**Sergio Marchionne – CEO Fiat-Chrysler**

**Key Learning Points**

* Marchionne streamlined communications and flattened organisational structures to shake up bureaucratic structures and systems that stood in the way of progress, knowing that responsibility for the turnarounds he led rested with management
* New perspectives were necessary in management to drive the turnarounds at Fiat and Chrysler, and Marchionne brought in managers from different backgrounds like marketing and HR, to complement the perspectives of traditional backgrounds in automotive company management like engineering
* Through his own personal style Marchionne epitomised what he wanted for Fiat and Chrysler, with his down to earth style breaking through bureaucracy and formality

**Who is Sergio Marchionne?**

Sergio Marchionne is an Italian-Canadian, who was born in Italy and emigrated to Canada at the age of 14. Marchionne completed his higher education in Canada completing a MBA and law degree, before working in various accounting and finance related roles. He took up his first role as a Chief Executive at Algroup in Zurich in 1997, before taking up Chief Executive roles at both the Lonza Group in Basel (2000) and SGS S.A. in Geneva (2002). It was in SGS that his reputation as a turnaround artist grew, successfully restructuring the company during a period of crisis. His involvement with Fiat began when elected as an independent member of the Board of Directors in 2003.

**Taking over the reins at Fiat and Chrysler**

When Marchionne took over as CEO at Fiat in 2004, he thought to himself that the organisation was *finito* and that there was nothing that could be done to save the struggling auto manufacturer, such were the problems faced by the company. However despite this Marchionne is largely credited with the turnaround of Fiat, and later Chrysler, who Fiat formed a strategic alliance with in 2009. He also became CEO at Chrysler, and two years after emerging from bankruptcy proceedings the company returned to profitability and repaid all government bailout loans 6 years ahead of schedule.

**Flattening Organisational Structure to Make Sure the People Who Make a Difference Matter**

Early on in his tenure as CEO of Fiat he advocated a more direct style of management, having been shocked to see in Fiat that people had a preference of talking through secretaries instead of each other. In his own words he said, “We need to open up the whole house and the process of decision making so that people who do make a difference matter”. Faced with the need to slash costs, Marchionne did not do what was expected and close manufacturing plants, but instead kept all plants open saying that manpower only accounts for 6 to 7 percent of the cost of making a car and that the problem does not lie with the workers.

Instead he shook up management to bring in a culture of accountability, firing underperforming executives and hiring bright young managers and promoting from within. He brought in a small Group Executive Council to manage Fiat as whole and brought in a new flat, matrixed organisational structure. His ideas where based around small groups, who could act in a dynamic and interconnected way to drive organisational growth. He continued this approach when taking on the role of CEO at Chrysler. He quickly interviewed executives at the struggling automotive company to decide who to let go and who to promote, and continued to promote from within. In Chrysler he works on the same floor as engineering, and the upper floor of headquarters which used to house the chairman and vice-chairman are vacant because he believes in working closely with the people who make a difference. In Chrysler he has an unusual number of direct reports, having 26 people directly report to him, as he believes this flat structure leads to faster decision making.

**Thinking Differently and Bringing in New Insights**

One of the key secrets to Marchionne’s success is attributed to his management style. Marchionne has a very different background to typical leaders in the automotive industry, not having a background as a car engineer but a lawyer and accountant, and likes to think differently. His management style is associated with managing companies, not controlling them. He believes that his role as CEO is not to make decisions, but to push managers to be leaders. Marchionne drove a culture, or what he describes as ‘the way we do things around here’, based on accountability, openness, communication, flexibility and sharing ideas. Many of the new executives brought in came from different backgrounds, replacing the traditional car engineers with people of marketing and HRM backgrounds, to facilitate the sharing of new perspectives.

An example of this different thinking in practice is the Fiat 500 which Marchionne refers to as their iPod, as he is equally concerned about design and marketing as he is about how the engine or gearbox is designed. Ralph Gilles, CEO at Dodge who worked for Marchionne said, “Sergio is extremely open-minded. One of my favorite things is when you see him asking lower-level management or experts -- we have these experts coming into our meetings -- and we have these great debates and discussions. You don't see a CEO and a manager, you see two people enjoying talking about cars. I love that; I love to see the management team discussing the cars as a mission or as a project first.”

**Not for the Faint-hearted**

However Marchionne’s management style is not without limitations, as his drive for success also means his staff are expected to work long hours and weekends and that can come at the cost of work-life balance. Critics of this approach highlight that this limits the type of people who can be successful within the Fiat-Chrysler setup, including those with families. He doesn’t seem to mind the impact on his own personal life however, waking at 3.30am in the US to followup on European business, and spending US holidays working in Italy and Italian holidays working in the US. Marchionne explains this by saying that being a leader in Fiat is a lifestyle decision and “It’s not the Buena Vista Social Club”.

**A Unique Individual Style**

Any analysis of Marchionne’s management style would be incomplete without commenting on his personal style. Marchionne is well known as a multilingual, chain-smoker, who remains ever loyal to his signature casual look of a checked Oxford button-down shirt, baggy black sweater and black slacks. He has even attended black tie events as the guest of honour in his signature clothing, looking like he needs a haircut and a shave. Christiano Carlutti, the former head of used cars at Fiat noted that, "The message he wanted to pass in not wearing a tie, not wearing a suit, means we are more flexible and what really matters is not the uniform but something else." Fiat was a very formal company when Marchionne joined it, and his personal presentation is seen as one way that Marchionne continues to break through that formality and bureaucracy.

**From Despair to Growth**

Interesting lessons can be learnt from the Marchionne case. Marchionne was able to turnaround situations of despair in both Fiat and Chrysler by shaking up the way management teams worked. After identifying that the problems did not lie in front-line staff but in the way the companies were managed, Marchionne set about redefining “the way things are done around here”. He brought in new insights into the management team and a culture of accountability, and was also a model of this new organisational culture himself. The organisational transformation led by Marchionne continues to make a difference. Chrysler is expected to report a 3 billion USD operating profit for 2012 and Fiat expects between a 1.6 and 2 billion EUR trading profit. Furthermore Fiat-Chrysler has been transformed into a significant global player, with a full merger scheduled for 2013 and a stated goal of producing 6 million cars a year by 2014.

**Questions for Reflection**

1. How would Marchionne’s approach of instituting a small group approach to management speed up organisational decision making and action? Is this something familiar to your own workplace environment and how can you encourage this type of work?
2. Marchionne saw the value in bringing in new insights and perspectives. How do you think this would have helped Fiat-Chrysler? How do you encourage new insights and perspectives in your own teams?
3. How do you think Marchionne’s personal style reflected what he was trying to achieve? As leaders, how does/can your own style or approach help you achieve your own vision?

**Source Material and Further Reading**

1. Wikipedia entry: <http://en.wikipedia.org/wiki/Sergio_Marchionne>
2. Fiat Gets a Marchionne Makeover: <http://www.yorku.ca/yfile/archive/index.asp?Article=8826>
3. Sergio Marchionne (CEO Fiat and Chrysler) Management Style and CIOs: <http://mubbisherahmed.wordpress.com/2011/12/27/sergio-marchionne-ceo-fiat-and-chrysler-management-style-and-cios/>
4. Book: “Mondo Agnelli: Fiat, Chrysler, and the Power of a Dynasty” By Jennifer Clark
5. <http://charmike4.hubpages.com/hub/HBR_on_Fiat>
6. Driving Success: <http://www.magazine-awards.com/multimedia/krw/awards_submission_archive_2010/13724.PDF>
7. Profile: <http://www.allpar.com/corporate/bios/sergio.html>