

Vera Zamagni

# **ITALCEMENTI**

*From National Leadership to Internationalisation*



# Introduction

*This volume was conceived during an exceptional occasion: the celebration of Italcementi's 140<sup>th</sup> anniversary. The year 2004 has indeed marked 140 years since the establishment of the first of the numerous companies which over time merged to form Italcementi. In principle, a corporation can have an unlimited existence, nevertheless not many corporations last that long. Time presents a variety of challenges and in order to survive it is necessary to face them and be capable of responding. The conditions required to succeed in this complicated exercise are well-known, and can be summarised in the ancient latin saying: estote parati. But there is no scarcity of "foolish virgins" who do not prepare the wedding lamp oil in time and this accounts for the high death rate among businesses. That is why to celebrate the 140th anniversary of a corporation is, in itself, an exceptional result. But it becomes even more exceptional if this celebration sees the company dynamically projected towards the future.*

*140 years Italcementi, 143 years Italy. Italcementi is only three years younger than unified Italy, a young nation, formed very recently from the lands between the Mediterranean and the Alps, an area that had experienced many civilisations - among which the particular splendour of the Roman Empire and the Renaissance. The new Italian nation had to face many serious challenges requiring uncommon decision making capabilities from its citizens, its businesses and its administrations. In this introduction I will propose a counterpoint between the history of Italy and the history of Italcementi, from which this firm will emerge as one of the interpreters of success of the difficult, but in the end extremely positive process of economic development. My presentation will be divided into four parts.*

*The first part concerns the origins. As soon as Italy was unified, it started to search for the preconditions that are essential to allow a country to "take-off": in finance, with the complex process leading to the foundation of the Bank of Italy in 1893 and*

*the introduction of the universal bank; in education, where the very advanced Casati Law should be recalled, because among other things it strengthened technical education and led to the foundation of the Milan Polytechnic in 1863; in the field of international relations, with the too swift introduction of free trade, a decision that had to be reconsidered in the 1880s; in public finance, with the creation of a solid fiscal system typical of an advanced country. After an initial period of sluggish growth, the prerequisites listed above allowed the take off of the area that became known as the “industrial triangle” between the end of the 19<sup>th</sup> century and the First World War. This placed the country among the small number of nations that were then industrialised.*

*The take-off produced a substantial impact on the cement industry: if in 1900 cement accounted for limited production - 200 thousand tons only - already by the eve of the First World War it had increased to 1.4 million tons. What there is of remarkable in this long period in the history of Italcementi? The origins of the history of Italcementi were reconstructed in great details by Camillo Fumagalli in a volume prepared for the 100th anniversary celebrations of the company. As in the case of many other businesses in the Lombard region, also the two main branches of Italcementi — Società Bergamasca per la fabbricazione del cemento e della calce idraulica of Giuseppe Piccinelli (1864) and Ditta Fratelli Pesenti fu Antonio (1878) — were established by entrepreneurs who were smarter than others in using the diffused technical culture present in Lombardy. Until the merger of the two companies in 1906, the story narrated by Fumagalli outlines the technical achievements of the plants and the personal experiences of the protagonists. What emerges very clearly from this story is the peculiarity of the Pesenti family, who managed the firm after the merger: it boasted a rare abundance of talents within a close-knit family, with nine children, of which six brothers, who were the survivors of the twelve children born to Carlo Antonio, died at just 42, and to his wife Elisabetta Bonometti. On the eve of the First World War, the Società Italiana dei cementi e delle calce idrauliche - as Italcementi was then called - already accounted for 15% of the Italian cement market.*

*The second period traces the troubled years across the First World War, fascist dictatorship and the Second World War, years that proved particularly difficult for Italy’s economy and society. If the First World War was won, the immediate post-war years*

*produced a remarkably negative impact: widespread social unrest, bank and industrial bankruptcies, inadequate public policies ended up by paving the way to Mussolini's rise to power. What must be underlined of the twenty years of fascism is that they did not mark, as some of the literature in the past had credited, a period of stagnation for the Italian economy. Economic growth continued, particularly in the industrial sector, but the 1929 crisis triggered a reaction from the dictatorial government in favour of strong public intervention. The failing universal banks were bailed out, but, instead of being left in existence as it was the case in Germany, they were downgraded to clearing banks, while at the same time two large state-owned institutions, IMI<sup>1</sup> in 1931 and IRI<sup>2</sup> in 1933, were established. This was closely followed by colonial expansionism and then by the fateful alliance with Hitler.*

*For Italcementi, the years across the First World War witnessed a tumultuous expansion. This volume starts by summarising the extensive process of mergers and construction of new plants which allowed the firm to achieve 40% of the national market as early as the mid 1920's, imposing itself as the national leader. To seal and communicate this achievement, in 1927 the company, that had assumed long names following mergers, took the short name which made it famous - Italcementi. This process was managed by Cesare, the last surviving member of the third generation of Pesentis, and by a young representative of the fourth generation: Antonio, one of Cesare's nephew. It was Antonio who soon realised that, in order to sustain the acquired leadership, it was necessary to take on a leading role within the cement industry, and in other business circles. He uninterruptedly covered the role of Chairman of the National Federation of Cement Manufacturers, an institution he himself had promoted since 1918, for the entire period 1919-1942 and from that position he was able to negotiate with the fascist regime the necessary actions to tackle the difficulties and the problems that arose, as representative of the entire cement industry.*

*Not even the tragic events of the Second World War found Antonio unprepared to face the situation, and when in the summer*

---

<sup>1</sup> Istituto Mobiliare Italiano, a state owned industrial investment bank, privatized in 1993.

<sup>2</sup> Istituto per la Ricostruzione Industriale, a state owned industrial holding absorbing and managing all the stocks formerly owned by the bailed out universal banks. IRI was liquidated in 2000, as a final step of the process of privatization of state owned enterprises.

*of 1944 Italcementi was placed under temporary administration, he found the way of being appointed administrator. Hence, there was no discontinuity or lack of power in the company and, when the war ended, he could hand it over to his cousin Carlo, who was 27 years younger and had started working for the company in the mid 1930's.*

*This takes us up to the third period, that of the great post-Second World War expansion. It is well-known that during the "economic miracle" Italian businesses flourished, especially the middle-size concerns. Nevertheless, the presence of the state did not decrease; on the contrary, it was extended with the establishment of Eni in 1953 and Enel in 1963, on top of the relaunching of Iri in 1948. The fourth generation of the Pesenti family, having with Antonio achieved national leadership and the preservation of the company during dictatorship, expressed with Carlo another crucial figure for the development of the firm. The strategy implemented by Carlo was two-fold. On one side, he pursued the technical and productive consolidation in the cement industry, with the accumulation of a wealth of technological expertise through the construction of numerous brand new plants, which allowed the company not only to maintain its national leadership, but also to position itself at the forefront of technology and to propose itself as a vendor of technology. On the other side, Carlo pursued diversification, with the acquisition of industrial firms, mainly Franco Tosi, with which he began the creation of a group, and with the expansion into the financial sector - banks and insurance (RAS) - setting himself at the centre of a vast network of company relationships including Falk, Bastogi and Montedison, and giving Italcementi a central position within the Italian entrepreneurial milieu.*

*The fourth and last period between the 1970's and the end of the 20<sup>th</sup> century was characterised by instability and recession. This was the period when industrial districts began to flourish, offering a winning card to the continuous development of the Italian economy; but it was also the period of serious problems at the macroeconomic level with the explosion of trade union conflicts, inflation and rising public debt. This led to an unfavourable environment for large corporations, whose legacy has been the present firm dwarfism and the productive fragmentation of Italian industry, unfit to meet the challenges of the 21<sup>st</sup> century.*

*During Carlo's last years, Italcementi suffered the consequences of instability, particularly due to inflation. In 1984 his son Giampiero, a fifth generation member of the Pesenti family, took over the company's leadership. As Antonio had successfully counteracted the difficult interwar cycle, Giampiero too succeeded in impressing a countercyclical impact on to Italcementi, first by re-establishing the internal and external conditions that guaranteed solidity and liquidity to the company, and then by making through the acquisition of Ciments Français a second leap forward, this time at an international level, introducing Italcementi into the circuit of the world's most important enterprises. Indeed, Giampiero not only consolidated his company among the few large corporations at a national level, when the tendency was, on the contrary, towards fragmentation and shrinking of size, but he also succeeded in creating a European corporation present in 19 different countries of the world, a most difficult objective to reach. Other Italian entrepreneurs attempted to form Europe-wide companies, trying to combine different cultures and traditions, but very few have succeeded. The volume ends precisely with the description of the events occurred in 1992, the year marking Italcementi's entrance in the world arena; the subsequent years, still too recent, are left to a historian of the future.*

*Maintaining leadership for over six decades of the troubled 20<sup>th</sup> century, crossing the great depression of 1929, the fascist regime and the Second World War, reconstruction, the economic miracle, the unstable Seventies, the generation changeover of the Eighties up to the internationalisation of the Nineties is not such an obvious accomplishment. The purpose of this volume is to illustrate who the protagonists of this entrepreneurial adventure were, what technological and managerial instruments account for the success of Italcementi, but also to illustrate the origin of the feeling of corporate belonging that has determined the Italcementi staff to use their skills to the utmost for the company's benefit.*

*Italcementi is one of the few Italian corporations with a proven capability to expand internationally without giving up its local and family roots, thanks to an ability – uncommon in Italy - to govern growth and expansion. There are two aspects of this managerial skills emerging from the pages of the volume that I consider useful to underline here. The first aspect concerns size. Italcementi has never been afraid of size, even during the hardest of times when it*

*ran the risk of being nationalized. Quoted on the stock exchange since 1925, it had protected itself from the instability that could have ensued with going public by placing its confidence in a core of "loyal" shareholders. It quickly understood the validity of a group structure, to increase synergies and to control technological and market changes. It entered into finance, with some unsuccesses, but in the end with undeniable benefits. It was able to take advantage of the opportunity of internationalisation, because it was a target carefully aimed at, but also because it had set up all the necessary conditions to be able to take this important step.*

*The second aspect concerns the characteristics of its managerial structure. A successful corporation has to be managerial, even if it has members of founder's family on top. Glancing through the Italcementi organisation charts there are two features which definitely stand out: the predominance of engineers in the leading managerial positions and the life commitment with the company of the top managers.*

*If there is an area of excellence in the Lombard entrepreneurial class, this is unquestionably connected to the long standing tradition of the Milan Polytechnic that has not only trained generations of leading technicians, but - even before the establishment of the Department of Management, Economics and Industrial Engineering - has emphasised a strong relationship between theory and practice. It must be said that Italcementi has interpreted this tradition to the highest of levels, contributing, since the 1920's, to its consolidation and encouraging it with donations aimed at promoting research on the use of cement. Some of the same members of the Pesenti family were educated in this tradition.*

*As for the life commitment of its top managers, Italcementi has been a company that, before developing customer loyalty programs, has cultivated the loyalty of its executives. Some of these have spent over 40 years with the company. This model of the company as a family and of life-long employment that produces identification and strong ties based on trust, is known today particularly in its Japanese version. But in Italcementi it derived from a humus of social cohesion founded on the sharing of common values and on the disposition to mutual cooperation. The distance between this model and the "hit-and-run" relations that seem to characterize the present job market, particularly of*

*managers, is indeed remarkable. We increasingly hear talks about Corporate Social Responsibility (CSR), but this happens because of the weakening of corporate relationships with the surrounding territory that has become only an accident of history. It will be interesting for the historian of the future to see how a company with the DNA of Italcementi, that encloses a powerful sense of responsibility towards its land of origin, will be capable of administering the internationalisation process, at the onset of which this work sees its conclusion.*

*The volume is organized in two parts. The first part includes four chapters following the chronological thread of events from the First World War through to the early 1990's with particular attention paid to the definition of the entrepreneurial "styles" of the members of the Pesenti family. The second part, consisting of six chapters, is thematic, exploring the diverse facets of a corporation such as Italcementi: the production and technological aspects, with particular attention given to the design of plants; the organisational and budgetary aspects, where the attention is focused on the evolution of the managerial charts and on the trend in company profitability. The final chapter traces a summary of the relations between the company and the surrounding society, with special attention to the treatment of employees.*

*A substantial work such as this could never have been accomplished without the collaboration of the company that not only commissioned it, but also accepted to open its archives and retrace its memoirs. As it is uncommon to encounter within Italian companies the readiness to maintain company archives and allow researchers to consult them, I would like to give a public recognition of this remarkable open-mindedness of the Pesenti family. Collective thanks must go to the many past and present top managers at Italcementi who ran through their entire career with me, providing useful material, answering my questions and clarifying or correcting some passages of the text. I am indebted to my research assistant Dr. Emanuele Felice for his excellent job in filing all the archival material and preparing provisional elaborations with intelligence and diligence.*

*The reconstruction of this story has been a fascinating intellectual adventure for me, as a result partly of the novelty of the sector, but also because of the organisational complexities of a corporation, requiring a highly articulated analysis. What helped*

*me considerably in my work was to have at my disposal a logical thread, provided by the strategies pursued by the strong leaders of the Pesenti family who led the company all the way through the 20<sup>th</sup> century. The reader will find in this volume the profile of a corporation that has been capable of combining the best traditions of Italian family firms with the principles of an advanced managerial organization, in a virtuous mix which, when successful, provides excellent results. Only a comparative analysis will allow to draw relevant hypotheses on the conditions making this virtuous mix feasible.*

VERA ZAMAGNI  
University of Bologna