

VIRTUOUS PRECEDENT: Italy's new political masters should welcome Finmeccanica's planned international advisory board **European Comment** Page 18

Finmeccanica sets a virtuous precedent

Paul Betts

Italy is often criticised for having a siege mentality and being too provincial in its corporate affairs.

So what might seem a perfectly normal thing anywhere else for a big company becomes an interesting precedent in the case of Finmeccanica, the state-controlled defence and aerospace group.

If Pier Francesco Guarguaglini, its veteran boss, gets his way, a time-honoured tradition in Italian state-controlled companies will be scrapped and an international board of advisers established, paving the way for the introduction of foreigners on its board.

The company has been transformed from a largely domestic conglomerate into one of Italy's most focused and international industrial groups.

Finmeccanica has become one of the main suppliers of the UK defence ministry following its acquisitions of Westland and BAE Systems' defence electronics business in the UK. It now even provides helicopters to the US president.

It is working with Lockheed Martin on a US tactical transport aircraft. It is a partner in a string of other US and European projects including the

Eurofighter, the joint strike fighter, as well as Boeing and Airbus civil aircraft.

In France, it is increasingly regarded as a serious alternative partner to Thales, the defence electronics group that has been fiercely resisting merger advances from Franco-German rival EADS.

Mr Guarguaglini clearly believes the company will benefit by having an international perspective on its board to match its activities. Some large Italian private sector companies such as Fiat have already enlisted foreign business personalities on boards.

Nonetheless, Finmeccanica's initiative would represent something of a novelty for Italy, where state-controlled groups have traditionally been the domain of politicians and their circles of influence.

Finmeccanica's new political masters should welcome Mr Guarguaglini's proposal to inject a greater

degree of openness in the country's state-controlled enterprises. Other groups such as Eni, the oil company, and Enel, the electricity utility, could well consider following Finmeccanica's example.

It is unlikely to be easy. Vested interests in Italy have so far proved resilient.

