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“Alliances only when roles are clearly defined”

Pier Francesco Guarguaglini / Finmeccanica

The Finmeccanica Group has bettered its 2005 EVA figure of EUR 129 billion in a cutting-edge sector where strategic alliances are key to success. We asked Chairman, Pier Francesco Guarguaglini, 69, to explain the reasons for his Group's success.

Finmeccanica is one of the few remaining Italian multinationals that focuses on innovation: what is the secret of your success?

Our goal was to transform an industrial company present in many sectors but with a leading position in few, if any, into a group that is particularly strong in those areas where we know we can achieve excellence. Hence our decision to acquire 100% of AgustaWestland and to bring the avionics business of BAE Systems under Finmeccanica's control. These decisions have enabled us to become one of the world's leading players in helicopters and have placed us second in Europe and sixth in the world in defence electronics.

A successful image as well?

We have become better known at international level as a result. We have strengthened our presence in the EU and other countries with a long-established history of investment in these sectors, like the United States, and in this way we have been better able to deal with the decline in investment in Italian defence .

How much do you spend on research and development?

These investments absorb at least 15% of our revenues. We firmly believe that it is only by developing products of excellence that it is possible to be competitive on the markets.

The Group has a complex organisational structure. You have both subsidiaries and joint ventures. The latter are often difficult to manage: is there a golden rule?

It is precisely because of our complicated structure that we have sought to change our management system to favour agreements where there is no doubt who is in charge and who is the minority partner.

To do this, we have ceased viewing joint ventures as equal partnerships and have instead sought to build permanent, well-defined alliances in which it is always clear who mans the controls. And also who sets the strategic guidelines.

Could you give an example?

Our alliance with Alcatel in the space sector is a very good case in point. Two distinct companies specialising in industrial production and satellite services respectively: in the first, Alcatel Alenia Space, Finmeccanica has a minority 33% interest while in the second, Telespazio, we have the majority 67% stake. This is our “golden rule” and it is proving very effective.

Finmeccanica has chosen to adopt the EVA management model. Why did you make

this choice and what benefits has it brought?

The EVA financial management model provides a very strong incentive for a change of corporate culture; it is the ideal tool for making everyone aware of the importance of creating value. Since its adoption a few years back, the EVA model has enabled us to measure the impact of management decisions on the Group's value creation

Some see EVA as a short-term management tool that can be detrimental in the medium term. Is this really the case?

I would say that precisely the opposite is true. When I joined Finmeccanica in 2002, I was aware that any organisational drive, any decision to change the corporate structure, could only bear fruit in the medium- to long-term. Adding value to a company is not an easy thing to do: brave decisions are often needed and radical strategic choices are sometimes called for even though their short-term benefits may not always be evident.

F. V.

A Livorno-born engineer with a PHD from Pennsylvania University
Born in Livorno in 1937, Pier Francesco Guarguaglini graduated in electronic engineering from the University of Pisa. He then continued his studies in the United States, gaining a PhD from the University of Pennsylvania. Having joined Selenia in 1963 as a systems analyst, Mr Guarguaglini became Finmeccanica's CEO in 2002. He is the owner of a number of electronics patents and has three daughters.

