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Pier Francesco Guarguaglini, Chairman and CEO of Finmeccanica

## **Many spirits, but a single heart**

The success of a network-centric system, with a shared, integrated corporate culture. Pier Francesco Guarguaglini talks about Finmeccanica to Franco Vergnano

Alongside Fiat, Finmeccanica, which has a workforce of 73,000, is one of very few Italian companies to be ranked in the Fortune Global 500. Thanks to this Italian company, the new US President, Barack Obama, will also fly in a high-tech helicopter produced by AgustaWestland (also purchased for its security features by the Emperor of Japan). This is just one example of Finmeccanica's products. There are many more, including trains and subways, that are not everyday purchases but which often we all use without necessarily realizing it. In this interview, Pier Francesco Guarguaglini, Chairman and CEO of Finmeccanica, tells the story of the international corporate culture the group is building and explains that a "highly integrated network-centric system" is part of its DNA.

**Finmeccanica has undergone radical changes to its image and corporate mission in the past 10 years, transforming itself from follower to leader in the high-tech sectors of aerospace, defense and security. How has the group's corporate culture changed?**

To manage this process of complex growth, we had to re-examine the underlying principles of the way we 'do business'. With this nucleus as our starting point, we began an ongoing sharing process with all our businesses, so that these values could form the new foundations of our distinctive corporate culture.

**What is your vision?**

We have a long-term vision. A successful strategy requires the ability to look far ahead and take early action. We operate in a particular sector, in that the decisions we make now take years to come to fruition. Planning a helicopter, for example, has to be done years and years in advance, and requires intuition, analysis and research over long periods and the ability to work with a large-scale developmental vision. There is also a 'culture of risk', and a return to the original meaning of the term 'enterprise': embarking on a piece of work and intending to see it through, even though there may be difficulties to overcome and the outcome might be doubtful. Finally, we have established clear, shared objectives and have the courage to take risks, always basing our actions on a careful assessment of facts, situations and future consequences.

**How have you reached your decisions? What difficulties have you encountered?**

We operate in a global market, and it is vital that we share an idea of internationalization that is primarily understood as a mental *habitus*. Today Finmeccanica is firmly established in international contexts, but to 'become' international, it has to emphasize the cultural and professional peculiarities of every location and place these within a common *modus operandi*, so that it can be American in the US, British in the UK, French in France and Italian in Italy, and at the same time feel 'like Finmeccanica' in any part of the world.

**What has this meant in cultural terms? Have a number of different ‘tribes’ formed?**

Here the value of integration comes into play, not simply as the amalgamation of the various business ‘spirits’, but above all as an exchange of experiences and cultures. A global group has to be internally organized and cohesive, so that everybody, everywhere, feels that they are part of a single project. To borrow a term that is used in our business, Finmeccanica is a network-centric system, with command and control in the parent company and sensors distributed in the operational businesses, where communications play a vital role.

**You could call that an unusual definition.**

For us, integration is not simply the sum of parts or identities, but gives rise to a dynamic system that generates growth opportunities for people and business. The life blood of this system is innovation: that is, the ability to produce wealth from invention. Innovation is a constant process, which is embedded in everyday business know-how and which becomes habitual. Innovation is not only a technological fact, but a mental attitude that is ageless, which people have throughout their professional lives and which prompts them to try new approaches continually.

**What are the main levers that you have used?**

We worked on the visible elements that are the mirror and communication channel of what is not visible, through which our basic values flow and come to be shared within the organization. We have created a system of internal communication with the strategic function of creating consensus and adherence to common values and goals, using a variety of means of disseminating information, company events with high emotional and symbolic value and a system of shared brands, symbols, colors and designs, which give visual expression to the value of integration.

**What role has the Human Resources department played in this process, and how has it changed?**

The difference between success and failure in any activity is the value attributed to people. Finmeccanica, where people have been the keystone of our success, is no exception. The market has also learned to appreciate the intangible resources of businesses and, of all our resources, employees are the most sensitive and the most ‘immaterial’. The human resources department supports the ‘government’ of group cultural change, with a close eye on existing dynamics and operating according to clear guidelines: attention to the creative process and the process of spreading knowledge, developing the ability to combine business expertise with managerial skill and integration of styles of cooperation. Finmeccanica aims to be a ‘corporate success story’ that remains competitive over time, and its people have to support it in meeting this challenge. And investment in talent is one of the main reasons why the market values Finmeccanica.

**How have the growth and development of the group and its new presence on the market affected the composition of its workforce?**

The change has definitely had an effect on the ‘personnel mix’. The geographical growth of the business has affected the national composition of our workforce and the focus on high technology has led to changes in the types of professional profiles we look for. From about 73,000 employees in total, about 40% currently work abroad. If we want to win new markets, we also need to be willing to invest in the countries concerned and collaborate with local businesses, forming partnerships with them and using their human resources to transfer technology and know-how. The stimulus given to strategic sectors has had an effect on the specializations we look for in new recruits. We are thinking about developments in the helicopter sector and production facilities for composite materials for the aeronautics industry. Finmeccanica took on more than 2,000 engineers in the period 2005-2007 to support our activities in these areas.

**Have you identified specific employment profiles for a titanium market such as aerospace, where the field of play is the entire world and your adversaries all colossi?**

Finmeccanica has been at the cutting edge of technological innovation for many years. We began work on composite materials in our laboratories as far back as the 1980s, and our leadership in radar is the result of an even longer history. We have therefore had high-level professional employment

profiles in research and engineering for some time. Today, Finmeccanica needs management figures able to handle complex situations, possessing transverse skills and comprehensive vision. This is the profile of the International Business Engineer, for which we have created a tailor-made masters degree.

**As well as new types of employees with specific skills, what has been done to retrain existing employees?**

We are taking equal care in our treatment of all professional levels, so that all employees feel that they are necessary and helping to achieve a common goal. And we are implementing a permanent training system, integrated and international, with initiatives aimed at all phases of career growth. These include induction courses for new graduate recruits, made-to-measure projects for middle management and management training systems that focus on the key qualities of strategic vision, creativity, leadership and combining technical and management skills. We also pay attention to developing the 'virtues' of optimum people management: listening, understanding, involvement and responsibility.

**Do you have specific policies in terms of employees over 50, which is another important factor in a company such as yours, and in sectors where key technological know-how has to be built up over time before it can be transformed into products with a genuine competitive advantage?**

We believe that potential can be found not only in young talent but at every level. We believe in a legacy of the skills, ability and creativity of individuals which is not generally known about but which is nevertheless the driving force behind our activities. The annual Innovation Prize brings out innovative ideas and transforms the 'tacit' knowledge held by technicians, engineers, research staff and employees in all areas of the company into 'explicit' knowledge, promoting individual talent by making it a shared legacy.

**How do you go about recruiting *ad hoc* to fulfill your corporate mission?**

In 2006, we launched the Fhink masters programme in International Business Engineering, so that we could identify and cultivate resources with characteristics of absolute excellence. It is based on an original formula combining university, management and technological cultures, created for the specific purpose of training International Business Engineers able to operate in complex and multi-technological situations. The masters has become an international benchmark and shows that, when they are offered something serious and credible, brilliant young people are willing to come from all over the world to study in Italy, including from the US.

**Management literature describes many types of organizational culture (authoritarian, bureaucratic, paternalistic and nepotistic, technocratic, etc.). Does Finmeccanica's approach reflect any of these or has the group developed an independent business culture model?**

Finmeccanica is a complex and well-constructed multinational entity, made up of companies with their own individual spirits, histories and cultures, and it is therefore difficult to place its organizational culture within a predefined framework. This is also difficult because we do not feel that we have 'arrived', and neither do we think that the group has taken on a definite shape with no room for change. We are carrying our commitment forward with a bit of a 'squint': keeping our attention on the operational efficiency of what we already have and following a strong trend of innovation. I believe that the most appropriate way to describe us is as a living organism, which 'breathes' the air of the market, which has a careful and critical eye and which is able to adapt, using not only its mental and physical strength but also its heart.