

How to Build a Dynasty

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THE Beretta family has been making guns for the world's armies, kings and princes, and sportsmen for nearly five centuries. They trace their origins to one Bartolomeo Beretta, born before 1498, one of the ironmasters of the Trompia Valley of Northern Italy who supplied gun barrels for the weapons of the Venetian Republic at the height of its power. Today Beretta pistols are used by armies and police forces in many countries and—as a result of a controversial contract in 1985—its 92F pistol is the standard sidearm of the U.S. military.

When I heard that Ugo Gussalli Beretta, the 13th generation leader of the Beretta dynasty and a direct descendant of Bartolomeo Beretta, was visiting the United States last March, I requested an interview. Ugo Beretta is not only managing director of what claims to be the world's oldest industrial enterprise, he is also president of Les Hénokiens, an association of companies (named after the Biblical patriarch Enoch) still run by descendants of the founding families after 200 years or more.

Surely, American business owners had something to learn from Signor Beretta about longevity in business, I thought. How has the family managed so many successions in leadership? What are the traditions and values that have sustained the Beretta dynasty through so much turbulent European history?

I was asked to meet Signor Beretta in the lobby of New York's Waldorf Astoria Hotel but was not told how we would recognize each other. As I waited by the executive service desk, I looked around for someone who would fit my image of formidable industrialist and

global arms merchant. After a few minutes I spotted a short gentleman with mustache bundled in a winter coat with fur boots, carrying a thin briefcase. He came over and quietly introduced himself: Ugo Beretta.

We sat on a banquette off the hotel lobby and Signor Ugo (as he is known to his employees) handed me some materials on Les Hénokiens. He noted that one of the two Japanese members, a mountain inn founded by a Buddhist priest's disciple in the 8th century, has been in the same family for 46 generations. By that standard, the Beretta dynasty is a mere teenager. But what was there about the Beretta family, their values and traditions, I asked, that had enabled the company to survive for 13 generations?

"I don't know," replied the 55-year-old managing director, attired in a dark blue suit, striped shirt, and wide tie, speaking a confident English with the cadences of his native Italian. "I suppose it is that we work very hard. We try to be as modern, as up-to-date as possible, in our machinery. We believe a lot in investment. We always invest a lot of money in the factory, and that is the reason we continue to be in business."

Whether one is a card-carrying member of the National Rifle Association or an ardent pacifist, one has to admire the success of the Berettas and the quality of their product. Their business motto is, in fact, engraved in marble at the Beretta house in Gardone Val Trompia: *Prudencia e audacia*—"prudence and boldness."

At every stage of the world's industrial history, the Berettas have managed to blend a tradi-

tion of skilled craftsmanship with the latest manufacturing processes. Today Beretta factories customize orders by means of modern, computer-integrated manufacturing techniques. At the same time, Beretta's 500 years of tradition are evident in a small department of the Gardone factory where guns are still made largely by hand, and skilled craftsmen engrave magnificently intricate designs into the action body of rifles and shotguns.

Though its arms are sold worldwide and the name is synonymous with elegance in weaponry (even James Bond carried a Beretta), the company remains a mid-sized, family owned business, which may be one of the reasons for its success. Fabbrica d'Armi Pietro Beretta S.p.a. in Italy employs about 1,000 and has sales of \$100 million, while Beretta U.S.A. employs about 450 at its plant in Accokeek, Maryland, where the 92F pistol (labeled M9 by our military) is produced. The American subsidiary has sales of about \$70 million.

As a condition of its contract with the U.S. military, the company had to manufacture the 9-millimeter sidearm in this country. Signor Ugo, who founded Beretta U.S.A., spends a good deal of time, sometimes two weeks a month, in the States. This heir to a dynasty that supplied gun barrels to the doges of Venice meets often with U.S. Senators and Pentagon officials.

Yet for the Beretta clan, the relationship between family and business remains charmingly uncomplicated. The conversation hadn't gotten very far when it occurred to me the Berettas have been dealing with generational transitions for so long they perhaps don't consider succession a problem. Indeed, when I asked whether the family engages in succession planning, Signor Ugo did not seem to be familiar with the phrase.

He agreed that the family simply does what comes naturally. "It's difficult to make plans around succession," Ugo Beretta said. "It depends upon many things...how I feel in the next year—if I feel better, if I don't feel better. Of course, one should think about these things..." What about emergencies? "Exactly. But at this moment we have a general manager of our company in Italy and a general manager at our subsidiary here in the States. It's organized so

that if I am not there, it will all work without me."

How does the family prepare the younger generation to take over leadership? What kind of training do they require? "In each generation, we grow up in the middle of the factory," Ugo Beretta said. "Our house in Gardone is in the middle of the factory [compound]. For this reason, we start very young to look at how to make firearms."

Ugo Beretta has two sons in the company, ages 30 and 28; the older son has a business degree and specializes in management and finance; the younger, more technically oriented, is engaged in production. How are they learning the business? "Personally, I think the best way is by example," he replied. "We don't provide any special training."

"When they started to think about what they wanted to do when they finished their schooling, they had no doubt. Both decided to come to work with me. I think this is very important, to see what we do, to listen, to speak with the people. For me it was the same. When I finished college in Switzerland, I wanted to start to work, because I liked very much the idea of being involved in the business. This was something that comes automatically."

One reason that succession may come naturally at Beretta is that ownership seems to have been kept pretty tightly in the hands of a single family. Through most of the company's history, one capo has been in charge. The mantle of leadership has passed from father to son in the same branch of the family, although it has not always been the first-born who has been chosen.

The previous generation, however, had seen a few twists in succession. Ugo's grandfather, Pietro Beretta, who was in charge of the dynasty through most of this century, owned 100 percent of the company (see "The Man Who Led Beretta for Half a Century," below). Pietro's stock was divided among Ugo's uncles, Carlo and Giuseppe, and his mother; a small amount was given to a few cousins.

Carlo and Giuseppe appear to have run the company as sibling partners; both held the title of managing director. Since neither had any children, Ugo Beretta was the only potential

successor, and in order to keep the succession in a direct line, Carlo adopted his sister's son. Carlo was president of the company until his death nine years ago. Giuseppe, who succeeded him as president, died in June at age 87—after my interview with Ugo Beretta.

"As I said, I started to work there very young. I worked very closely with my uncles. My uncle Carlo had confidence in me." When it comes to choosing a leader, the company seems to have few established procedures. "It's something we decide in the family," said Ugo. "It's not like a big corporation. The important decisions are taken by the family."

Signor Ugo broke in on what he calls the "commercial" side of the business (as opposed to the technical, manufacturing side). "I was for many years in charge of the commercial side—marketing, advertising, and the like. I liked that very much and now that's the only side I personally follow. I like very much to organize our advertising." Afterwards, he became general manager, which put him in charge of day-to-day operations. Then in 1977, at the age of 40, he became managing director.

Ugo thinks 40 to 45 is a good age for a man to assume leadership. Asked which of his sons will succeed him, he replied that it is "a little too early to know who could be the boss. If the first one is good, probably it will be the first one. If he's not good, it would be the second one." The two sons now work directly for the firm's general manager. "But we discuss a lot of things together, too," he said. "When we're making an important decision, I try to see that they [his sons] are involved. We give them some responsibility, of course. This was just what was done with me."

When I reminded Signor Ugo about the well-publicized battles fought over succession in some American families such as the Bingham of Louisville, he showed signs of recognition and observed: "Family is very good when everybody works together. But if they start to fight, I agree it's terrible. It's worse than in a big company." The Berettas never had similar problems? "No, fortunately. From all I've read and heard about the family in the past, there has always been good rapport. It was always very quiet, very conservative."

I had seen a 1987 article about the company in *The New York Times* which reported that about 20 family members work in the business. Signor Ugo said that was not so, and toted up the actual number for me. "We have my uncle, myself and my two sons, and then we have three cousins. In the past, there were more [family members]. Now we are probably altogether 10—no more."

Any family that can trace its history back 500 years is likely to have numerous branches, and bring swarms of relatives knocking on Signor Ugo's door for jobs. Does the company have any rules about who will be accepted?

He smiled knowingly. "This is a very complicated thing," he said. "We have no rules. We do the best we possibly can. If we see somebody who would be good for the company, okay, he comes to work with us. We try to use buon senso—good sense. I don't think we can have rules for these things."

Beretta remains privately held; the Berettas control a majority of stock and a French partner, the government-owned GIAT, owns 36 percent. Until Giuseppe Beretta's recent death the 15-member board consisted of Ugo and his uncle, a vice-president, two members from GIAT and "a few friends of ours." Does the family have meetings to discuss business and family issues? "Our side of the family, my uncle, my sons, and I, is very small. Sometimes we discuss these things in our general meetings."

The family is obviously proud of its tradition in the arms industry. A coffee-table book published in 1980, *Beretta: The World's Oldest Industrial Dynasty*, is dedicated by Giuseppe and Carlo Beretta to the people of Gardone "who are working with or near us today to make Gardonese weaponry a unique industrial and artistic phenomenon...to our fellow citizens united in the pride they take in arms both old and new, so that it may inspire the Gardonese of the future to persist in that peaceful collaboration that has spread the fame of our little town throughout the world."

When I asked Ugo Beretta whether the family had a credo or statement of values that guided them, he answered: "We don't have a guide. But we have some rules that we follow. First, 20 years ago we decided that we would not de-

vote more than 30 percent of our production to the military. For a private company, it is dangerous to be too dependent on military business. Some years it's very good business, some years it's very bad.

"Second, my grandfather always said we must have up-to-date machinery. My uncle Carlo said the same thing, and I tell my sons we have to invest a certain amount in new technology each year. If you don't invest some money every year, after a few years it's very difficult to catch up. Other companies in the firearms business, like Winchester and Colt, didn't invest, and that's the reason they're in trouble. We have a tradition of investing, and I think this is the main reason we continue to be where we are."

Beretta's success in winning three competitions for the M9 pistol contract demonstrates the value of the strategy. The semi-automatic pistol replaced the Colt .45, that was standard issue for the U.S. military since 1911. According to Ugo Beretta, the company started working on a 9mm. pistol well before its U.S. and other foreign competitors. "We believed very much in the 9 mm. We thought it was the weapon of the future. We had time to do all of the modifications that were necessary [to perfect the weapon]. For these reasons, we invested a lot of money and arrived at the competition with the best product."

The awarding of the contract to a foreign firm in 1983 stirred a storm of outrage from domestic producers. Colt, based in Hartford, Connecticut, has since gone into Chapter 11 bankruptcy. The U.S. military favored the Beretta 9 mm. pistol over its competitors because it was already the sidearm used by NATO forces. The Beretta pistol had several design and safety advantages as well, including a trigger guard wide enough so personnel wearing bulky chemical warfare gloves can fire it. But one of the biggest reasons Beretta won the contract was that it was able to supply the weapon at half the cost compared with its competitors. Why? Investment in advanced manufacturing processes had a lot to do with it (see "Beretta's Continuing Renaissance," below).

Asked what "younger" family companies in the U.S. might learn from Beretta, Signor Ugo summed it up:

"You have to believe in and like the product you make....This is very important. Second, my suggestion is to always try to be very up to date. As I said before, you have to continue to invest [in new equipment]. Third, organization is much more important today than in the past. With modern organization, electronic data processing—the computer and the like—you can have a good result." ■

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BERETTA'S CONTINUING RENAISSANCE

IN their new book, *The Virtual Corporation* (Harper Collins), William H. Davidow and Michael S. Malone single out Beretta as a model manufacturing company for the 21st century—"almost the ideal test case for the impact of new manufacturing technologies and management techniques on the history of corporate enterprise." The book notes that Beretta's greatest strength in the last 300 years has been its willingness to adopt the latest technology, whatever its origins, eschewing the not-invented-here prejudice that many companies have against outside ideas.

A Harvard Business School professor, Ramchandran Jaikumar, has shown how Beretta has embraced new engineering and manufacturing techniques in each of six great industrial epochs since the end of the 18th century. The *Virtual Corporation* describes the six transformations of weapon-making at Beretta, the latest of which occurred at about the time Beretta won the contract for the U.S. armed forces' M9 pistol.

In the 1980s, the company installed a computer network to perform computer-aided product design and flexible manufacturing. Under this system, the factory floor was divided

into semi-independent work stations and connected by conveyers driven by computers. A supervisory computer directs the movement of materials on the conveyers to the workstations, loads the numerical programs for the machines that assemble products there, and monitors the result. Davidow and Malone write:

“What has been the impact of computer-integrated manufacturing (CIM) at Beretta? For one thing, a three-to-one jump in productivity. The number of machines that is now required to produce a single product has fallen to just 30, the lowest in 150 years. The minimum number of people for efficiency is just 30 as well, fewer than were needed at the end of the 17th century. Meanwhile, rework has been reduced to zero and staff positions represent two-thirds of Beretta’s employment. Manufacturing is now treated as a service, customizing its products to the desires of special market segments. That in turn requires highly skilled ‘knowledge workers.’

“What is perhaps most interesting about the current CIM epoch is that, for the first time since the guild days of the company 300 years ago, Beretta is again capable of creating numerous different products. Customization and craftsmanship have returned. Beretta has come full circle.”

THE MAN WHO LED BERETTA FOR HALF A CENTURY

THE colorful 500-year history of Fabbrica d’Armi Beretta di Gardone S.p.a, is recounted in *Beretta: The World’s Oldest Industrial Dynasty* (Acquafresca Editrice, Chiasso, Switzerland, 1980). Written in English and Italian by Marco Morin and Robert Held, and illustrated with numerous drawings and diagrams of Beretta weaponry through the ages, the book also provides glimpses of the Beretta family.

Typical are the passages about Ugo Beretta’s grandfather, Pietro, “an extraordinary man” who “was destined to elevate the firm to international importance in less than three decades.” Pietro Beretta, whose reign lasted 54

years until his death in 1957, ran the company through two world wars:

“Pietro Beretta remained a simple and straightforward person all his life. He was on terms of intimate friendship with the older men among his workers, with whom he would often get together on Saturday nights for a game or two of cards. Within the firm there were no serious conflicts; much good will and mutual respect governed relationships, a circumstance that had roots in the family’s political traditions closely tied to the liberal and progressive currents of the nineteenth century...Even in the span of 1919-1922, when life in Italy was torn and threatened by all sorts of violence, Gardone remained on the whole peaceful. Whilst nearly all the factories of Brescia were taken over by rebellious workers, no incident occurred at Beretta—but every evening Pietro, helped by his wife, his sons, and the old family cook, gathered up the pistols produced during the day; a precaution that fortunately proved superfluous because nothing ever happened.”

“After the political and military collapse of Italy in July and September of 1943, the Beretta plants fell under rigid German control. About 20 German soldiers and technician-officers were quartered in the Beretta home and the factory until April 1945. The guns produced in this period were destined for the German forces and for Mussolini’s ‘Italian Social Republic’ headquartered at Salò, whilst considerable quantities also reached the local Partisan formations via clandestine networks.

“The liberal convictions of Pietro Beretta and his sons were common knowledge, so much so that the three men were looked upon with suspicion by the German command, especially the S.S. Only the indispensability of their presence in the factory saved them from an ugly fate....

“...in the days of the final fighting in Lombardy, the 75-year-old Pietro was arrested by the Germans; 33 years later, Cico Tempini, ex-commander of the Partisans of the Valley was to reminisce that he ‘sent one squad [to the Beretta factory] and another to the school building; and I myself went to the barracks of the Black Brigades [the fascist militia] and there we did some shooting to try to cover my

brother in the attempt...to enter [the factory] from Via Zanardini in order to liberate old Pietro Beretta, who was being held by the Germans as a hostage. We took 40 Germans and 10 Black Brigades prisoner....

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