

**COLUMBIA BUSINESS SCHOOL**

**DEMING CUP AWARD CEREMONY**

**Address from Sergio Marchionne,  
Chairman/CEO of Chrysler Group and CEO of Fiat**

**New York - 2 November 2011**

Thank you very much for those kind words, Sam.

It is an honor to share the stage with you tonight and to follow in your path as a winner of this distinguished award.

Beyond the long-standing relationship between our companies and our commitment to two organizations, the Council for the United States and Italy and the Peterson Institute in Washington, Sam and I share a deep belief in the importance of corporate culture, as well as faith in the potential for cross-border interfaces to bring people from different cultures together and improve human relations.

I would also like to express my appreciation to the Deming Center at Columbia Business School and the Selection Committee for this award.

When you give a prize to someone who has spent the last seven-and-a-half years at the head of big industrial groups like Fiat and Fiat Industrial -- and, for the last two and a half at Chrysler -- you are really rewarding the commitment and determination of the people who belong to those companies.

You are recognizing more than 250,000 men and women who have worked to restore the pride and credibility of our companies, and continue to do so with a renewed sense of purpose and passion.

I am proud to accept the Deming Cup on their behalf.

They have demonstrated courage, commitment and passion in authoring two remarkable comeback stories.

For this reason, this award is even more gratifying, considering the comeback that W. Edwards Deming himself helped engineer.

For most of his life, he was a “prophet without honor” in his own country, the United States.

This country was rich and unchallenged after its success in the Second World War, and producers were focused on generating enough production to meet soaring consumer demand, without making quality a great priority.

Deming first found a receptive audience for his ideas on operational excellence in Japan, a society which had been devastated by the ravages of war.

In his book, “The Reckoning,” the Pulitzer Prize-winning journalist David Halberstam wrote that the Japanese:

*“had their backs to the wall, and they had no place to turn except to him ... Deming, who was accustomed to being ignored, realized he had touched something formidable. It was like some raw, powerful human force trying to assert itself...”*

*“No one was going to stop these people, because they so earnestly wanted to succeed. They had no other priority. They would make any sacrifice.”*

In a similar manner, today’s Fiat, Fiat Industrial and Chrysler are made up of survivors – men and women who faced the abyss, and found the strength and resolve to fight against the death sentences that seemingly had been pre-ordained for them.

In 2004, Fiat was months from running out of cash, and business journalists were competing to write the best obituary even before the body had turned cold. But four years later, Fiat posted the highest earnings in its then 109-year history. A record which, notwithstanding the uncertain economic environment plaguing Europe, will be exceeded this year.

The situation was much the same at Chrysler in 2009, when there was widespread skepticism that the company could successfully restructure and compete, even with the financial assistance of the U.S. Treasury and the Canadian government.

Yet in less than two years, Chrysler repaid every penny of its government loans, with interest, and is now turning a profit.

At both Fiat and Chrysler, we were able to find the courage to act and reverse our fate.

As always happens in life, the hardest, the most difficult moments – when we feel lost and beyond hope – are also the most meaningful.

They can change us forever.

Those who survive, who find the strength and courage to stand and fight, will never be as before.

Survivors are different people, special people.

My colleagues and I are survivors.

We all gain strength from the experience of overcoming adversity. We don't shy away from making tough decisions, and we are able to quickly adjust to new challenges.

The decisions we make today at Fiat-Chrysler are pervasively colored by the near-extinction experience and by a resolve to never again get so close to our own demise.

My colleagues and I have learned to live a culture of change, of feeling comfortable in the discomfort of uncertainty, of measuring ourselves each day with competition.

We regard the future as a huge opportunity.

Having been to hell and back, we are willing to seek out change and initiate it, rather than be victims of it.

I am referring to much more than merely a change in strategy.

What I have learned from my experience as a chief executive is that a change in culture is something much deeper and longer-lasting than a simple change in industrial or commercial practices.

We can modify those, but we cannot negotiate ourselves out of our set of values.

Our ability to embrace change and to confidently plan for the future rest on a concept of leadership embodied in a handful of core principles.

- Merit above mere knowledge or rank
- Leadership of change and of people above position
- The search for excellence above mediocrity
- A desire to engage in competition above egocentricity and insularity
- Reliability and accountability above idle promises.

These values are reflected in every decision we take, in every leadership appointment we make.

These five simple, cardinal rules that govern our lives at Fiat and Chrysler are consistent with Deming's 14 management principles for business effectiveness.

Deming championed the idea that true quality demands a total commitment throughout the entire organization.

At Fiat-Chrysler, we understand the need for every level to understand and embrace our values.

One of the biggest drivers of cultural transformation has been the implementation of World Class Manufacturing, or WCM, in our plants.

It will not surprise this audience that our journey to WCM began by visiting plants in Japan, where Deming had such a profound influence, in order to understand their best practices.

WCM provides a rigorous framework to methodically and relentlessly root out waste. But equally important, it is intended to put dignity back into the workplace, reflecting the fundamental values of self-respect and respect for others.

At the heart of WCM is a deeply seated belief that a workforce that is fully engaged in planning and problem-solving will provide the best answers to the real needs of the production line.

I believe waste is fundamentally unethical. And, to quote Deming himself, “the greatest waste is failure to use the abilities of people.”

WCM is just one example of how the people of Fiat and Chrysler have embraced change and the spirit of competition.

Our alliance is being led by a group of motivated and tenacious leaders who believe in themselves and in their colleagues. These individuals do not flinch in the face of responsibility and have an extraordinary capacity to craft creative collaborations inside their teams.

These leaders are our best hope for the future.

They understand competition, embrace it openly, and know how important it is to continually rethink their approach.

Perhaps their biggest test ahead is the effort to align Fiat and Chrysler in a way that builds on our combined capabilities without discarding the strengths that come from their individual histories and identities.

Fiat and Chrysler are complementary in terms of geography, automotive architectures, powertrains and product offerings.

As important as these synergies are, our greatest challenge is the cultural integration of these two groups.

We have succeeded thus far because we recognize Chrysler is first and foremost an American car company and that its character needs to be nurtured and preserved.

The partnership will continue to flourish if Fiat and Chrysler people can work alongside each other with humility, listening, sharing, experiences, exchanging knowledge and ideas, and expanding their horizons.

The extent of our mutual respect will determine our future.

It is said that human beings can live for 40 days without food, four days without water and four minutes without air. But we cannot live for four seconds without hope...the oxygen of human society is hope.”

My hope as a leader is that all of us, in whatever field we work, adopt Deming’s belief in the potential for continuous improvement.

My hope is that we will always live knowing that ultimately, regardless of circumstances, we have the power to refuse our consent.

We have the power and a moral obligation to refuse our consent to decay, to industrial neglect, to wasteful activities, to disengage from competition – because ultimately, consenting to all these things would not only be a denial of our own right to life, but also of our duty to protect the welfare of our people.

Thank you all.