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## Italian tradition meets New World culture

*The son of an Italian immigrant has returned to the motherland to resurrect its industrial ambitions. Peter Popham reports*

For years Fiat was seen as the sick man of the European car industry: its models frowzy, dated or peculiar; its build quality undependable; its chances of survival regularly called into question. But four years in the hands of an Italian-Canadian businessman called Sergio Marchionne have transformed its fortunes to the point where it is now seen as the last best hope to bring America's No 3 car company Chrysler back from the dead.

Wherever he is today, Gianni Agnelli must be delighted. The grandson of the founder of Fiat, a minor aristocrat from the Piedmont countryside, Agnelli was thrust into the company hot seat in 1966 after a succession of family tragedies. He became the most famous and powerful Italian of his day and the closest the nation had to a monarch.

Opinions differ about his abilities as a manager, and he was on record as saying that if he had had to build his fortune from scratch he would never have made it. But his looks, wealth and charisma, and the powerful arm lock in which he held Italian politicians, gave Fiat a starring central role in Italy's post-war miracle. It was Agnelli who made sure that Italian government policy favoured cars over public transport, that the country got a large network of autostradas, and that the gates to the Italian domestic car market remained locked and bolted. At its peak, Fiat and its associated companies had 200,000 employees and was responsible for 5 per cent of Italy's gross domestic product.

Fiat's decline coincided with Agnelli's waning years. The new models the company produced in the 1990s were homely like the Panda, or cranky like the Multipla, or resembled Transformer toys like the Stilo, and the old Italian design flair went missing. And as the doors to the Italian market finally creaked open, Italians discovered a wide world of choice. The monopoly disintegrated.

It was the idea of Gianni Agnelli's younger brother Umberto Agnelli to bring Sergio Marchionne on to Fiat's board in 2003, the year Gianni Agnelli died: a Canadian whose father had emigrated from Italy in his youth.

Marchionne has dual Italian and Canadian citizenship, though he says he thinks in English. As addicted to jumpers as Richard Branson, he is the master of several trades, being a qualified solicitor, barrister and accountant as well as holding an MBA. He held important jobs in a succession of North American companies before moving to Switzerland for his work in 1994, where he came to the attention of Umberto Agnelli and Luca Cordero di Montezemolo, the chairman of Fiat since 2004.

Marchionne's appointment to the Fiat board might have seemed a gamble, as he had excelled in other industries but had no motor oil running in his veins, and he had never even met Gianni Agnelli. Yet it proved a brilliant and prescient choice. At blinding speed, and despite his lack of motor industry credentials, Marchionne, who is 56, launched a series of brilliant new models, including the dashing Brava and the new Cinquecento, which within a couple of years had re-established Fiat's claim on the affections both of Italians and of the world at large.

And his cosmopolitan background helped him build the sort of alliances that have become the key to survival in the industry, one in which, he claims, a company will need to produce 5.5 million cars per year in order to stay in business (Fiat manufactures 2.3 million), and only a handful will make it.

Marchionne's achievement recalls the success of Gianni Agnelli in building factories in the USSR and India, and those of Carlos Ghosn (with Nissan) and Lee Iacocca (with Chrysler) in resurrecting car companies. But while Ghosn and Iacocca yoked East and West, what is needed today, according to Dennis Redmont, an American businessman based in Italy and an executive on the Council of the US and Italy, is a man who can straddle diverse cultures – and unite manufacturing and banking.

"Marchionne is a Canadian for the Americans and an Italian for the Italians," Redmont says. "But as a member of the board of directors of UBS, the Swiss banking giant, he is also a banker for the Swiss. And these are the three key components of the deal: Italian culture, North American culture, financial culture. This tripod is the key, because today you have to have someone who knows banks and the financial detail."

The presence of a North American figure at the top of the company is not anomalous, says Redmont. "The Agnellis always saw themselves as a little bit American. Fiat is riddled with Americans. They also have close official ties with the Swiss reality."

Marchionne's ambitions have the support of Italian banks, which again seem to see in Fiat the incarnation of the nation's industrial hopes. In January, Corrado Passera, the president of San Paolo Intesa and one of Italy's most influential bankers, said: "We have always worked with Fiat, we've always been close to the company and its projects. We always have been and will continue to be."

## **Emblematic marques**

### **Fiat**

Founded: 1899, by Giovanni Agnelli. It was Italy's biggest car company within a decade

Employees: 223,000

Best of times: the 1957 Fiat 500 town car, is an icon of Italian automotive history

Worst of times: spent 4 years in the red – 2001-05

### **Chrysler**

Founded: 1925, when Walter Chrysler bought a failed car company's old factories to produce high-quality, low-price vehicles

Employees: 54,000

Best of times: in the Sixties, made the popular Dodge and Plymouth "muscle cars"

Worst of times: in 1979 Chrysler got a bailout loan on which the government actually made money



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