

Leading by example

Stefano Pessina won the 2013 Clarity Search Retail Leader of the Year award. Tiffany Holland talks to the Alliance Boots executive chairman to find out why he's ahead of the pack

On first meeting, it's easy to guess that Stefano Pessina is an entrepreneur. He wears the sort of sharp suits you'd expect of a billionaire and his confident, composed air could calm any boardroom.

As the boss of Alliance Boots, one of the largest retailers in the UK and one of the biggest pharmaceutical wholesalers in the world, he is known for his serene demeanour – something that was undoubtedly useful last June when he brokered the landmark retail deal of 2012.

But when *Retail Week* speaks to him, the Italian businessman is in high spirits, cracking jokes and revelling in the recognition his work as a retailer has earned him – not just in the UK but in the US as well, where he has won a similar retail award.

"I don't even see myself as a retailer," Pessina says. "I like to motivate people, to manage and do what is best for the company. I seize opportunities when they are there."

Pessina's success highlights how wrong the sceptics were when they expressed concerns regarding his lack of retail knowledge in 2006, when he led a merger of Alliance UniChem with Boots backed by private equity house KKR. "They were forgetting that we ran pharmacies for all of those years," Pessina says.

Alliance Boots operates 2,477 stores across the UK, which probably means that he can now safely class himself as a retailer. But it is another merger that has catapulted Pessina into the truly global sphere and won him the Clarity Search Retail Leader of the Year accolade.

Last year the self-made billionaire revealed that Alliance Boots would be partnering with US drugstore chain Walgreens, which will eventually lead to a full merger.

It was one of the most remarkable business moves in years, as Alliance Boots, which earned a trading profit of £1.2bn in the last financial year, joined forces with Walgreens' empire of 8,000 stores.

The US retailer generated an operating income of \$3.5bn (£2.3bn) in the same financial year. In June it was revealed that Walgreens would initially invest \$6.7bn (£4.5bn) in cash and stocks to acquire 45% equity in Alliance Boots, with a view to merge within three years.

The deal was a prize Pessina that had been after for many years, and he made no secret of the fact that he wanted to create a "truly global" company. Previously he had managed to expand overseas by opening stores across Europe and the Far East – the company's 200th store in Thailand was opened last year.

But the Walgreens deal created a game-changing new future for Alliance Boots.

While the tie-up was big news for the retail industry, Pessina is modest. "It was a natural evolution of what we were doing," he says. "Walgreens was number one in America, it had to do something else [to grow] so I believe it was a natural development."

"I SEIZE OPPORTUNITIES WHEN THEY ARE THERE"

Stefano Pessina, Alliance Boots



Alliance Boots boss Stefano Pessina has led countless deals

"For me, of course, it was even more natural because I had thought of an expansion into the West for many, many years and I was always thinking of a partner.

"It is very difficult for a European retailer to be successful in the US if you don't have a local partner."

Pessina's empire has been built on mergers. After graduating in nuclear engineering as a young man, he eventually joined his family's pharmaceutical wholesale business and acquired a number of small pharmaceutical companies to create Alleanza Farmaceutica in 1977. After expanding the business into several southern European countries including France, Pessina then decided to merge his business, then called Alliance Santé, with UK business UniChem in 1997.

"Our first value is partnership, and remember the word 'partnership' is in our name," Pessina says.

"It's part of our culture." For Pessina, working with the right people who are capable of sharing ideas is crucial.

He says that over time, a partnership between two companies will create a unique culture that is an amalgamation of the businesses. "It is something that has incorporated the two cultures, and this becomes the identity of the new company.

"It takes years, but if you start on the right foot and if you are able to create this between the two top managements, afterwards it is very easy to cascade these down. At the end of the day, people follow your example and understand the benefits of what you do."

Pessina puts a lot of the retailer's success down to his team, using his partnership strategy in these relationships too. Pessina picks out his right-hand colleagues – he says that the company's health and beauty



An Alliance Healthcare distribution centre (above) and Boots store on London's Oxford Street (right); the 71-year-old executive chairman (below)



chief executive Alex Gourlay should be receiving the award instead of him, and describes Ornella Barra, chief executive of the pharmaceutical wholesaler in the world". Meanwhile, he praises his group finance director, George Fairweather, whom he says "has protected me from making a lot of mistakes".

And Pessina's business nous has ensured that he is one of the richest men on earth. According to Forbes, he is ranked as the 189th richest person in the world and is worth an estimated \$6.4bn (£4.25bn). Pessina has a significant stake in Alliance Boots, and when the merger is completed he will be the biggest shareholder in the entire business. His personal wealth nearly doubled as a result of the deal.

The merger with Walgreens began, Pessina says, with the sort of personal spark that has often marked his career. He first met Walgreens president and chief executive Gregory Wasson in New York a few years ago in a small room above one of its drugstores, which set the ball rolling for one of the biggest deals in recent years.

The pair realised they had similar ambitions for their companies, and after further meetings concluded a merger would help them achieve their global dreams.

Stefano says: "When you have a big merger, you have a great opportunity to rejuvenate the companies and give new life and enthusiasm to the people – provided that the merger works. That's where the concept of partnership works, which is easy to say, but difficult to live if you are not experienced."



"WHEN YOU HAVE A BIG MERGER, YOU HAVE THE CHANCE TO REJUVENATE THE COMPANIES"

Stefano Pessina, Alliance Boots

Pessina speaks as though he thrashed out the deal without breaking a sweat, and no doubt his years of experience – he is now 71 – helped. "The fundamental principles [of our strategy], even though organised in different ways and presented in different ways, have always been the same," he explains.

"We have always been keen to grow, we have always been keen to have an efficient company, we have always been very disciplined. We have never done acquisitions when we didn't have the right return. We set certain limits and certain targets." It seems that when Pessina wants something he gets it, striving to find solutions to issues at every turn. He explains that he doesn't like

to leave the table until an answer has concluded the discussion.

Although a self-confessed "happy" workaholic, Pessina believes that he has been lucky in his career because he has been able to feed his passion for building companies. Without his business, he would be bored, he says.

"It's very difficult to find something where you have such an intensity of life," Pessina adds.

Nine months have now passed since the Walgreens link-up was revealed, and the two companies have begun clocking up the air miles across the Atlantic – and Pessina will surely be in his element leading Alliance Boots into its new phase of growth.

Despite his success, he has no plans to take his foot off the accelerator, and will continue to look for partners – in the past he has mentioned South America and China.

It has already been quite a journey, and it looks as though Pessina has not yet finished leading the way. ★

CLARITY SEARCH

Clarity Search is an executive search firm focused exclusively on the retail and consumer sectors and dedicated to identifying outstanding leaders of today and tomorrow for its retail clients – large and small, public and private, UK-based and international. Outstanding leadership is the holy grail of any retail business and determines the difference between average and exceptional performance. In fact, a great chief executive can add 15% to a company's market value. The current climate of uncertainty highlights the difference that clarity of vision and determination make – whether deployed in securing the future of high street names or nurturing the growth of innovative new concepts.