

HANDBRAKE TURN

Simon Hobbs interviews Sergio Marchionne, European Business Leader of the Year at the European Business Leaders Awards



Sergio Marchionne first came to Fiat in 2004. Europe's sixth biggest automaker was losing €1bn a year and nearly went bankrupt on several occasions. In 18 months, the Canadian-Italian returned it to profit and has subsequently been heralded as one of the most effective global CEOs in the world.

SH: You believe that success comes down to people being able to make cultural changes in the organisations. What are your principles of leadership?

SM: Primarily, Fiat is a total and complete meritocracy. No one here has a right to lead unless he earns that right. We review our leaders twice a year but paper only takes you so far. The real issue is having continuous interaction with the issue of leadership. Also, being able to lead people without being able to bring about change is not worth much.

SH: Fiat has borrowed from Toyota the World Class Manufacturing (WCM) initiative: zero waste, zero deficiencies, zero inventory.

SM: I'm not ashamed to have taken it—it's not our idea. It's worked very well for Toyota. We're a way from there yet, I have to be honest, but we've embraced the concept.

SH: What sort of upbringing did you have? You were born in 1952 in Italy, the son of a military officer, and emigrated quite young to Toronto.

SM: I had a very normal upbringing. My father had become disenchanted with the way things were in Italy and wanted to move away. I was very much into the arts – I have a passion for classical music, Russian literature and opera. I started in theoretical physics, moved to philosophy, then business, then law. I wanted to become an international businessman.

SH: Why is it that in your thirties you rarely stayed in a job more than two years?

SM: If you get very accustomed to a particular organisation's culture it's actually quite damaging. I was exposed to a variety of businesses, business conditions, and styles of leadership. And I moved up every time I moved – not just from a career standpoint but also in terms of becoming more international.

SH: Would you tell young people to do this?

SM: Yes, I would.

SH: In June 2004 when you became CEO of Fiat, did it take a lot of persuasion? At the time, Morgan Stanley suggested that relaunching Fiat would be the hardest job in the world.

SM: I've been told that by a number of other bankers that I met around that time.

SH: Fiat had lost €8 billion over four years – why did you take the job?

SM: The decision to come to Fiat was relatively easy. When Fiat ask you to help – and I consider myself, at least in my origins, to be Italian – then you just do. It was like coming to help resurrect the national icon of Italy. But I had no idea, even though I was sitting on the board at the time, of the sheer diversity of the operational problem that plagued the company.

SH: So how did you approach these problems?

SM: I spent the first 50 days travelling, meeting people, seeing the plants. I listened a lot, I asked questions, I was shown the business and the plans. At the end of the 50 days I sat down with a group of senior leaders and crafted the next four years.

SH: Were you building on something that existed or did you have completely new ideas?

SM: What we took to the board was an operational plan to fix this business. There were some existing stop-gap measures to bring down the level of debt but they didn't fix the underlying problems.

SH: So you moved in decisively and also took over as Auto-CEO, as well as group CEO, kicked out the guy who was there for 15 months – then what did you do?

SM: We took out about 2,000 white collar positions, which took a while to negotiate with the unions but we got it done. We promised that if we were successful, we would rebuild the business and start rehiring, which we did. I think it was a wise choice of the unions to support us.

SH: Unusually, instead of centralising the business, you delegated out responsibilities.

SM: Look, we have 185,000 people and any one of those people can cause me enough damage in a five-minute period to change all my productions until 2010. So, unless you learn how to effectively run this organisation through a very flat structure where I can interface with a group of senior leaders who manage their own structures on the way down in the same way, you'll never have control.

SH: So what's your latest thinking on this structure?

SM: I used to be incredibly maniacal about the levels of hierarchy between me and the shop floor and this was probably based on a lack of experience. I've learned that the biggest risk is when people started relegating authority back up the levels into my office – that is lethal.

SH: And how did you manage to change Fiat to deliver better operationally?

SM: I found some great people who could do that and I asked them some very pushy, stupid

questions like, "Why can't we do that faster?" Now we can make a car in 18 months, instead of three years. And without the agony.

SH: What are you like to work for?

SM: I always tell my guys that the real quality of a leader is the quality of the people he leaves behind. And so the only thing I really care about is leaving behind a really strong organisation – one that will survive me, certainly.

SH: How often do you get to drive your Ferrari back home to see your wife and kids?

SM: About once a month. It's harsh, but Fiat is a very large place with a lot of unfinished business and we need to get to it quickly. But I enjoy leading a simple life, having normal dinners with truck drivers in pizzerias. It restores some level of sanity to the process and it really demystifies the role. One of the big risks of being a CEO is that you start believing your own press.

SH: You've said that you believe there is a need to remain little – what does that mean?

SM: I've always had the view that being a leader is one of the greatest privileges that you can have, but it is not a right. You need to earn that right to lead every day. Being a CEO of a company the size of Fiat, you can and do impact significantly on people's lives. The way you surround yourself outside of the day-to-day work environment moderates the extremes associated with the role. You need to balance the unreality of the role with attachment to very simple things – almost a Franciscan way of life.

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European Business Leaders Awards

Sergio Marchionne and other winners at this year's European Business Leaders Awards (EBLA) are currently being profiled in *The Leaders* series. This weekly show, hosted by award-winning presenter Simon Hobbs, features interviews with leaders from the worlds of business, politics and beyond. Filmed on location, *The Leaders* reveals what drives Europe's top business and political talent.

To view Simon Hobbs' interview with Sergio Marchionne or with EBLA winners, go to www.CNBC.com

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