

Fiat Says It Was Unaware of Workaholic CEO's Serious Illness

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- Company says it took 'appropriate action' as soon as it knew

The shock revelation by a Zurich hospital that Sergio Marchionne had been seriously ill for more than a year raised the obvious question: How could a chainsmoking workaholic disguise it from senior colleagues?

[Fiat Chrysler Automobiles NV](#) said on Thursday it had “no knowledge of the facts” relating to the health of its former chief executive officer in the period leading up to a shoulder surgery this summer and his subsequent death on Wednesday.

“On Friday, July 20, the company was made aware with no detail by Mr. Marchionne’s family of the serious deterioration in Mr. Marchionne’s condition and that as a result he would be unable to return to work,” Fiat Chrysler said. The automaker “promptly took and announced the appropriate action the following day.”

Marchionne’s unexpected [death](#) and the lack of information released by Fiat Chrysler have generated media speculation about how much the company knew and what it should have disclosed. He was seriously ill for more than a year before he died, according to University Hospital Zurich. His condition had not been made public to shareholders of the companies he ran, including Fiat Chrysler and [Ferrari SpA](#).

Marchionne’s family confirmed by email that the companies weren’t told of his health conditions until late last week when they were notified he wouldn’t return to work. He continued to run the companies on a relentless schedule over the last year

and oversaw the formation of a new five-year plan for Fiat Chrysler, which he presented on June 1.

Media Reports

The hospital said Thursday it had broken protocol and addressed Marchionne's illness to dispel "rumors in the media" about his medical treatment.

"Due to serious illness, he had been the recipient of recurring treatment for more than a year," the hospital said in a [statement](#). "Although all the options offered by cutting-edge medicine were utilized, Mr. Marchionne unfortunately passed away."

While the company said it didn't have the facts, it wasn't forthcoming with some information it now says it knew. On the same Friday when Fiat Chrysler says it was informed about Marchionne's condition, the company also [denied a report](#) that top managers were preparing to meet to choose a successor. In fact, its board did meet the next day, when it named Michael Manley as the new CEO.

Shareholders or Privacy?

The turn of events with Marchionne serves as a reminder that, when a top corporate leader is concerned, health isn't always a private matter. [A seriously ill CEO presents corporate boards with a range of complex questions about what to tell the public and when](#), said Doug Chia, the executive director of the Governance Center at the [Conference Board](#), a U.S. business think tank.

["Frankly it's a tricky situation, because there are medical privacy issues here and it's a very personal thing,"](#) he said. While investors are right to expect to be informed when a leader's future is at risk, ["it's just very difficult to judge when does that point come,"](#) he said.

Marchionne was also replaced as chairman and CEO of Ferrari and chairman of [CNH Industrial NV](#) on Saturday. [Exor NV](#), the Agnelli family holding company that controls the three companies, confirmed on Wednesday that he died, offering no further elaboration.

“Sergio Marchionne, man and friend, is gone,” John Elkann, the Agnelli scion and chairman of Exor, Fiat Chrysler and Ferrari, said in the July 25 statement. “My family and I will be forever grateful for what he has done.”

Off Record Denial

Before last week, the only communication issued by any of the companies about Marchionne’s health -- after an Italian website reported that he was hospitalized -- was on July 5. In a statement that day, [Fiat Chrysler](#) said the CEO had undergone a shoulder operation for an unspecified ailment that would require only a “short period of convalescence.” He had last been seen in public on June 26, at an event in Rome.

Reports in the Italian media this week suggested that Marchionne was suffering from cancer. People close to the late executive, however, told Bloomberg News that this was untrue, declining to go into more detail about his condition, citing his family’s wish for privacy -- except to say that the proximate cause of his death was cardiac arrest following the surgery.

Swiss press also weighed in. Free sheet 20 Minuten [interviewed](#) a crisis communications manager on Wednesday who suggested the university hospital should communicate “quickly and transparently” to rein in wild speculation about the cause of death and to preserve its reputation.

The health of a CEO is a serious and potentially market-moving matter for employees and shareholders, especially when one is as closely identified with a company’s success as Marchionne was. He was set to retire from Fiat Chrysler in April 2019 but no successor among those jostling for the position had been chosen.

Globetrotting CEO

Marchionne, who took the helm of Fiat in 2004, was revered in the car industry for transforming an Italian also-ran into a globe-spanning giant by taking over bankrupt Chrysler, and for creating shareholder value by spinning off Ferrari, among other units. Colleagues and analysts were amazed by the pace he kept, working seven days a week all year long and shuttling constantly between Fiat Chrysler’s hubs in Turin, Italy; Auburn Hills, Michigan; and London, as well as a home in Zurich.

Investors purchasing shares in Fiat Chrysler or Ferrari, both of which Marchionne ran, would have had every expectation until a few days ago that they would continue to benefit from his leadership. He was a chain smoker until giving up the habit about a year ago, and drank copious amounts of espresso.

[Marchionne's Transformative Fiat Chrysler Tenure: Timeline](#)

It was a career trajectory not entirely dissimilar to that of Steve Jobs, the legendary founder of [Apple Inc.](#), who made the company the world's hottest technology brand before his own [untimely death](#), from cancer, in 2011. In 2009, as Apple watchers became concerned about his increasingly gaunt appearance, Jobs said he was struggling with a "hormone imbalance" that would be simple to treat.

Medical Leave

Less than two weeks later he announced he would take a medical leave for unspecified reasons, during which, it later emerged, he received a liver transplant. Apple was criticized for not being more transparent with investors about Jobs's prognosis, given his reputation as the technological wizard behind products such as the iPhone.

CEO health was also a [hot topic](#) late last year, after the leaders of railroad operator CSX Corp. and U.S. lender M&T Bank Corp. died on the same day, the former within a couple of days of announcing a medical leave. CSX said later that it would [require](#) its top executive to undergo a physical each year.

Determining what to tell shareholders about a corporate leader's health is a legal and moral dilemma that can flummox even experienced board members.

First, the legal: The U.S. [Securities and Exchange Commission](#) doesn't specifically require companies to reveal executives' health issues. Rather, health problems are grouped with any other "material" changes that would force a disclosure, like an accounting failure or a fire that shuts down a major factory.

What's Material?

The definition of “material” is, of course, inexact. But getting it wrong risks opening a company to lawsuits from investors who may claim it concealed market-moving information. Fiat Chrysler is listed in New York and Milan.

Then, the moral: Just like anyone else, a CEO should be free to deal with illness away from the glare of media and shareholder inquiries. What's more, sometimes boards are no more in the loop than are investors. An executive may not always keep his or her board fully apprised of health problems, especially those that seem manageable.

Wary of criticism, some U.S. companies have sought to err on the side of over-sharing about executives' health. When [JPMorgan Chase & Co.](#) CEO Jamie Dimon was diagnosed with throat cancer in 2014, the company provided employees and shareholders with details of his diagnosis and treatment plan, drawing praise from investors including Warren Buffett.

“While everyone is entitled to privacy, companies should make it a condition of the appointment of the CEO that he or she will keep the board fully apprised of any potential health issues” that might be significant, said Harvey Pitt, a former Securities and Exchange Commission chairman who now leads advisory firm [Kalorama Partners](#). “If somebody is crucial to the business, and the materiality of the illness becomes more manifest, companies need to consider making some kind of disclosure.”

— *With assistance by Jan Dahinten, Jan-Henrik Foerster, and Anne Swardson*

(Updates with statement from family in the fifth paragraph.)