

“Italy can be a success, make room for the big companies”

Guarguaglini: we should direct resources to the most advanced sectors and focus on technology. “Bersani? Less government control, companies should be allowed to take risks. Possible stock market flotation for Ansaldo Energia”

[Interview with the top man at Finmeccanica - By SERGIO RIZZO]

ROME — For once, the defence industry is not complaining – or at least, not much. “This budget won’t allow us to consider major programmes such as Land Integrated Brigade digitisation at this point,” says Finmeccanica CEO Pier Francesco Guarguaglini. Nevertheless, he says that it will enable “better fulfilment of current programmes than previously, including last year.”

Isn’t it paradoxical that a centre-left government with a strong pacifist component, and at a time of economic restriction, should be spending more money on the centre-right’s armed forces?

Whatever its position on the political spectrum, any government wanting to develop international policy at a certain level needs efficient defences.

What does “efficient” mean?

Technologically adequate. Substantial cuts were made in the past. If we had carried on with those levels of investment, the operational capacity of our armed forces would eventually have been markedly reduced.

Another paradox. In the European country that spends least on innovation, there is a company that ranks fifth in the world in terms of R&D investment growth. And yet it is a military, state-owned company.

Finmeccanica is not a publicly-owned company. One third of its capital is owned by professional investors, one third by retail investors and one third by the state.”

Which appoints the management and gives strategic direction.

Yes of course. But do you think that I don’t answer to the investors? As for spending on research, defence and space have always contributed to technological development throughout the world. And we have to invest in order to be competitive, so for us it is a necessity. The comforting fact is that, although we invest substantial sums, we manage to achieve satisfying financial results. I should mention that energy and transport also require investment.

Haven’t you always said that Finmeccanica should focus on defence?

Yes, that’s true. Just as I have always said that we have to find an alternative way forward for the group’s other activities. But we are certainly not going to abandon them in the meantime. The stock market listing of Ansaldo STS demonstrates this attitude. We are also thinking about how to boost our energy operations, perhaps by

developing our activity as a global service provider. There, too, we will have to find a way forward, as we did with Ansaldo STS.

A flotation?

That's a possibility. Ansaldo Energia was a business with zero value when I arrived. Now, thanks to the current management team, it has considerable value.

Pierluigi Bersani wants to radically change the incentives policy, focusing on innovation and on major projects run by supermanagers. What do you think? Innovation carries risk, which is partly mitigated by public financing, but this is not enough. We also need a conducive climate.

And does this not exist in Italy?

From the outside, Italy looks like a nation that has come to a halt. In Italy, preserving the status quo is the rule, when actually we need to accept change. This applies to company management, education, employment and the justice system. What Bersani wants to do could certainly be useful, as long as it is not bureaucratic and controlling and remains a guideline policy for the country that allows companies to take risks. I would simply point out that in the past, investments have often been made only where the government decided to make resources available, rather than for sound business reasons. And we have seen the results.

Some observers say it is not money that is lacking, but an industrial policy. In Italy, pursuing an industrial policy is a very complicated business. In other countries, major projects are generally supported: it is not the same here. Decision-making takes a long and unpredictable amount of time. There is also a big gap between what needs doing and what actually gets done.

What is to blame for this short-sightedness?

The fact that we have decided not to make decisions. If we decide that the important thing is to develop technology, we have to take action accordingly, even if it means abandoning other paths. Italy can't indulge in everything; we can't make investments everywhere, regardless. Even Europe can't afford to do that, so how can we?

Europe?

When Tony Blair said that we should reduce agricultural spending in Europe, he got immediate support, because a reduction in agricultural subsidies would mean that resources could be directed into more advanced sectors, so that Europe can develop more productive, competitive activities.

What have you got against farmers?

I have nothing against anyone. But if Europe wants to maintain a high quality of life, it has to guarantee high salaries, and the only way it can do this is by knowing how to do something highly skilled, which no-one else knows how to do.

Bersani believes that in any event, Europe and Italy will not be able to abandon the manufacturing industry.

He is right. Manufacturing is essential for a country to maintain its standard of living. But here, too, we have to make choices and aim for innovative and high-tech production. But we have to bear in mind Italy's particular circumstances: the

industrial sector is mainly made up of small and medium-sized companies. These can certainly innovate, but not using high technology, because technology is expensive, and only companies with substantial business volumes can afford it. There are certainly not many of those in Italy.

Are we moving inexorably towards decline?

Yes, if we don't get moving. We need to overcome the limitation of the small scale of our businesses, target technologies more and reward risk-taking. Although Finmeccanica is a big company, we made a leap forward in terms of quality when we started supplying major industrial groups. With Boeing, for example, we moved from being a simple supplier to a risk-sharing partner, so that we invest in technology and take risks alongside the main contractor. By doing this, Boeing can reduce its own risk, while Finmeccanica increases its level of risk but also boosts its industrial return. Medium-sized manufacturers should do the same, investing and taking on risk alongside the major groups.