
Product Diversification in a Survival Family Firm: The Case of Fabbrica d'Armi Pietro Beretta (1946-1996)

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Introduction

Fabbrica d'Armi Pietro Beretta (FAPB) is one of the oldest companies in the world. Although this company name was first registered in 1832, the Beretta family has run their business in the small arms sector for nearly five centuries, first as a merchants of barrels and then, starting from the mid-nineteenth century, as a manufacturers of rifles and guns.¹ This business was established and operates in one of the world's oldest and most important industrial districts, that of Val Trompia, a narrow mountain valley in the province of Brescia, near Milan, in northern Italy.² Although no single definition exists,³ and in theoretical terms the profile of the managerial corporation is more clearly defined, with regard to ownership and governance FAPB was and still is a family business, and therefore sits at the heart of the history of the evolution of Italian capitalism. The capital of FAPB always remained in the hands of the Beretta family, while the highest level strategic decisions and the more immediate operational questions were handled by the head of the family and a close circle of relatives.⁴

1. For an overview of the history of Beretta before the mid-nineteenth century see Morin and Held (1980).

2. Brunelli, 2003; Tombola, 2000. Within this context, and above all during the twentieth century, FAPB saw a gradual increase in its size until reaching its present position as the largest, both in terms of company size and company image (Lavista, 2010; Paniccia, 2002).

3. For an overview see Colli and Rose (2008), pp. 195-6.

4. There is a large bibliography regarding the family business and well-written histories of family firms and dynasties are now available. For a long-term view, see Colli (2003). For an overview of the Business History debate around family business see also Colli et al. (2003). On the current situation of family business studies see Colli and Rose (2008); Melin et al. (2014).

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Until the mid-twentieth century FAPB had always operated in the small firearms sector. Therefore, a brief overview of its recent history can help to better understand the significance of the diversification process that followed the Second World War. Pietro Antonio (1791-1853) was the founder of the 'modern' FAPB, but it was his son, Giuseppe Antonio (1840-1903), who gave it a new technological and organizational strategy as well as an innovative drive for processes and products (specialization in hunting rifles, vertical integration of various phases of the production process, and the adoption of the 'American system', with the use of specialist machine tools for mass production). This was accomplished while managing the passage from a business based on craftsmanship to an industrial force (FAPB was one of the first private centralized factories in the district of Val Trompia, breaking from the traditional organization of production based upon the guild system). Giuseppe Antonio's son, Pietro (1870-1957), continued to drive the company forward to a position amongst the largest in the world, overcoming two world wars and expanding production of military and civilian arms. It was his first-born, Giuseppe Pietro (1906-1993), who drove expansion beyond the national borders and expanded production to include sporting shotguns. He was also the first to attempt diversification outside of the arms industry, while his nephew Ugo (1928-) was the architect of the difficult expansion into the American market and the reorganization of the company, which ended in 1994 with the creation of Beretta Holding SpA, a multinational group which is still under the control of the Beretta family. Today, FAPB is a world leader in the field of small arms and is also the most important company within Beretta Holding.⁵

Aims

The aim of this study is to examine product diversification, a process which involved FAPB only during the second half of the twentieth century. The more recent literature on family businesses has highlighted many of the reasons which could explain the differences in behaviour in terms of diversification when compared to non-family-run companies. For example, we know that family businesses are more risk averse when considering possible loss of control. Diversification may require capital borrowing and/or external skills which could threaten the position of the owner family, and this could reduce their propensity for diversification. Other considerations could, on the other hand, indicate the opposite. The general risk aversion which characterises

On Italy, see Colli (2006), pp. 77-105. For an overview of the Italian industrial demography at the beginning of the new millennium see also Colli (2010).

5. Barbato (2008), pp. 69-75.

family businesses, for example, could be mitigated through a strategy of diversification, which could increase the possibility of survival for the company and therefore that of the owner family.⁶ In this context there is little empirical research on how family ownership affects decisions regarding diversification.⁷ Historical research can help this subject to be better understood, forming an aid in understanding the dynamics behind an important tool for the growth of the firm such as product diversification.⁸ In particular, it is important to highlight which are the competences necessary in a small/medium family firm to undertake successful investment strategies of diversification without excessive risk. This is the first objective of the article.

Moreover, this article aims to supply further information to better understand this important strategy for expansion for cases still little studied such as FAPB, the particular characteristics of which make the company an exceptional example within the whole panorama of family businesses. These are the peculiarities which lead scholars such as Carr and Lorenz to consider business histories such as that of FAPB “rare and valuable beacons” able to “challenge superficial gurus and assumptions often taken for granted”.⁹ In fact, the study of FAPB means considering not only the topics of family businesses, small- and medium-size enterprises, traditionally labour intensive sectors, entrepreneurial dynasties, industrial districts, etc. (in the twenty-first century business history has taken a broader view that gives due weight to small- and medium-size enterprises and family firms, especially in the context of regional clusters and industrial districts).¹⁰ Of all the factors which define the unique nature of FAPB, its longevity is probably the most significant and there are only a few studies of product diversification in living family-owned companies.¹¹ If we consider that at the end of the nineties the average life span of a European company was just 12.5 years, then FAPB can certainly be defined as a ‘living company’.¹² But FAPB is more than this, it is also a ‘survival company’, as it has been owned and controlled by the same family for five hundred years.¹³ Today FAPB is the world’s ninth oldest family firm, and the

6. Casson (1999); McConaughy (2000); Mishra and McConaughy (1999).

7. For an important first step in this direction see Gomez-Mejia et al. (2010).

8. For example, see Foreman-Peck (1983); Church and Clark (2003); Jones and Miskell (2007). With regard to family firms see the recent McGovern and McLean (2013). On the necessity to concentrate on ‘how’ the company grows rather than ‘how much’, see McKelvie and Wiklund (2010).

9. Carr and Lorenz (2014), p. 17.

10. Scranton (1993); Carnevali (2005); Colli et al. (2003).

11. Jones et al. (2013).

12. De Geus (1997), pp. 23-32.

13. According to Andrea Colli, it is necessary distinguish between *survival* and *longevity* in general when family firms are considered. He distinguishes between *survival* as a family-owned firm, to wit, the persistence of control by the same family over time, and *longevity* in terms of the age of the enterprise, independently of its ownership structure (Colli, 2012, p.

sixth oldest in Italy, where over 90 percent of companies are family run, but half do not survive into a second generation, and only 15 percent survive past the third.¹⁴ Within the small group of Italian survival family firms, most are very small businesses, often operating like craftsmen, and these companies have invested little or nothing in the process of product diversification, especially outside of their historical core business.

This is an important observation, not only because, from the point of view of business history, survival is an extremely relevant measure of nonfinancial performance and the most significant manifestation of success for a firm (especially for a family firm).¹⁵ The history of a firm is a factor which profoundly and constantly influences the fundamental strategic direction of the company.¹⁶ FAPB was founded and operates within an industrial district the origins of which date back to the fifteenth and sixteenth centuries and the first official documents regarding the involvement of the Beretta family in the firearms industry – firstly as intermediaries between local artisanal manufacturers and the market – date from the same years (1526).¹⁷ The entrepreneurial history of Beretta, therefore, coincides with that of arms production in Val Trompia and its community. This is the context within which FAPB has always existed. In addition to the other characteristics of FAPB, which are listed herein, the exceptional longevity is a factor which has repercussions on decisions regarding important expansion strategies such as production diversification (for example, we will see how longevity increases the weight of the local community). The need to go beyond the generic definition of the family firm to place personal capitalism in an appropriate framework becomes more pressing in the case of firms such as FAPB, whose business culture is the result of five centuries of history in the same community.¹⁸ This exceptionality, which is of interest in itself, confirms how a study of family businesses must include the essential process of contextualization (historical, institutional, cultural, etc).¹⁹ Without taking these details into account, there is a risk that a com-

249). Today FAPB is one of the few members of the exclusive Hénokiens Association, which comprises family businesses which are at least two hundred years old, still owned by the same family, and managed by a descendant of the founder. For an initial attempt at a comparison of such exceptional examples of entrepreneurship see O'Hara (2004).

14. Vallone (2009), pp. 62-3.

15. Colli (2012), pp. 249-51. The topic of business longevity has been enriched by multidisciplinary approaches, but the lack of a unifying perspective has caused ambiguity of definitions. For an overview of this issue see Napolitano et al. (2015).

16. Corbetta and Dematté (1993), pp. 163-7.

17. For an overview of the history of this industrial district see Belfanti (1999); Montanari (1982).

18. In support of the necessity to concentrate more on the corporate cultural differences rather than organisational structures see Church (1993).

19. Colli et al. (2003); Colli and Larsson (2014); Carr and Lorenz (2014); Jones and Khanna (2006).

parison with other cases would be futile, if not misleading. At the same time, some recent studies have produced evidence to suggest that family businesses pursue other than merely financial goals. Some scholars, therefore, conclude that there is a strong argument for long-term longitudinal studies of family businesses.²⁰ These considerations confirm not only how the case study is an important research tool, but also how this is indispensable if the subject of the analysis is difficult to compare to other entrepreneurial examples.²¹ In short, the second objective of this article is to understand if and how the context and the characteristics of FAPB (above all longevity), with equal family ownership and control conditions, have influenced decisions regarding diversification and, as a result, competitiveness, performance (broadly defined and including longevity) and growth of the company. The influence of ownership and family control on the performance of the family business is a central subject of business history, but historical research is in its infancy and micro-level research is still extremely rare.²²

Sources

The absence of documentation in FAPB archives regarding the subject of product diversification should be highlighted. Unfortunately, archive material was destroyed (or given away) at the end of the various diversification experiences. Nevertheless, our research is almost entirely based upon primary sources found in other archives (see references). In particular, these are important business association archives, such as the Chamber of Commerce, which by their nature dealt with large quantities of information regarding the life and the activities of companies. Archival sources have been supplemented with unpublished interviews with Ugo Gussalli Beretta and Angelo Rampinelli Rota (family friend and long-term collaborator with FAPB), both of whom participated in many of the diversification initiatives. Oral sources are therefore a necessary complement to archive documentation as they supply direct evidence of the motives behind the diversification choices made by FAPB.²³

The article is composed of five further sections. The process of product diversification is analyzed in the following four sections, and the last includes the conclusions.

20. See Astrachan (2010), pp. 6-7; Sharma et al. (1997).

21. On the importance of the case study see Gourvish (1995). See also Coleman (1987); Rueschemeyer (2003). On the different approaches to Business History see Decker et al. (2015).

22. Macke (2001).

23. Fridenson (2007), p. 10; Perks (2010).

A serious competitor for Fiat of Torino? The ambitious BBC Auto project

The first question to address is: why did FAPB decide to embark upon a course of product diversification? A study of sources seems to show that the goals of Giuseppe Pietro Beretta, who was president starting from the fifties, were the development of the company and the progress of the community of Gardone, where the business was based. This was a consideration which was fully in keeping with the paternalistic concept of entrepreneurial management typical of those contexts in which the company is based upon the community within which it is located.²⁴ At the same time, it could be suggested that FAPB started on the road to diversification with the objective of mitigating risk to the firm, which is particularly high in a sector such as that of arms. A brief overview of the arms industry at the end of the World War II can help better understand this last aspect.

Like other companies in the sector, at the end of the war FAPB was also faced with the need for a complete reorganisation of its production. The required renewal of machinery, which had seen little investment during the years of fascism,²⁵ was accompanied by the consequences of the peace treaty, which imposed a rigorous process of de-militarisation upon Italy, which included a significant reduction in military spending.²⁶ This did not mean that companies rejected the military market, more that they had to take full advantage of the opportunities offered by the new political-economic environment created by the formation of NATO with Italy as a founding member (1949).²⁷ This was the first challenge to be faced, and thanks also to the strong links forged with both Rome and Washington by Giuseppe Pietro,²⁸ FAPB maintained a leading position within the sector, firstly due to under-li-

24. There is a large bibliography on this subject. For an overview of the Italian case, see Benenati (1999).

25. Del Barba (2008), p. 88; on this topic see also Segreto (2002), pp. 674-87.

26. Between 1951 and 1957, Italian military spending dropped to less than 5 percent of the national income, amounting to less than 20 percent of total public expenditure (at the end of the twenties, the Italian defence spending was more than 40 percent; Ceva, 1999, pp. 105, 276, 370).

27. The US support of the Italian military industry reached its peak in the decade 1956-65, touching the 8.8 percent of the total Italian expenditure allocated to defence. From then it decreased, arriving at zero at the start of the 1970s (Bagnato and Verrini, 2005, pp. 45-6). On the state of the Italian arms sector in these years, see Simoncelli (1993); on Italy's accession to NATO and the consequent rearmament program see Selva (2012); on the response of the Val Trompia arms industry to the creation of NATO and the re-opening of the international arms market see Del Barba (2008), pp. 136-47. For analyzing how the US has mobilized its economic resources for war and defence after WWII see Koistinen (2012).

28. The arms industry is highly regulated, and a field which cannot be separated from its strong links with politics and public contracts. In Italy, the case is further complicated by the fact that FAPB is a private business which operates in a context which lacks public companies, and in which the state, through its numerous shareholdings, is the most prolific producer of arms. In the case of FAPB, the adoption of the M9 gun by the US military and police

cense production²⁹ and later thanks to its own very successful autonomous projects.

As well as the numerous movements which were against re-arming in the North Atlantic block, the second challenge faced by the company was that of increasing the civilian market (starting with sporting guns) while looking outside of the arms sector, to meet new consumer requirements. This proved to be a difficult process which demanded immediate, significant investment while offering uncertain future returns. This was especially true for those companies which were involved in military projects, that had previously operated in a largely protected market and therefore were not used to working in conditions of greater competition.³⁰ Since the mid-thirties FAPB had neglected the civil market in favour of that of the military.³¹ Nevertheless, FAPB and its then president, Pietro Betetta, took advantage of their long and established experience in the field of hunting rifles which dated from the second half of the previous century. During this critical phase of change, skills which had been built up in the field of hunting arms facilitated the rapid re-start of production and allowed FAPB to operate while waiting for the necessary reorganisation.

The reasons behind the choice of FAPB to diversify outside of the fire-arms sector, therefore, result from the requirements and the problems of the industrial reconversion which followed WWII and, at the same time, are also in line with those of other companies not necessarily familial in nature, but also those operating in sectors characterized by strongly cyclic markets.³² We have also had confirmation of this from the current president and managing director of Beretta Holding. According to Ugo Gussalli Beretta and Angelo Rampinelli Rota, Giuseppe Pietro “looked for many ways to diversify because he was always worried by the fact that the arms industry, due to its cyclic nature, could find itself in difficulty”, but also because “he wanted to bring something different to Gardone”, thus providing alternative development op-

forces starting from the eighties was surely linked to the quality of production, but is also an example of the importance of having a good relationship with the political sphere.

29. For example, under American license FAPB produced the Garand M-1 rifle, which was later modified to accommodate new calibers specified by NATO (Interview n. 1).

30. For a more detailed investigation of the problems faced by companies operating in the military sector when returning to the civil market, see Alioti (2008), pp. 111-33. This article offers also an overview of the process of diversification and industrial reconversion from military production to civil production which took place in Italy after WWII.

31. There were two main motives for military production – the first was connected to the legal provisions of the fascist regime regarding public security, which decreased the production of arms for the civil market, while the second related to the increase in government orders driven by the expansionist policies of Fascism, which benefitted the whole of the Brescian arms sector, not just FAPB.

32. For example, see Jones and Wale (1999), pp. 80-9. For a comparison with a similar firm in terms of historical period and business sector see also Smith (2007), pp. 685-6.

portunities. One of the aims of the transformation of FAPB into a joint-stock company was also to support product diversification, thus confirming how important this strategy was for the future of the company.³³

A good starting point is the analysis of patents registered by FAPB, which revealed the interest in new products during the period immediately after the Second World War. In 1948 Giuseppe Pietro Beretta, Giuseppe Benelli (heir to the famous motorcycle manufacturer) and Count Guglielmo Castelbarco Albani (car enthusiast with capital and connections) registered two patents in a sector which, in Italy, had excellent prospects for development: that of the motor car. This was the first official step of the BBC Auto project, which allows us to identify a factor which features in other diversification experiences of FAPB, that is the close relations between those participating in the initiative. This is an element which is closely connected to the nature of FAPB and the result of a large network of personal relations which was carefully constructed over the years. It was, in fact, Castelbarco, a mutual friend, who brought Beretta and Benelli together.

From the point of view of future prospects, the decision to enter this market was undoubtedly farsighted. If it is true that mass motorization of the Italian population started in the two-year period 1949-50,³⁴ then it is clear that Giuseppe Pietro had fully realized that this means of transport would become one of the driving sectors of the Italian economy. This is an observation which gains more weight when the pace of the BBC project is compared with that of the most important Italian motor manufacturer (Fiat of Turin), as well as when the characteristics of the BBC are analyzed. The BBC was four-seater which was competitive also in terms of price, designed to occupy the market sector which, ten years later, was to be monopolized by Fiat's utility passenger cars (the 600 and the new 500 models), icons of mass motorization and the economic boom.³⁵

As well as the validity of the original idea, the design must also be seen in a positive light, having started from two patents registered in 1948. These patents, in fact, regarded two elements which were fundamental for the technical success of a motor car: the engine and the suspension.³⁶ There was no lack of technical expertise to develop the project either, based upon the experience of Benelli and his staff. All this resulted in a 750 cc car boasting 20 bhp and a top speed of 100 kph, with more than a few new features.³⁷ Excluding the bod-

33. The transition to a joint-stock company does not clash with the nature of the family business, and may represent a strategy used by the family to maintain its power and control (Kocka, 1990, p. 166). The same is true for the change into a holding company (Montemerlo, 2000, p. 135-6).

34. Maggi (2005), p. 121; Maggi (2006), p. 98.

35. Castronovo (1999); Paolini (2007).

36. Belfanti (2002), pp. 226-7.

37. Wilson (2000), pp. 314-5; Officine Benelli, *Storia della Motobi*.

ywork, the rest of the car was the product of the work and skills provided by Beretta and Benelli, which led to the testing and preparation of three prototypes during the two year period 1948-49. Although not the most convenient of locations in logistical terms, Gardone was chosen as the headquarters for the project, thus confirming the close links with the local community and the complete conformity with the more general aims of Giuseppe Pietro Beretta through diversification. It is important to remember that Gardone had always been the preferred location. This was a decision which was completely in line with the nature of FAPB insofar as the capability to fit into the local community is seen as an important measure of the success of a family firm.³⁸

Notwithstanding the promising start, the BBC never entered into production. Which hypotheses can be proposed to explain this? Sources very close to the Beretta family speak of the intervention of Vittorio Valletta, president of Fiat, which had been involved for some time in a mass market utility car project. Ugo Gussalli Beretta does not exclude external intervention. There is no doubt that competition disturbed Fiat, above all if it came from a source such as Benelli and Beretta which, on paper at least, were equipped with an organization that could handle such a complex project. It is also true that such an ambitious initiative needed, as well as technical skills, an adequate organizational and financial structure. There is no lack of examples of arms producers which, in the period immediately following the war, unsuccessfully attempted the move into the transport market. For example, this is the case for Breda Meccanica Bresciana, which, in the first half of the fifties, started production of motor scooters, but was soon faced with competition in the form of the first Lambretta models and, above all, the Vespa from Piaggio.³⁹ Or, outside of Italy, the case of Messerschmitt, the German aircraft manufacturer which started production of microcars. As we have said, archive sources do not help to resolve this issue. Based upon that which has come directly from Giuseppe Pietro, Ugo Gussalli Beretta attributes the appropriation of the BBC to the probable cooling of interest on the part of the three promoters. It should not be forgotten that the project was still risky, and the Italian market was occupied not only by Fiat, but by other competitive producers as well. Benelli was soon distracted by the complicated management of his family business, while Castelbarco could offer nothing but his own enthusiasm. By necessity, a large part of the entire operation, technical and, above all, organizational and financial in nature, would have been the responsibility of FAPB. Therefore, there were two reasons which can explain why the BBC Auto project was abandoned. Firstly, FAPB did not have an organizational structure that was able to take advantage of what Alfred Chandler defined as ‘econo-

38. Niehm et al. (2008).

39. Fanfani (2001); Rapini (2007).

mies of scope'. Secondly, being conservative from a financial point of view could be one of the secrets of longevity for a business,⁴⁰ subordinating the expansion of the company to the availability of additional financial resources coming from the family could hinder the expansion of a family business.⁴¹ This could have been the case also for FAPB, for which self-financing and the rare recourse to bank credit are still a distinctive feature today.⁴² Even though in other survival family-owned companies a conservative financial approach was a valid support for strategic flexibility which was guaranteed by the entrepreneurial ability of the leader and the decision-making structure,⁴³ this was not the case for the BBC Auto project. It is possible that FAPB underestimated the increase in management and coordination costs which would have resulted.

Motorcycles, microcars, video jukeboxes and machine tools. The multifaceted experiences of Mival

The experience of Mival is the most significant of the whole post-war period. Firstly, because it experimented in a variety of industries (transport, machine tools, electrical components and audio-visual equipment), and secondly, because it confirmed the desire of FAPB to continue on its path of product diversification. From a minority starting position, in fifteen years FAPB acquired the majority of the company's capital, soon finding itself managing a business which had operated in the market for almost half a century alone.⁴⁴ Unfortunately, there is no documentation available regarding the production of electrical components and very little for machine tools and audio-visual reproduction equipment. Much more information exists regarding the fortunes of the company and vehicles, which were the first to be produced. This confirms the extent to which FAPB relied upon the latter, above all on those destined for the mass market. Apart from motorcycles and three-wheelers, Mival was among the first companies in Europe to experiment in the sector of microcars, which are so popular in the market today.

Although developed in the province of Brescia, the idea of Mival had its roots in Bologna. Mival was a direct continuation of Officine Minganti, a company producing machine tools which moved to the province of Brescia

40. De Geus (1997), p. 27.

41. Colli (2003), pp. 43-4.

42. This is behavior which, through re-investment in the company of a large part of the value created, confirms the long-term commitment of the family (Corbetta and Dematté, 1993).

43. Jones et al. (2013), p. 924.

44. ASCBs, RI 82216, *Estratto verbali Consiglio, 27/10/1950*; *Verbale Assemblea generale ordinaria, 8/10/1952, 25/7/1962*; Bruni et al. (1997), pp. 224-5.

during the final years of WWII.⁴⁵ Mival was founded in December 1949, when Fratelli Minganti decided to change its name to Società Industriale Minganti Val Trompia, moving its headquarters to Brescia and, having recently obtained the premises and plant of the old Fabbrica d'Armi di Gardone (FARE), moving production to Gardone. Other than FAPB (with a 5 percent share), it is interesting to note that the new shareholders included some of the most well-known names from the local mechanical industry.⁴⁶ As remembered by Ugo Gussali Beretta, it was a “group of friends” whose objective was to promote development in Val Trompia. Also in this case, therefore, it was the network of contacts, along with shared skills, objectives and problems, consolidated through years of business in the same area, that represented a strong uniting element.

The reasons for the involvement of FAPB in the Mival project can be easily guessed; this was a typical case of technological convergence. According to the charter, Mival was fully within the mechanical industry category, dedicating its energies to the production of motorcycles – a new, expanding, sector for FAPB – and machine tools – capital goods which were also useful in the production of arms. Despite production starting with small lathes, Mival soon concentrated on small motorcycles (the patents registered by Minganti in 1950 confirmed the interest in this sector; in particular, one of these concerned a complete motorcycle).⁴⁷ The production of machine tools really took off later, when the motorcycle industry experienced a downturn and production was gradually shelved.

The start of 1951 was a turning point for Mival; a modification to shareholdings took place, and this was probably due to the early death of Ettore Minganti, founder and major shareholder in the company. In particular, the shareholding of FAPB in the new *Metalmecanica Italiana Val Trompia* grew (about 26 percent) and Giuseppe Pietro Beretta became managing director.⁴⁸ Despite the loss of Minganti, activity in the motorcycle industry was not interrupted. The plant in Gardone had already started production of the first model at the beginning of 1951. This was the Mival 125T, a cheap yet reliable

45. ASCBs, RI 81072, *Registrazioni CCIAA, 31/8/1949*; Registro Storico Sterzi, *Moto Sterzi*.

46. The majority of the capital (51 %) and control of the company remained in the hands of Giovanni Corni (president) and Ettore Minganti (managing director), who were the real promoters of the venture. ASCBs, RI 82216, *Estratto verbali Consiglio, 27/10/1950*; *Registrazioni alla CCIAA, 3/2/1950*; *Statuto, 10/1/1950*; *Verbale assemblea generale straordinaria, 22/12/1949*; *Relazione del presidente all'Assemblea generale straordinaria, 22/12/1949*; *Informazioni commerciali sulla Società Industriale Minganti Valtrompia, s.d.*; *Modificazioni societarie, 22/1/1951*.

47. ASCBs, RI 82216, *Certificato Registro ditte CCIAA, 12/12/1951*; ACS, f. BM, n. 34742, 34760; Interview no. 1.

48. ASI, pat. BCI, f. US, c. 96, f. 17; ASCBs, RI 82216, *Verbale Consiglio di amministrazione, 7/2/1951, 21/11/1952*; *Modificazioni societarie, 23/4/1951*; *Verbale Assemblea generale ordinaria, 8/10/1952*.

two stroke 125cc model inspired by the German Dkw RT 125. The quality, the low price and the product range, together with a promotional strategy centered around participation in the most important motorcycle competitions of the time, soon combined to make the model a success. The main result was the expansion of the company and the product range.⁴⁹ The most interesting experiment was, without doubt, that of the Mivalino, one of the first microcars in Europe.⁵⁰ The Mivalino was launched at the 1953 Milan Cycle and Motorcycle Show, following the success of the ISO Isetta from Milan,⁵¹ and was an enclosed three-wheeler with two seats, 2.8 meters long, which weighed 175 kg. Production started in 1954 under license from Messerschmitt, the important German aircraft manufacturer, which had started production of a microcar (the KR175) the previous year. The shape of the Mivalino was the same as the KR175, while the engine was the result of Mival's work and was produced in the Gardone factory.

As opposed to the ISO Isetta, which had ambitions to be a motor car (it had a steering wheel and the two passengers sat side-by-side), the Mivalino was presented more as a covered motorcycle, with traditional motorbike handlebars, two steering front wheels and the passenger seated behind the driver. According to Ugo Gussalli Beretta the Mivalino aimed to be neither a car nor a motorbike, but "something new, able to create a new market". In reality the Mivalino was somewhere between a motorbike and a motorcar, as shown by the price (319 thousand Lire, compared to 600 thousand for the Fiat 600), and by its construction characteristics: the engine type was that of a motorcycle, as was the chassis (in welded steel tube), and the bodywork (in pressed steel, with the canopy made from a single piece of Plexiglas). Nevertheless, the Mivalino occupied the same market segment as the Fiat's utility model. This was confirmed by the publicity campaign, which presented the Mivalino as a vehicle which would "cheaply resolve the problem of mid-market motorization".⁵²

The Mivalino experiment was not a success, doing no better than other Italian manufacturers operating in the same field. Production ended in 1956, after around one hundred examples had been made. There were three main reasons for the failure. Firstly, the Italian market was not yet ready for such a unique vehicle. This is confirmed by the story of the Isetta. Sold to BMW

49. By 1955, at the height of the motorcycle industry, the number of employees had reached 450 and production was at the rate of 20 motorcycles per day. In 1956, after the move of the headquarters to Gardone, company capital doubled from 100 to 200 million Lire. In 1957 the number of Mival dealers across the country had already reached 130. ASCBs, RI 82216, *Modificazioni societarie*, 22/1/1951, 10/1/1956, 31/1/1957; *Metalmecanica Italiana Valtrompia Spa*, (1957), pp. 5-8.

50. Agosti et al. (2009); Rosponi and De Cunto (2008).

51. Goodfellow (2009).

52. Agosti et al. (2009), pp. 15-6.

in the mid-fifties, it was a commercial success in Germany where, in seven years of production (1955-62), more than 160 thousand models were sold.⁵³ Secondly, with the Fiat 600 (1955) the manufacturer from Turin had made real something which Italians had, until then, seen as just a mirage: a car for all the family (four seats) that was affordable for all. Thirdly, the performance of the Mivalino left something to be desired: the vehicle was uncomfortable to use, performance was poor, and it was dangerous to drive.⁵⁴

Competition from the Fiat utility passenger car and a sharp slowdown in the motorcycle industry during the early sixties halted Mival's progress in the field of transport.⁵⁵ The production of motorcycles continued for a few years, but only with the models which were already in production, while the commercial structure remained in operation until 1968, when the last models left the warehouse and Mival permanently exited the motorcycle market. What were the reasons for this choice? As was the case for the BBC Auto project, there was no doubt that Mival had the technical skill to succeed in the motorcycle market. After its experience with the Mivalino, Mival's motorcycles achieved great market and sporting success. Nevertheless, the pressure of strong competition in an ever more saturated and competitive market meant constant operating losses.⁵⁶ Also, in this case, there was probably a lack of an organizational and financial structure adequate for a market which had become too complex. Therefore, it seems that Mival was not able to adapt to changes in the market, demonstrating a certain inflexibility when faced with the turbulence of the external environment, as confirmed, in part, by the losses sustained, which lessened only when production permanently moved to machine tools.⁵⁷ This was, without doubt, a competitive sector, but one within which FAPB could take advantage of greater experience, as well as building on greater interest arising from the close links with the company's history of arms production. It is no surprise, therefore, that the exit from the transport market coincided with the move of ownership and governance of Mival into the hands of the Beretta family, the shareholding of which, in 1965, reached almost 98 percent. As well the president, Angelo Rampinelli Rota, whose connection with FAPB dated from the fifties, Mival had three members of the Beretta family in the crucial role of managing director: Giuseppe Pietro, his brother Carlo, and the nephew Ugo.⁵⁸

53. ASBmw, *Bmw Isetta series*, s. AD/118111.

54. Agosti et al. (2009), p. 17; Interview no. 1. In the case of Mivalino we can find many aspects of the three types of failure suggested by Van Røij (2014), pp. 15-7.

55. A symptom of a difficult situation was the issue, in 1958, of a debenture loan of 100 million Lire (ASCBs, RI 82216, *Modificazioni societarie*, 23/5/1958).

56. Interview no. 1; Maggi (2005), p. 129. For balance sheets from 1950 to 1971 see ASSpa, *Metalmeccanica italiana valtrompia*.

57. ASI, pat. BCI, fondo US, cart. 96, f. 17.

58. ASCBs, RI 82216, *Modificazioni societarie*, 11/6/1968.

Its exit from the transport market drove Mival towards new product diversification projects. As well as operating in the machine tool industry, at the start of the sixties Mival tried to enter the field of audio and video reproduction equipment, which was also a sector bound to grow, given the increase in incomes which Italy was experiencing. This was, in fact, the middle of the economic boom (September 1960), when Mival became an agent of the Società Internazionale Fonovisione SpA (SIF) for the purchase of electrical, electronic, and mechanical components for audio-visual equipment.⁵⁹ SIF, with headquarters in Milan and branches in Europe and the United States, patented and sold the Cinebox, a video juke box which was the forerunner of the modern video clip and laser juke box, which was launched in 1959.⁶⁰ Mival deserve merit for identifying a sector – that of modern time spending appliances – with enormous potential, within which it positioned itself as product manufacturer and designer.⁶¹ Despite the positive prospects, the Cinebox did not prove to be a commercial success. The reasons for this failure were two. On the international market, competition from the main players was significant (the French *Scopitone*, launched in 1960), as was the increasing popularity of the color television. On the domestic front, several technical problems (the film broke frequently, jamming the whole mechanism), the high purchase price, and operating costs all contributed.⁶² The combination of these factors led the most important record labels to withdraw from the project as early as 1965, thus signaling the end of the project.

Positive results were, however, achieved with the move to the high technology industry of machine tools. To support the new venture Mival increased its share capital and was soon making a profit and paying dividends to shareholders. As well as FAPB, Mival's clients included other important arms manufacturers, and other companies operating in a variety of sectors such as, to name but two, Fiat and Piaggio.⁶³ Another sign of the success of the business was the level of employment which, after a significant fall, started to recover during the seventies, arriving at the levels seen in the previous decade. With Mival's move into machine tools, FAPB focused on an industry which was, without doubt, more relevant for the production of arms. This sector played a decisive role in overcoming the difficult circumstances that the arms market experienced during the years between the end of the seventies

59. ASCBs, RI 82216, *Mandato della Sif*, 7/91960.

60. ACS, f. BM, n. 98079, 98373; Spezzacatene (2009), pp. 20-9.

61. ASCBs, Carteggio 1943-63, b. 946, f. unico, *Questionario Mival*; ACS, f. BM, n. 92119, 92305.

62. The purchase price of the Cinebox was 1.5 million Lire, to this sum the cost of the film and artistic rights must be added. The cost of viewing a single musical video was 100 Lire (three times that of listening to a traditional juke box track).

63. ASCBs, RI 334649, *Perizia giurata*, 28/10/1991.

and the mid-eighties, due to a downturn in the military market⁶⁴ and the effects of a forceful anti-hunting campaign on the civil market.⁶⁵ The prospects were those of a gradual restructuring of the sector. Therefore, it is no surprise that industry experts defined the commitment of Mival in the field of machine tools as not just a valid example of product diversification, but also a pioneering attempt to reorganize production of the whole Val Trompia district. Due to its characteristics, the machine tool industry was seen as the natural successor to that of arms. Within a production district characterized by the presence of a large number of small businesses, machine tools could have been a valid alternative to arms.⁶⁶

The production of machine tools was doubly positive. Not only would it allow FAPB to enter a new market, thanks to new automated and computerized production methods, it was now possible to increase the flexibility of the company's production organization also in the small arms sector, meeting the challenges posed by an ever more globalized market. Despite the positive results, at the start of the nineties Mival's experience was set aside and, following the sale of branches of the company, and the formation of new companies and mergers, the company was liquidated and declared bankrupt in 1996. Yet Mival was a flourishing company, as shown by the fact that, in 1991, the machine tool branch of the company was valued at 2.9 billion Lire.⁶⁷ According to Ugo Gussalli Beretta, it had become too difficult to manage the dynamics of a highly competitive market. This was further confirmation of how complicated it was to diversify into high technology sectors, even for companies which were already established in related fields.

64. This general decline was compensated for, in part, by an increase in exports to new markets (the Middle East, Latin America and Nigeria). It should be noted that these areas were the main countries supplying crude oil to Italy, which seemed to be not far from the 'arms for oil' policy adopted by the greatest Western powers (Battistelli, 1980, p. 241). The support of the political class was important in this business, as the difficult economic situation saw the arms trade as a useful tool to re-adjust the balance of trade (Bagnato and Verrini, 2005, pp. 48-50). For a summary of the fortunes of the Val Trompia arms industry during these years see Del Barba, 2008, pp. 189-202.

65. The campaigns of the press and ecological associations, the increasingly restrictive laws on hunting and bureaucracy regarding the purchase and keeping of arms drastically reduced domestic demand, which was of great significance to Italian companies (see Camera di commercio di Brescia, 1982, pp. 12-4; Piccoli, 1987, pp. 59-71).

66. Simoncelli (1994); Piccoli (1987), pp. 123, 128, 149-51; Tombola (2000), p. 51; ASCBs, Carteggio 1943-63, b. 946, f. unico, *Questionario Mival*.

67. ASCBs, RI 339205, *Dichiarazione di fallimento n. 199/96, 14/11/1996*; RI 334649, *Perizia giurata, 28/10/1991*.

Two sound investments for FAPB and the local community: the brief adventures of Cam Gears and Underwood

Despite the lack of available information, the brief experiences of Cam Gears Italia and Underwood Italiana must also be remembered; both had influential foreign partners and operated in the mechanical sector.

Cam Gears was founded in June 1964 in collaboration with British Cam Gears for the production and sale of mechanisms and systems for engines and vehicles. Production was entirely carried out at the Gardone plant, and control of the company was in the hands of the Beretta family, with Giuseppe Pietro as vice-president and Carlo and Ugo as managing directors. Unfortunately, we have no further information regarding the company. Archive sources only confirm that Carlo and Ugo had already resigned by the summer of 1968, by which point the company had accrued losses of 105 million Lire. Management prospects remained “fundamentally negative” in the following years, so much so that, in 1975, Giuseppe Pietro left the board of directors, ending the Beretta family’s involvement in Cam Gears Italia. In 1978 the company was bought by TRW Italia SpA, a branch of the famous American company that operated in high-tech industries. The Gardone plant was not closed, therefore one of Val Trompia’s most important employers was kept.⁶⁸

Underwood Italiana SpA, which also had its headquarters and plant in Gardone, was established in 1958 as a company that produced and marketed office machinery and accessories. FAPB’s partner was the Underwood Typewriter Co. of New York (which underwrote 60 percent of the capital), an established company involved in the production of typewriters which had, in the past, also operated in the arms industry for some time. According to Ugo Gussalli Beretta, entry into this sector was due to the promising prospects for development offered by the market. Giuseppe Pietro was aware of the difficult situation experienced by the Underwood Co., but believed that its products were more than valid, and viewed the company’s willingness to enter the Italian market in a positive light. Based on these conditions, the president of FAPB believed the enterprise could have had positive prospects for the future.⁶⁹ The company capital was doubled immediately (1959). According to Giuseppe Pietro, this avoided the use of bank credit and gave the company the financial means required to start production of the first printing adding machines.⁷⁰ The

68. ASCBs, RI 150224, *Registrazione alla Camera di commercio*, 15/6/1965; *Modificazioni societarie*, 25/5/1965, 3/4/1967, 27/8/1968, 15/10/1968, 3/12/1975; *Verbale Assemblea ordinaria*, 8/5/1973, [2-3]; *Denuncia di cessazione*, 9/11/1978.

69. ASCBs, RI 114409, *Registrazione della Camera di commercio*, 23/5/1958; *Costituzione Underwood Italiana*, 22/4/1958.

70. ASCBs, RI 114409, *Modificazioni societarie*, 2/3/1959, 1/9/1959; *Verbale Consiglio di amministrazione*, 26/1/1959, [9-10].

considerations of the vice-president of Underwood Italiana once again highlighted a characteristic trait of FAPB and many other family businesses: the prominent reliance on self-finance and the rare use of bank loans (financial conservatism).

In the case of Underwood Italiana, control of the company was not in the hands of the Beretta family and Underwood Co. had free rein. As previously mentioned, the American company was not experiencing a positive period. Competition from electrical typewriters together with a failure to invest in computer technology conspired to increase losses. This situation led the management of Underwood Co. to enter into talks with representatives of Olivetti of Ivrea: the aim was to discuss an agreement for the distribution of Olivetti's calculators in the United States. In turn, this led Adriano Olivetti to acquire a majority shareholding in Underwood Co. in 1959, negatively influencing the future of the Italian subsidiary. In 1960 the company headquarters and factory moved to Milan, and control of Underwood Italiana passed to Olivetti.⁷¹ Ugo Gussalli Beretta claimed that the experience with Underwood ended because the appearance on the scene of Olivetti represented an ideal opportunity to sell the entire investment in the company for a profit. In short, we can assert that the experience of Underwood Italiana proved to be a fortunate speculative investment.

Hunting becomes fashionable. The success of Beretta Sport during the eighties

The case of Beretta Sport is particularly interesting. The period in question saw the company's first and only experiment in expansion outside of the mechanical sector, the only fruit of an internal development process – Beretta Sport depended upon on the management of FAPB – and the only such enterprise which remains active and profitable today. Beretta Sport operates in the market of leisure clothing and accessories. It is true that production is external, but in this way FAPB could take advantage of that which, according to Ugo Gussalli Beretta, was and still remains a key element in the success of the company: the brand.

Beretta Sport was the result of a choice made at the beginning of the eighties; as we mentioned above, it was a difficult time for the arms and, above all, hunting industries. The clothing and accessories sectors were, on

71. ASCBs, RI 114409, *Verbale Consiglio di amministrazione e Assemblea ordinaria*, 27/2/1960; *Verbale Consiglio di amministrazione*, 23/12/1960; *Verbale Assemblea straordinaria*, 27/2/1961; Barbiellini Amidei and Goldstein (2012).

the other hand, experiencing a period of growth.⁷² “Today hunting is fashion too” was the provocative slogan which Beretta Sport chose for its publicity campaign for a range of clothing sold using gun shops, which FAPB already used to market its arms, as the main commercial network. The advantages were twofold. Firstly, FAPB was able to take advantage of a brand which was, for hunters and clay pigeon shooters, a guarantee of quality and reliability, and boasted a widespread network of distributors. Secondly, gun shops were able to use this opportunity to attempt to overcome a difficult period connected to the situation in the arms industry. The most interesting aspect of the enterprise is connected to the distribution phase. With Beretta Sport, FAPB used the commercial opportunity offered by specialist production, such as that of clothing, with the goal of creating its own distribution network to be expanded at a later date to include arms.⁷³ According to Ugo Gussalli Beretta, it would have been impossible to establish a sales network based upon guns alone. As well as gun shops (approximately 900 in number) and specialist shops (approximately 100) around the world, which were exclusive sellers of the products produced in Gardone, today FAPB has six of its own shops (the *Beretta Gallery*) which stock the entire range of products (guns, spares, clothing and accessories). The first of these luxury stores was opened in New York in 1995, followed by those in Dallas, Buenos Aires, Paris, Milan, and in 2005, London. Much of the credit for the success of Beretta Sport must be given to Ugo Gussalli Beretta, who launched the project in 1980 and then left it in the hands of his second son. So Beretta Sport is also an example of how FAPB has always been able to manage the crucial process of succession.⁷⁴ When, in 1992, Ugo Gussalli Beretta, not yet president of FAPB, left Beretta Sport in the hands of Franco Gussalli Beretta, the latter was still under the age of thirty, but had the chance to gain experience with a small scale enterprise with good prospects for expansion. Nevertheless, the exclusive contract agreed with the US police and military for the M9 pistol must not be overlooked when considering the success of this new initiative. This operation – which concluded in 1989 following a long and difficult tender process delayed by appeals, presumed attempts at sabotage and political interventions⁷⁵ – led to the rise of FAPB in the US where, by the mid-nineties, it had already become the second largest producer of pistols. In terms of image, the return to what could be classed as the most important market in the world for small arms was notable, and it was no surprise that

72. Piccoli (1987), pp. 73-84.

73. Gussalli Beretta (2004), p. 11.

74. There is a large quantity of work on succession in family firms. On the state of the art in the field of Business History see Colli (2003), pp. 66-71.

75. E.g. see “La Beretta vince ancora in Usa e sbaraglia la concorrenza”, *La Repubblica*, 24 May 1989, p. 44.

New York and Dallas were chosen as the locations for the new FAPB luxury stores.

In conclusion, the case of Beretta Sport, while maintaining the basic objectives, was significantly different from those analyzed before. Unlike other cases of non-family businesses, in which the later generations of executives forget lessons from the past,⁷⁶ Beretta Sport confirms how the latest generations of the family running FAPB have learned the lessons of the ‘failure’ of previous diversification attempts rather quickly. The Beretta Sport project was, in fact, the result of a calculated desire to grow FAPB from different points of view. In the first place it added a new product line related to the core business to the offer of FAPB, which was important in compensating for the uncertainty which characterized the market for small firearms during the 1980s, as well as increasing turnover (in 2009 the turnover of Beretta Sport reached 25 million Euro, more than one-sixth of that of FAPB). Secondly, it selected a product type which was suitable for expanding the distribution network for arms and to extending the Beretta brand beyond the limited group of hunters. In third place it allowed the appointed heirs to gain experience in the field before stepping up to run FAPB and the Group.

Conclusions

FAPB is a family business which has always operated in the small firearms sector for more than four hundred years. In the second half of the twentieth century FAPB proved to be dynamic in terms of product diversification. The objective was twofold: to find possible alternatives to the production of arms, and to create new job opportunities for the local community, of which FAPB had always been an integral part. This is an attitude fully in line with the paternalistic business management which is typical of contexts in which the company (and, in the case of Val Trompia, the entire industrial district) has its foundations in the community within which it operates. At the same time, it confirms that FAPB started on the road to diversification with the objective of mitigating risk.

The path of diversification followed by FAPB was generally one of external growth. FAPB expanded its product range, embarking upon new entrepreneurial projects with the support of other partners. As well as the fact that this path involved shorter times and lower costs compared to those required for internal diversification (accomplished by acquiring additional resources to support those which already exist), the choice of new partner aimed to reduce the risk to the company associated with the creation of a new produc-

76. Heinrich (2001).

tion line. This strategy has always been part of FAPB's fundamental makeup, and has also been followed during the processes of expansion within the arms industry. Also, the decision to enter the market in the United States as a producer – probably the most important entrepreneurial decision for FAPB for over a century – depended upon the selection of a partner that both understood the market (thus reducing the information costs) and would take on part of the investment required and risk involved with the business. It could be said that the same reasons applied for the processes of diversification which took place outside of the arms industry. The partner of choice was always a company with a wealth of experience in the industry which was to be entered into. From the point of view of governance, we can state that control of the new businesses was not a prime objective. From the range of experiences examined in this study, it would seem apparent that FAPB was seeking a balance between control and risk, aiming to minimize the latter without losing the benefits derived from a position of control.⁷⁷ The strategy followed by FAPB is in line with its nature as a family-owned firm, where family control and risk aversion are the requirements for the maintenance of the family's living standard and for the survival of the business.⁷⁸

Compared to the situation described here, the case of Beretta Sport was, in part, an exception. Firstly, because it was the result of an internal development project. Secondly, because FAPB did not enter the market as a producer. As opposed to the other experiences of diversification, which involved the opening of new premises in Val Trompia, in this case the aim was to use the existing brand to create a distribution network, which could later be used also for arms that would normally be sold through gun shops. Beretta Sport is also an exceptional case as it is the only business amongst those studied which still exists today. Does this mean that the experience of product diversification was a failure?⁷⁹ Without doubt, most of the attempts were unsuccessful, and sources seem to identify the main reasons for this in the absence of a managerial structure suitable for the new projects and the lack of capital which, going against the financial conservatism which characterized FAPB, would have been sourced outside of the family. In other cases, the end result was positive only because FAPB was presented with the opportunity of selling its investment quickly and at a profit. If we exclude the most recent experience of Beretta Sport, the result of a more calculated and profitable strategy in terms of the growth of FAPB, overall it can be stated that the process of diversification was managed without any long term strategic vision. Nevertheless, these

77. Berrone et al. (2012).

78. Fernández-Roca (2012).

79. On the importance of 'failure' for business historians see Fridenson (2004); Scranton and Fridenson (2013), pp. 108-13.

experiences also left their positive mark. Not only in the short term, when diversification proved to be a defence against hostile environmental conditions, allowing FAPB to overcome the difficult circumstances which beset the arms industry during the seventies and eighties (such as in the case of machine tools), but also in the long term. This is the case with Beretta Sport, as well as being the example of a strategy aimed at growing the skills of FAPB rather than overcoming the problems of the small arms sector. Furthermore, within an established tradition of process and product innovation developed only within the arms industry, this expansive strategy has now become part of the fundamental makeup of the Beretta Group, which now operates in other sectors. Yet it is necessary to highlight that these new sectors were connected to that of arms.⁸⁰ This is a lesson taken from previous errors which confirms that, also in the case of FAPB, diversification may be more profitable if investment is in sectors connected to the core business.⁸¹ In short, FAPB shows that the most successful ideas were those based on the two elements, strictly intertwined, of core competences in small mechanical engineering and brand strength.

The last question to be posed is if and how the particular characteristics of FAPB – and especially its nature as a ‘survival company’ – have influenced decisions and the process of diversification. We have seen how its nature as a family business with strong and deep-rooted links with the local community, derived not only from its location in a historic industrial district, but also from its position of leadership within the same district, has influenced decisions regarding diversification. For example, the strong identification between family, firm, and community drove FAPB to choose Gardone as the site for every new business venture, even when this seemed far from ideal for logistic reasons. Consider the case of the production of vehicles and the difficulties connected with the organization of an efficient production line in a geographical area with a lack of infrastructure. This occurred because also in the case of FAPB there was a strong will to adopt, above all at a local level, behavior which aimed to perpetuate a positive family image and reputation.⁸² At the same time, the network of business relationships and friendships built up over the years, particularly at a local level, also had an influence on diversification. As we have seen, the BBC Auto project and the long Mival experience were influenced by these types of relations.

A strong sense of identity and cohesion, skillful management of the process of succession, willingness to experiment, safeguarding core themes, and

80. The Group controls 100 percent of the capital of the American Burriss Company Inc. and the German Steiner Optik GmbH, both operate in the field of optics.

81. Markides (1995), p. 170.

82. Westhead et al. (2001).

financial conservatism, these are all features which are possessed by FAPB and shared by many living and survival companies.⁸³ While there is also sensitivity to the operating environment.⁸⁴ Apart from singular results, it is certain that FAPB has always been farsighted, repeatedly selecting the business which, at that particular moment, had positive prospects for development and, in the case of machine tools and clothing, were also functional for the production and distribution of arms. This confirms how the stimulus for diversification was external in nature and connected to both a deep understanding of society and the market, as well as an established ability to adapt to the environment. This is the product of centuries of experience in an industry within which, perhaps more than any other, this capacity is vital for survival.

All these characteristics are not in contrast with the positive result of a process of diversification. Also financial conservatism may be positive when it allows resources to be freed up quickly, enabling them to be invested in new activities. This was not the case for FAPB. Financial conservatism did not guarantee sufficient resources. Sensitivity to the business environment favored investment in sectors with good prospects for development, but errors were made. In the choice of product, for example. The case of the Mivalino is a valid example, as it reflects the sensitivity to the business environment (the choice of an expanding market) and the openness to experimentation (new product), but at the same time the difficulty in estimating and finding the correct mix of skills required for a positive result of the project. Neither was the search for a partner already operating in the sector sufficient, as it was primarily aimed at sharing the business risk. These errors reflect some of the problems connected to the family nature of FAPB, which in the period in question proved to be reluctant to look outside of the family for the required skills. This was a necessity which became even more pressing when the process of diversification moved into sectors which were not closely connected with the core business of small arms. In this case it would have been useful to venture outside of the industrial district and local community. The deep rooted ties of family, friendship, entrepreneurship, and, more generally, sentimentality for its place of origin further complicated the situation. To have an idea of the strength of the bond built up over almost five centuries of history, it is sufficient to recall that still today, despite FAPB being a part of an international group with companies operating worldwide, the headquarters of FAPB and that of Beretta Holding SpA were located in Gardone.

Apart from the not always positive results of the experiences analyzed in this article, we can say that family ownership and control have not compromised the competitiveness and performance of FAPB, either in terms of em-

83. Collins and Porras (1994); De Geus (1997), p. 27; O'Hara (2004), p. 318.

84. Colli and Larsson (2014), pp. 41-2; Sharma and Salvato (2013), pp. 36-9.

ployment and turnover, or in terms of international expansion and longevity. At the same time, as we have seen, FAPB is a business which is still diversifying today, demonstrating how the required skills have been built up. In the ten years leading up to the recent financial crisis, between 1998 and 2007, the turnover of Beretta Holding doubled, and expansion in terms of production and territory progressed with new acquisitions and entry into new markets.⁸⁵ As a result, FAPB is at the center of the evolution of Italian industry which sees the establishment of medium-sized businesses (often with district origins), characterized by a strong propensity to operate on an international stage, with regard to production and commerce, as well as finance.⁸⁶

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85. Beretta Holding (2010).

86. Colli (2002).

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Interview no. 1. Interview conducted by the author with Ugo Gussalli Beretta, who officially joined Fabbrica d'Armi in 1964; today he is president of Fabbrica d'Armi and president and CEO of Beretta Holding SpA (Brescia, 16 February 2011) (Gardone Val Trompia, 7 April 2011).

Interview no. 2. Interview conducted by the author with Angelo Rampinelli Rota, who has worked with Fabbrica d'Armi since the fifties, and is now the managing director of Beretta Holding SpA (Brescia, 16 February 2011).



Product Diversification in a Survival Family Firm: The Case of Fabbrica d'Armi Pietro Beretta (1946–1996)

ABSTRACT

Fabbrica d'Armi Pietro Beretta (FAPB) is a typical family businesses. Product diversification is one of the most difficult ways to expand an enterprise, and there are only a few studies for survival family firms. The objective of this paper is twofold: to understand if and how the context and the peculiar characteristics of FAPB (above all longevity), with equal family ownership and control conditions, have influenced decisions regarding diversification and, as a result, competitiveness, performance and growth of the company. The aim is to identify the competences needed in a small/medium survival family firm in order to undertake successful diversification strategies without excessive risk.

KEYWORDS: Italy, 20th century, family business, survival company, arms industry, diversification process

JEL CODES: D22, L25, N84



Diversificación de producto en una empresa longeva: el caso de Fabbrica d'Armi Pietro Beretta (1946-1996)

RESUMEN

Fabbrica d'Armi Pietro Beretta (FAPB) es una típica empresa familiar. La diversificación de producto es una de las vías más difíciles para expandir una empresa y hay pocos estudios al respecto para empresas familiares. El objetivo de este artículo es doble: entender si y cómo el contexto y las peculiaridades de FAPB (en lo relativo a su longevidad), con idéntica propiedad familiar y condiciones de control, han influido en las decisiones relativas a la diversificación y, como resultado, en la competitividad, desarrollo y crecimiento de la empresa. El objetivo es destacar cuáles son las competencias necesarias en las pequeñas y medianas empresas de titularidad familiar para impulsar estrategias exitosas en la diversificación sin asumir excesivos riesgos.

PALABRAS CLAVE: Italia, siglo XX, empresa familiar, continuidad empresarial, industria armera, proceso de diversificación

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