat-Chrysler Automobiles (FCA), is indelible. But in the outpouring of admiring obituaries are a few unanswered questions. Marchionne, 66, died July 25 in a hospital in Zurich, Switzerland, of two heart attacks in the wake of a operation on his shoulder.

ROME - His operation had been described as routine, and the Italian media reported that his condition had "precipitated almost without warning" and perhaps caused by an " unspecified aggressively infectious disease, only recently diagnosed."

Instead Marchionne had known for a year that he suffered from cancer, and the operation was to remove a malignant tumor. He had kept this diagnosis rigorously secret even though, seen on TV a few days before his death, Marchionne appeared weak and to be gasping for air, as if suffering from a grave heart condition. The fact that he was a heavy smoker surely aggravated his condition.

No one knows why this genius manager kept his illness so rigidly secret: was it to protect the FCA from attacks on its stock market quotes? To keep the company's 236,000 employees in good spirits? Or did he choose to believe that he could beat cancer, as he had so many other enemies? Whatever the cause, the loss is enormous.



Marchionne was born at Chieti in the Abruzzo, 120 miles from Rome, where his father was a Carabinieri policeman. At age 13 in 1965, his family emigrated to Toronto, Ontario, where a serious advantage was that to his native Italian he gained fluency in English and French. At the University of Toronto the multi-talented Marchionne studied philosophy before acquiring a master's degree in business administration from the University of Windsor as well as a law degree in 1983 at the Osgoode Hall Law School at York University, Canada. He then went to work as an accountant.

He took over the failing 119-year-old Fiat Group in Turin in 2004. In his 14 years of leadership he relaunched Fiat and merged it with the bankrupt Chrysler in the United States. To bring this off in Italy Marchionne successfully challenged Italy's rough-and-tumble trade unions, telling the workers in Turin 14 years ago that either they accepted a wage cut or he would walk out and they would all be out in the street. The Italian TV news broadcasts these days are full of interviews with the older workers who accepted this, as well as the odd interview with trade unionists who still consider themselves hoodwinked. At the same time he was also battling Volkswagen to maintain control over Alfa Romeo, and successfully promoting Ferrari. The most successful models for which he was responsible included the Alfa 159, the Nuova Cinquecento, and the best-selling Grande Punto, according to the Turin daily "La Stampa."

Another signal success was his launch of the Jeep Renegade, produced along with the Fiat 500X in Melfi in the Basilicata region in Southern Italy. The ultra-modern Melfi plant represented a \$1.2 billion investment and, together with a neighboring FCA-owned support company, employs almost 11,000. At 16 his father had given him a Fiat 124 Coupe, and in one of his last public appearances on July 21 at Ivrea he consigned a Jeep Wrangler to the Carabinieri Corps, speaking proudly of his Carabinieri father and obviously deeply moved.

As one of the older metal mechanic workers said, "With him the approach to our work changed. The determination to achieve our objectives was increased. Maybe one could have tried to put less stress on us workers, but that was Marchionne, working hard for the FCA 24 hours out of 24. And thanks to him you can see the results." For another worker at a FCA plant at Pomigliano d'Arco near Naples, "It has not been easy, there were so many conflicts! But he made courageous choices shifting production of the Panda from Poland back to Italy. He kept us alive, investing a million dollars for the plant, now at the top in Italy." Nevertheless 4,600 laid-off employees are on relief until September 2019, after which they have no certainties.

Marchionne was chairman of the Italian branch of the Council for the United States and Italy, his private think tank whose founders included Gianni Agnelli and David Rockefeller. The aim of this organization, which alternates meetings annually at Venice or New York/Washington, is to foster ties between the two nations especially in business and finance. It draws together the two countries' business world elite, and its Young Leaders program has already produced 800 alumni in all fields, from CEOs to academics, ambassadors, media stars and civil society leaders.

Veteran foreign correspondent Dennis Redmont, former director of Associated Press in Rome, heads the Council's office for Communication, Media and Development and as such has worked closely with Marchionne. At its last Council workshop meeting in Venice, Redmont records, Marchionne acknowledged that the discussion between the US and Italy had turned at times "difficult," but that, "Part of civil society wants to bridge our societies, embracing technology and going forward in both economic and social development. Our group strongly believes in that."

The Council under Marchionne's leadership became a "radar for hard and soft landings of the economy and an incubator for the leadership in all fields," says Redmont. "Behind his black sweater, his checkered shirts and his perpetual Muratti cigarette lived a man who was always 'ahead of the curve' in political, social and economic playing fields and profoundly attuned to the times.... In his factories he forged ahead with radical transformations and some new secret production tweaks that will only be unveiled in a few years."

For the company Marchionne leaves, problems lie ahead. The ultra-compact Fiats produced for the US market have not been the desired success. China out-manufactures and outsells every other car maker, and is a tough challenge. The financial press points out that FCA has no easy financing sidebar company, as others do. Other challenges are non-stop globalization and automation,



bringing about the "end of the 20th century, of the factory culture, of the primary position of finance behind the workplace," in the words of Michele Serra, columnist with La Repubblica.

Not least, Fiat Chrysler chairman John Elkann, 42, named the particularly successful head of Jeep and Ram, the Briton Mike Manley, "the man of the Jeep miracle," to replace Marchionne. The appointment triggered the immediate resignation of the highest-ranking Italian in the corporation, Alfredo Altavilla, long Marchionne's right hand man for FCA's European operations. As one Fiat employee at Pomigliano said, "Knowing that we have been turned over to a non-Italian administrator is worrying." Already 80% of FCA profits come from the US, where Altavilla had no experience. Stock markets have shared in these concerns.

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