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# Sergio Marchionne: Resurrecting Chrysler

In 2009, Chrysler was sputtering toward collapse, with tens of thousands of jobs in jeopardy. But one man bet that he could save the company and make it profitable again. He's Sergio Marchionne. He'd already turned around Fiat and felt the two companies were a good fit – and clearly he likes a good challenge. So Marchionne took a \$6 billion, high-interest U.S. Treasury loan and promised to pay it all back by 2017. Chrysler beat the deadline by six years. Steve Kroft interviews Marchionne as Chrysler rolls out a new car.

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*The following is a script from "Resurrecting Chrysler" which aired on March 25, 2012. Steve Kroft is the correspondent. Frank Devine and Maria Gavrilovic, producers.*

One of the most encouraging signs in the U.S. economy over the past year has been the resuscitation of the American automobile industry from a near death experience and in many ways the most dramatic recovery has been Chrysler's.

Three years ago the company was headed for the junkyard crusher, leaking cash and about to be scrapped, unloved and unwanted. But last year, Chrysler turned a \$183 million profit and would have made a lot more if it hadn't decided to repay its \$6 billion federal bailout, six years ahead of schedule. Much of the credit goes to U.S. taxpayers, and to Chrysler workers who accepted wage and benefit cuts. But none of it would have happened without the efforts of a 59-year-old, Italian born and Canadian raised auto executive named Sergio Marchionne, who engineered a last minute partnership with Fiat, and an American style success story.

With his gray stubble, longish hair, relaxed demeanor and trademark black sweaters, Sergio Marchionne looks more like a film director than an auto executive, but he is now the industry's biggest star. The CEO of Fiat had already rescued that company from financial ruin, and in Chrysler Marchionne saw at least one similarity -- both companies had been through hell.

Sergio Marchionne: I remember when I came here in 2009, there's nothing worse for a leader than to see fear in people's faces. It's been a long, rocky road, but the fear is gone.

Steve Kroft: What were they afraid of?

Sergio Marchionne: Of not being here. Alright? It's that simple. This was really a question of existence. There's nothing worse in life than to sit there and be the victim of a process that's outside your control.

And that was exactly the situation at Chrysler in early 2009 when Marchionne began negotiating with the federal government over a controlled bankruptcy of Chrysler that would allow Fiat to take over the failing auto company. It was the last hope for Chrysler and its 54,000 employees.

Sergio Marchionne: There wasn't a CEO in the world from the car side that would have touched this with a 10-foot pole.

Steve Kroft: Gave you a little leverage?

Sergio Marchionne: It gave me some leverage and a whole pile of downside risk. For you to be the only guy at the bar, there's gotta be a reason, right?

Steve Kroft: Did you think it was a long shot?

Sergio Marchionne: All these things are long shots. All. If it was that easy, then everybody would do it.

Steve Rattner: If Sergio had not appeared, I think it's very likely Chrysler would have been allowed to liquidate.

Steve Rattner, who was head of the presidential task force on the auto industry, sat across from Marchionne at the bargaining table during the height of the economic crisis. Rattner believes that Chrysler's demise could have cost 300,000 American jobs up and down the industrial supply chain.

Steve Kroft: Was he a tough negotiator?

Steve Rattner: Brutally tough, yeah. He-- but that's part of why he's successful.

In the end, Marchionne and Fiat got a 20 percent stake in the brand new, slimmed down, debt free Chrysler plus a \$6 billion high interest loan from the U.S. Treasury, just for taking the auto company off the government's hands and running it. He used the \$6 billion to modernize Chrysler plants with state of the art equipment to improve quality, upgraded 16 existing models in just 18 months, and began integrating Chrysler and Fiat's operations.

Steve Kroft: Obviously, you saw something in Chrysler that you thought would fit well with Fiat?

Sergio Marchionne: From a product standpoint, they were the other half of the coin. When you put the two together, we were going to come out with a product portfolio that was absolutely complete.

Chrysler's best assets were its Jeeps, minivans, and light trucks. Fiat's expertise was in small car technology and fuel-efficient engines, the very thing that Chrysler lacked. And next month, the first product of that collaboration will begin rolling off the assembly line in Belvidere, Illinois.

Sergio Marchionne: This car didn't even exist on paper in June of 2009.

It's the Dodge Dart, the first new compact sedan that Chrysler has produced in more than a decade. It's a slightly longer and wider version of the Alfa Romeo Giulietta, re-engineered and built in the USA. Base price just under \$16,000 with 40 miles to the gallon.

Steve Kroft: How important is this car to Chrysler?

Sergio Marchionne: If you are a serious carmaker and you can't make it into a segment-- it-- it-- you're doomed.

Steve Kroft: It's got a little Italian flair?

Sergio Marchionne: Yeah. Just enough to make it interesting, and it avoids all the pitfalls of being

Italian, yeah?

Steve Kroft: Mechanically, it's good?

Sergio Marchionne: Mechanically, it's outstanding.

Under Marchionne the quality of both Fiats and Chrysler products have improved dramatically, according to Consumer Reports. Now Marchionne needs to convince the public.

Sergio Marchionne: We got it. We fixed it. This car has nothing to apologize to, I mean for anything.

The Darts produced at the Belvidere plant are not just for U.S. consumption, Marchionne plans to begin exporting them to more than 60 countries. When he took over Chrysler in 2009 this plant had 200 workers by the end of summer there will be 4,500.

Steve Kroft: What do you think of American workers?

Marchionne: I think the world of American workers. What happened here at Chrysler would have been impossible without the commitment that they've shown. Absolutely impossible. When I was looking at this deal back in 2009, I snuck into Jefferson, our plant that now makes the Grand Cherokee. And, I'll tell you if I had any reservations about doing this deal, it was after I saw the state of that plant. And the people that fixed that plant are the guys on the shop floor.

Like most of Detroit's automakers, Chrysler was saddled with a stifling bureaucracy, which Marchionne quickly culled. To change the management structure, he combed through the company and found 26 young leaders who would report directly to him.

Steve Kroft: Were they on the management fast track?

Sergio Marchionne: No. Some of these people were buried inside an incredibly hierarchical organization that, you know, all pointed to the top. This place was run by a chairman's office.

Sergio Marchionne: That's the Tower, right?

Steve Kroft: Uh-huh (affirm).

Sergio Marchionne: And the chairman's office is the top floor. It's empty now. We use it as a tourist trap. We bring people up there.

Steve Kroft: Why did you leave?

Sergio Marchionne: Because nothing happens there. I'm on the floor here with all the engineers.

Steve Kroft: With the engineers?

Sergio Marchionne: Yeah. I can build a car with all the guys on this floor. That's all I care about.

Steve Kroft: How do they feel about you having—

Sergio Marchionne: They love it.

Steve Kroft: --on the floor?

Sergio Marchionne: The official view is that they love it.

Whether they like it or not, everyone on the floor seems to have gotten used to his presence.

*[Steve Kroft: Sorry to barge in on you like this, but does he walk in all the time?]*

42-year-old Ralph Gilles is in charge of product design at Chrysler and one of the rare holdovers from the old regime. The Chrysler 300 and the Dodge Dart are his babies. He says the company has always had good talent, but a lack of resources and execution produced cheap interiors and poor fit and finish.

Ralph Gilles: Everyone knew what was wrong with the cars. You asked any employee in the company, they could list 10 things that they would do better. And when you're given the chance to do those 10 things better, you end up with a product that exceeds the sum of its parts.

The company has also made strides in reshaping its image. Chrysler's dramatic "Imported from Detroit Campaign" with Eminem was hugely successful. And this year's two-minute, \$8 million Super Bowl ad with Clint Eastwood, extolling the resiliency of America and its automobile industry caused a major stir and briefly became part of the presidential campaign.

Steve Kroft: Republicans said that this was a campaign commercial for President Obama. A payback. Did you anticipate that criticism?

Sergio Marchionne: Just to rectify the record here, I paid back the loans and 19.7 percent interest. I don't think that I committed to do a commercial on top of that. I thought that the Republicans' reactions to this was unnecessary and out of place.

Steve Kroft: That's very restrained from you-- for you.

Sergio Marchionne: It is. I'm on camera. You put me here. You turn these things off, I'll give you my own assessment.

Marchionne splits his time between the Fiat headquarters in Turin, Italy, and Chrysler headquarters in Auburn Hills, Michigan, but he is fully engaged on both continents at all times.

Steve Kroft: When you're here, do you get calls? Do you have to deal with Fiat?

Sergio Marchionne: Yeah. That's why I get up at 3:30 in the morning, so I can deal with the European side and be here by the time I get in. I mean, the other thing that helps is the-- our time zones.

Steve Kroft: When do you go to sleep?

Sergio Marchionne: Ten. I'm not really a late night guy. I used to be when I was younger.

Besides being CEO of Chrysler Group and Fiat Automotive, which has nearly 200,000 employees at 166 plants worldwide, Marchionne is also chairman of the Fiat Industrial Group, which makes heavy equipment, and SGS, the world's largest standards and instruments company, based in

Geneva. He manages all of this with five different cell phones he totes around in his knapsack.

Steve Kroft: You've got a lot of jobs.

Sergio Marchionne: Hmm. I have some, yes.

Steve Kroft: Do you remember them all?

Sergio Marchionne: Yeah. But I sh-- I don't get confused, since I do them all, yes?

Steve Rattner: You and I have lived among workaholics in our day. I have never seen anything like Sergio. When it was a holiday in Italy he'd come to America to work. When it's a holiday in America he goes to Italy to work. Saturdays and Sundays were just workdays to him and for his whole team. And anybody who signed up with Sergio signed up for the program.

Marchionne does have passions besides work. He loves opera and jazz and very fast cars. In Turin, he showed us the high end of the Fiat Automotive line which includes Maserati and Ferrari.

Kroft: These are great looking cars. Is there anything here for less than half a million dollars?

Marchionne: All of them.

Sergio, owns a couple of these, but he has no opportunity to drive them. As head of Italy's largest industrial empire, his life is much different here. He's required by the government to travel in bulletproof cars with police escorts and is always surrounded by state security.

Sergio seemed more than happy to take us to the old test track that still sits atop an old factory for a short spin in this limited edition Alfa Romeo, a legendary brand that he will reintroduce to the U.S. market in 2014. But even here he was unable to escape his security detail.

Sergio Marchionne: It has a severe impact on your private life because you're always with them when you're there. It's part of life. It's part of what I do.

Steve Kroft: Do you have a private life?

Sergio Marchionne: Sure I do. And it's private. It's private.

What he likes to discuss is business, which is worse right now in Europe than the U.S. What promises to be a serious recession is beginning to affect the economy there and Fiat and other European carmakers are struggling. But it should not affect the future of Chrysler.

Steve Kroft: Do you think they're out of the woods?

Steve Rattner: I think the question of whether Chrysler will survive or not is largely behind us. I think the question at this point is how big a market share can they have? How good can their products be?

There are plenty of new products in the pipeline. A brand new Viper will debut next month. A high end Maserati SUV built in Detroit will debut next year along with a whole range of new models. With sales up 40 percent early this year, the company is projecting its best first quarter in four

years. But Marchionne, who is right now obsessed with quality, is taking nothing for granted.

Steve Kroft: What's the biggest challenge facing Chrysler right now?

Sergio Marchionne: That we're gonna slip on execution, we're gonna get something wrong. Big.

Steve Kroft: Like what?

Sergio Marchionne: We're gonna screw up on a car. It won't sell. It's possible.

Steve Kroft: Can you afford that?

Sergio Marchionne: One car, yes. Now I can afford a car. Twelve months ago, it would have been a— it would have been a disaster. But now I can take the pain. One car.

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