

“Building great business for the decades ahead”

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Good morning, thank you very much for having me here today, and thank you Elena. We met in Chicago with your sisters back in 2010, 8 years ago. A lot has happened since the FBN Global Summit of Chicago. When I was in Chicago, I had the opportunity to share within FBN my family's journey, and I know some of you today were also there. I am happy to be here again with all of you in a such familiar setting. What has been happening in our family and in our businesses in the last years was the completion of what we spoke about then, which is FIAT and Chrysler coming together. Today Fiat Chrysler Automobiles (FCA) is a very solid company, we are among the largest car manufacturers in the world and we will be completing what was announced in 2014: closing 2018 with no debt and net income close to 5 billion euros.

It has been an incredible transformation. FIAT has become 3 companies: FCA, CNH Industrial and Ferrari. These 3 companies are 3 global leaders in their own right, having each a very strong competitive business. We sold two companies in the last years: SGS and Cushman & Wakefield. Both companies have continued their journey positively under new ownerships. This is something relevant for us: to make sure that companies that we have built and we have been involved in, continue to do well. We also acquired PartnerRe, which is one the leading global re-insurance companies in the world: that was one of the biggest acquisition that my family has ever made, started in 2015 and completed in 2016. Also, we were able to buy the largest stake of The Economist, probably the leading journalism organization in the world. It has just celebrated the 175th anniversary this year. The special issue that the Editor has made in this occasion is a very important one and resonates with many of the things we have heard this morning. We were able also to make sure that our media interest in Italy (different newspapers) are part of GEDI, one of the largest media companies in Italy. So it's been very, very busy.

All of this would not have happened without Sergio Marchionne. Suddenly and sadly, Sergio passed away end of July. He has been the biggest driver of what we have achieved since we worked with him. We started our journey with Sergio in the early 2000 in SGS and I started working personally with him - from 2004 onwards. We were approaching our 15 years together, and it was the best relationship we could expect in a professionally-managed family controlled business, which our family has done since its first generation. In fact, the founder of FIAT, my great-great grandfather, had already professionalized back then the company. Sergio was a friend, a partner, and someone who I learnt immensely from. I was very young when we started working together. When you have the privilege of having those work relationships as I have had, you realize how relevant - perhaps the most relevant aspect of business - is about people. One of the lessons I got from Sergio - which is pertinent, speaking today at the FBN Summit - was the way he defined the right relationship between the professional manager running the business and the family: he said the manager “should never do something for the family, but should never do anything without the family”.

I think that is a very subtle - as Sergio liked - but a very significant lesson for all of us who have family businesses, which are professionally managed. The journey with Sergio was an extraordinary one: we started in 2004 - bear I mind that between 2002 and 2004 we have changed 5 chief executive officers of FIAT. Sergio had in his office a vignette, showing him accessing his office, while on the wall you could see the portraits of all of the others CEOs of FIAT, whose term proved to be very short. That is something I keep now in my office to remember how it's important, if you make mistake on people, to be able to change very quickly. We were incredibly lucky in appointing Sergio as CEO of FIAT in 2004. What happened then is history, and we discussed it 8 years ago in Chicago.

What I'd like to share with you here today about family businesses is really to try and understand the virtuous side of them, why they are forces for good and why they produce also better results on average. There is a lot of literature and many studies proving that: professor Corbetta and others have done a lot

of work on this, demonstrating how and why family businesses have outperformed the market, and the way they have a very positive effects overall on society.

There are several reasons for that: family controlled businesses generally have less debt. We have every so often crises, and if you have a strong balance sheet, you can even withstand crisis and find yourself in a stronger position at the end of them. But if you have a weak balance sheet, you will end up in very perilous waters. Family businesses generally tend to be more courageous in investing because they have longer time horizon: that makes the difference over time. And they also tend to be more frugal. People working in these organizations tend to care more about resources and their leaders care more about the people who work with them. And if we care more about our working environment, we tend to work better.

If I recall my personal learnings, which I have shared with you 8 years ago in Chicago, I think they have not evolved that much in these years... I still think it's very important, as was discussed this morning, to balance two contradictory systems: on one side the family, and on the other side the business, which have very different values. Every successful family business has its own ways of addressing that. And it's difficult because it means on one side that you need to make sure that the business roles are business roles. So if someone from the family is not up to his role in the business, he needs to be told and he needs to understand that the business is a meritocracy. On the other hand, if someone from the family doesn't want to be involved anymore in the business for every reason, she/he still should be still able to be a family member and participate at family moments.

These are not easy choices: being aware of it and manage it properly is crucial. I also think adaptation - and the ability of each generation to changes business, geography, or the way of doing the same thing - is relevant, because each generation has to take on responsibilities. Responsibility is a very important virtue within a family controlled business: each generation has to assume responsibilities and needs to do it in a way in which the younger family members don't feel constraint by their past and are able to engage with their future. The founding spirit of the founder needs to be re-established by each generation in its own way.

Another point of attention (one that applies in case like ours, and we were fortunate to work with Sergio) is about the way a family works with the management. According to a common misperception, some think that if you have strong professional business leaders, that somehow weakens the family. And vice-versa, that if the family wants to be involved in the business, then the manager must be weak.

My observation - and also what I have personally experienced - is in fact the contrary: if you have imbalances, then you end up in difficulties, but if you have the right balance between a strong family and a strong management, that is the best combination.

Probably what I've been working more on since 2010 - when we met in Chicago, and that's really my only additional contribution to what was said then - is that if you want to win and succeed as an organization, you need to have very good people with you. To have very good people, you want them to feel responsible and to be part of the organisation.

It's important to be clear with them about being a high performance organization and how merit is applied to ensure that. Setting high standards will attract the right people as long as you are clear in setting, enabling and monitoring them.

It is very hard, but on the other side this is the only way to make sure that you can win and succeed as an organization which a family controlled business is and it's really the Family's responsibility to do that.

With that in mind, I really would spend the rest of the time we have today making sure that I can answer as many questions as you have.

Thank you!