

At home and abroad

The know-how that has kept Italy cruising high for the past sixty years and even flies President Bush. Pier Francesco Guarguaglini tells the story of Finmeccanica.

By Enzo Manes

Finmeccanica is sixty years old: a considerable length of time during which the company has played a full part in the history of our country. What better time to meet Pier Francesco Guarguaglini, chairman and CEO of Italy's first high technology company operating globally in the aerospace, defence and security sectors.

How has the Finmeccanica group managed fully to assert itself at home while at the same time becoming a leading player on the world stage?

Throughout its sixty-year history, Finmeccanica has been a synonym of excellence throughout the world, driving and accompanying the industrial development of our country. We have inherited historical Italian brands and companies and transformed them into the new engines of economic development, preparing them to cross borders and meet the challenges of the globalised economy. The strategy pursued over the past sixty years has been to invest in research and development and to make the most of Italian intelligence and know-how. These initiatives are now bearing fruit: we have expanded our industrial base in Europe, in which the UK has become a real domestic market for us, and our products make us competitive across the globe. Today we can say that our roots are in Italy, our home is in Europe and our market is the world.

In a world of constant turbulence like the one in which Finmeccanica operates, how can you “manage the future”, this also being the title of the lecture you gave when you were awarded the honorary degree at the University of Genoa?

Before you can manage the future you need to “imagine” the future. Before you can decide on the most appropriate strategies, and clearly establish the objective you want to attain, it's essential to have a clear vision of what the reference scenario will be. The next step is to predict how the market will evolve, what the geopolitical changes will be, how relations between the various players will change. This is fundamentally important in establishing and managing resources with enough foresight: making the most of human resources, the most valuable asset of a company, mastering technology and working on new solutions. You then have to take on the risk presented by your choice of a specific strategy to achieve your objective, perhaps accepting an initial disadvantage or agreeing to pay a higher price, in the knowledge that winning an order or an advantageous agreement will more than repay the investment you have made; which is why it is also essential to disseminate a corporate culture of taking responsibility for the choices one makes.

So it's still possible to build a company in Italy and compete around the world?

It is possible, but to achieve good results you need a series of internal and external factors to come together. Italian know-how on its own is not enough, it has to be supported by a clear corporate strategy that works effectively in all the different scenarios that arise, and is able to take advantage of all the changes and circumstances that present themselves. At the same time you have to be able to count on a national network of stakeholders who will guarantee the best possible conditions for Italian products to assert themselves around the world. It's this system-building process that triggers the creation of a virtuous circle which benefits our products and our ideas both in Italy and abroad in terms of image and competitiveness. The success of the US101 tender in the US for the presidential helicopter is emblematic. Our victory was the result of intensive work carried out over a long period of time by Finmeccanica, both on the product itself and in developing international relations. What was rewarded in the end was the unprecedented efficiency of our teamwork and our ability to manage the involvement of human resources and companies at all levels (political, institutional, military, industrial and diplomatic). This, in addition to the undisputed technological superiority of the product offered, truly made a difference.

The group has launched a decisive acquisitions policy not only on the domestic front, having acquired production plants and research centres abroad. What is the strategy behind these moves?

In order to remain competitive, Finmeccanica needs to grow to an appropriate size and have a volume of revenues that will sustain its investments in research and development, which are the foundation for the technological excellence of our products. For this reason, the group has implemented an acquisitions policy in Italy and abroad, identifying the best opportunities for developing our business. The acquisitions strategy is tailored to each market, the technology we have and the objectives we want to pursue. Our acquisitions in the UK helicopter industry were aimed at achieving global leadership in this sector. In the defence electronics sector, our intention was to prove ourselves in the biggest European market in this sector, opening up a privileged channel to improving our position in the wealthy US market. Our objective is to move up the production pyramid to become a "prime contractor" for complex integrated systems and put ourselves forward as a preferred supplier of big US system builders. But the UK and the US are only two of the many potential outlets for our business. Finmeccanica has invested in production sites in France, Russia, Romania, Australia and India, and has expanded its commercial presence to cover the five continents.

What requirements do you need to satisfy in order to become an attractive group in the eyes of the United States of America?

The US is a country that on its own represents the largest slice of the aerospace, defence and security market, so it's fundamentally important to gain a good position there. The US defence market is a hard market, where the best product wins provided that you play the game on all fronts, from winning the consensus of the public to winning that of its institutions. When you enter such a sensitive market, you are greeted not only as Finmeccanica but as a whole country system in which the US places its trust. This is why you need to have a system that is up to meeting the challenge, and you have to make significant investments in advanced technology on US soil as well as create new local employment with a long-term perspective which is aimed not only at getting the most we can out of the host

country but also at consolidating our industrial presence and building a profitable trading relationship with the biggest American players.

At what point did you feel most proud of your work?

It would be easy to say the success of the US101 or the more recent one of the C27J, but it wouldn't be fair to mention only one result. I would say that the most important aspect is the overall results the group has achieved over the past few years. Figures and objectives achieved in a very short period of time, during which Finmeccanica has been transformed from a secondary to a leading player on the international stage.

You have a deep-rooted management culture but have also demonstrated a certain amount of entrepreneurial flair in your work. What's the secret of this cocktail?

The results achieved by a complex industrial group like Finmeccanica cannot be attributed to the merits of a single individual; they are the fruit of the work carried out jointly by a huge number of people, each one having his or her own contribution to make. The chairman of a group like ours is the linchpin around which a team of people, at many different levels, work together to achieve a common objective.

To what extent has terrorism led to a different approach in the way Finmeccanica works?

Terrorism has had a huge impact in all western countries and beyond. More value has been placed on security and investments in defence have increased. Companies operating in these fields have undoubtedly been stimulated by the historical change to supply solutions suited to dealing with the new threats. In this context, Finmeccanica can also contribute with its skills and technology, without terrorism itself changing the way in which it works, particularly since the solutions it offers are applicable to many different scenarios in which security is a fundamental requirement.

As part of your work at Finmeccanica you seem to have achieved the impossible task of reaching agreement among politicians. How have you managed that?

The main objective of a company in the market is to create value for all its stakeholders: to guarantee shareholders a return on their investment, to supply customers with a reliable product, to safeguard and promote employment, to improve the quality of life of citizens. As long as Finmeccanica remains faithful to these commitments, the whole country system will benefit in terms of image, competitiveness and well-being. I believe that these objectives are shared by industry and institutions, and are therefore ones that can be fully shared by the political world.