A Long-Term View on Business Groups in 19th and 20th Century Argentina

María Inés Barbero
Universidad de San Andrés*

Introduction

Since the mid 1800s until the early 21st century, Argentine economics went through several phases in terms of performance, economic structure and institutional framework. Over those decades, Argentina shifted from an open, deregulated economy (1870-1914) to increased closeness and state regulation (1914-1975), and, after a transition with stop-go moves towards greater liberalization (1976-1990), the country plunged into a pro-market reform process in the 1990s (that, in turn, came to an end with the 2001-2002 crisis).

Regardless of these transformations, diversified business groups have been, over nearly one hundred and fifty years, the prevailing organizational pattern adopted by local private companies in Argentina –as in many other late-developing countries in and outside Latin America. Business groups have shared the stage with stand alone domestic firms, foreign companies and state-owned enterprises, but have remained present in the large company segment at all times, with more or less notoriety.

This chapter intends to explore the circumstances that led to the emergence and development of business groups in Argentina between 1870 and 1990, identifying prevailing types at specific periods, and trying to determine the advantages that afforded them a predominant role among domestic private large firms. It draws from information provided by historical research studies conducted since the mid 1980s –particularly, case studies on several groups created both in the late 1800s and mid 1900s. This information has been complemented with data supplied by more general works by historians and scholars from other disciplines. As such, this chapter aims to contribute to the comparative study of business groups in emerging

* This chapter was written during my stay as Alfred Chandler Internationa Visiting Scholar at Harvard Business School in the fall of 2009, which not only provided me with access to world-class libraries and databases but also offered a unique opportunity to interact with colleagues from several countries. My gratitude goes especially to Geoffrey Jones for his dialog disposition and his suggestions on recent bibliography, and to Andrea Lluch for her observations on a first draft as well as her help in the troublesome task of reducing the number of pages.

countries, offering empirical evidence that help test existing hypotheses on why business groups exist, what their salient features are, and the types of capabilities that enable them to compete satisfactorily in several markets.

While not necessarily apt for generalization, historical case study findings can help trace back the origins, track records and transformations experienced by business groups, as well as the strategies pursued by their leaders and the outcomes of their decisions and actions. These findings also illustrate the different kinds of business groups prevailing in specific settings and time frames. These dimensions prove to be crucial when it comes to establishing what business groups are, why they emerge, and the effect they have on the economies and societies where they operate. At the same time, from the point of view of comparative studies, a historical perspective adds to contemporary cross-sectional studies typically produced by economists and other social scientists by recording changes over time.[1]

This chapter has been organized in five sections, following this introduction. The first section provides some definitions associated with the business group notion and introduces the parameters to analyze and compare Argentine groups in the long term. The second section explores the emergence and development of a first generation of business groups during the booming export led based economy of 1870-1914. The third section focuses on the interwar period. The fourth section looks at the 1945-1990 phase, with the creation and expansion of a second generation of groups, including both the peak of import-substitution industrialization and early attempts to introduce pro-market reforms. Finally, chapter conclusions provide an overall view of Argentine business groups in the long term, revisiting the questions posited in the introduction and offering some answers based on empirical historical evidence available.

I. Business groups as an organizational pattern

The term "business group" has no unique meaning. A literature review reveals that there are significant discrepancies on the scope of the group notion, the reasons for their existence (associated with their inner setting or dynamics; economic or non-economic), and the implications of their existence both for nations' economic performance and for the societies where they operate.[2] Given the vast presence of business groups in emerging economies

[1] Jones, Geoffrey and Khanna, Tarun, "Bringing History (back) into International Business," *Journal of International Business Studies*, 2006, n. 37, pp. 453-468.

[2] For a summary on recent contributions and debates on business groups, see Guillén, Mauro, "Business Groups in Emerging Economies: A Resource-Based View", *The Academy of Management Journal*, June 2000, vol. 43, n.3, pp. 362-380; Granovetter, Mark, "Business Groups", in Smelser, Neil and Swwedberg, Richard (Eds.), *The Handbook of Economic Sociology*, Princeton University Press: Princeton, 2nd edition, 2005, pp. 429-450;

(especially in Asia and Latin America) as well as in several developed countries, these discrepancies are virtually unavoidable and amplified by the disciplinary differences that separate scholars who study these groups, leading them to underscore some issues over others both in their research as in their interpretations.

While there is no consensus on whether diversification constitutes a prerequisite for business groups, we will adopt the definition provided by Tarun Khanna and Yishay Yafeh, who view groups as sets of legally independent companies operating across (often unrelated) industries and bound together by persistent formal and informal ties.[3]

Considering the limited dimension of this chapter and the length of the period explored, we will focus on two aspects. First, on the types of settings where business groups emerged in Argentina, relying on literature contributions that have emphasized several conditions that would explain their existence, including market imperfections (primarily in capital and managerial resources markets),[4] institutional voids (information problems, inadequate regulation, inefficient judicial systems),[5] regulatory frameworks favoring business group emergence by allowing or condoning agreements among companies,[6] and public policies contributing to their emergence and growth.[7]

Khanna, Tarun and Yafeh, Yishay, "Business Groups in Emerging Markets: Paragons or Parasites?", *Journal of Economic Literature*, June 2007, vol. XLV,pp. 331-372; Fruin, Mark, "Business Groups and Interfirm Networks", in Jones, Geoffrey and Zeitlin, Jonathan (Eds.), *The Oxford Handbook of Business History*, Oxford University Press: Oxford, 2007, pp. 244-267; Mork, Randall and Steier, Lloyd, "The Global History of Corporate Governance. An Introduction", in Mork, Randall (Ed.), *A History of Corporate Governance around the World. Family Business Groups to Professional Managers*, University of Chicago Press: Chicago, 2007, and Colpan, Asli and Hikino, Takashi, "Foundations of Business Groups: Toward an Integrated Framework", in Colpan, Asli M., Hikino, Takashi and Lincoln, James R. (eds.), *The Oxford Handbook of Business Groups*, Oxford University Press: Oxford, 2010 .

[3] Khanna, Tarun and Yafeh, Yishay, "Business Groups in Emerging Markets: Paragons or Parasites?", *Journal of Economic Literature*, June 2007, vol. XLV, p. 331. This clarification is significant, as many authors who have studied Argentine business groups –particularly, Roberto Bisang (1996, 1998, 1999)- include nearly all large domestic private companies in this category. Other scholars have made a distinction between groups with related and unrelated diversification (Carrera, Alejandro - Mesquita, Luiz - Perkins, Guillermo - Vassolo, Roberto, "Business Groups and their Corporate Strategies on the Argentine Roller-Coaster of Competitive and Anti-Competitive Shocks", *The Academy of Management Executive*, August 2003, vol. 17, n.2, pp.32-44; Fracchia, Eduardo, Mesquita, Luiz and Quiroga, Juan, "Business Groups in Argentina", in Colpan, Asli M., Hikino, Takashi and Lincoln, James R. (eds.), *The Oxford Handbook of Business Groups*. Oxford University Press: Oxford, 2010 .

[4] Leff, Nathaniel, "Industrial Organization and Entrepreneurship in the Developing Countries: the Economic Groups", *Economic Development and Cultural Change*, 1978, vol. 26, n. 4, pp. 661-675.

[5] Khanna, Tarun and Palepu, Krishna, "Why Focused Strategies May Be Wrong for Emerging Markets", *Harvard Business Review*, July-August 1997, pp. 3-10.

[6] Mork, Randall and Steier, Lloyd, op.cit., 2007. Los *op.cit*. tienen que ir en cursive?

[7] Mork, Randall and Steier, Lloyd, op.cit., 2007; Guillén, Mauro, *The Limits of Convergence*, G*lobalization and Organizational Change in Argentina, South Korea and Spain*, Princeton University Press: Princeton, 2001.

Second, we will try to trace the most significant features of the business groups that emerged in Argentina at several times in its history. To that end, we will rely on case studies on three groups dating back to Argentina's export led growth stage (Bunge y Born, Tornquist and Devoto) and on three other groups that emerged in the mid 1900s, during the import substitution industrialization phase and early pro-market reforms (Techint, Arcor and Pescarmona). In each case, we shall explore five parameters –group structure (integration and diversification levels, including their diversification into financial operations or not); ownership and control (family business or not, existence of holding companies); competitive strategies and capabilities; the role of social networks in their emergence and dynamics, and, finally, their relations with the State.[8]

At the same time, we intend to embark on a dynamic analysis, incorporating the study of their track records and developments over time (including group disappearance and causes). We have left corporate governance and pyramidal ownership schemes aside, although these issues have rallied great interest over recent years, as studies available in Argentina have not focused on them, except very recently.

Comparing group generations and groups in every generation, we will sketch a characterization of Argentine business groups that may prove useful not only to advance the knowledge on local realities but also to support comparisons with groups in other latitudes.[9]

II. Business Groups in Argentina during the export-led boom (1870-1913)

Early diversified business groups emerged in Argentina during the great export- led expansion period of 1875-1913. Argentina's most thriving historical phase was marked by high growth rates that placed the country among the world's wealthiest nations as result of its high per-capita GDP and by a very open, deregulated economy based on agricultural commodity exports.

At that time, Argentina shared many of the traits of emerging economies, including institutional voids, factor market imperfections, and high transaction costs, while in some

[8] These guidelines have been chosen primarily on the basis of Khanna - Yafeh, op.cit, 2007; Morck - Steier op.cit., 2007; Granovetter, Mark, "Business Groups", in Smelser, Neil - Swwedberg, Richard (Eds.), *The Handbook of Economic Sociology*, Princeton University Press: Princeton, 1994, pp. 453-475; Granovetter, Mark, op.cit., 2005; Amsden, Alice and Hikino, Takashi, "La industrialización tardía en perspectiva histórica", *Desarrollo Económico*, April-June 1995, vol. 35, n. 137, pp. 3-34; Guillen, op.cit., 2000 and 2001.

[9] While conclusions are provisional, inasmuch as they record the experience of some specific groups, they do reflect the state-of-the-art long-term studies on groups in Argentina.

other areas -like business law, banking system development, stock market, credit reporting agencies-, the country had accomplished substantial progress by early 20th century standards.[10] Argentina's educational system had expanded considerably and achieved superior quality, but the supply of local professionals did not suffice to meet the demands of a growing qualified labor market. At the same time, credit access was still restricted for small and medium-sized industrial companies,[11] the domestic financial system was largely unregulated, there were not a lender of last resort, the number of companies listed in the local stock exchange was limited –as was the number of transactions- and potential investors harbored some qualms about corporate governance transparency and shareholder rights' protection.[12] Domestic savings rose to international standards but varied with economic ups and downs and remained below those of European nations and other countries of recent settlement.[13]

However, the fact that Argentina was so engaged in international trade offset many of its shortcomings. Until World War I, it was one of the leading foreign investment recipient countries –with funds coming mostly from the United Kingdom, but also from other nations in Continental Europe, like France, Belgium, Germany and Italy. Its high population growth rate (as a result of massive immigration) as well as its rapidly expanding economy and its gradual diversification provided numerous business opportunities that could be best leveraged by those with preferential access to funding. Yet, these signs also indicated that diversification incentives did not only stem from market imperfections but also from its ongoing growth. It should be noted that investing in several sectors was a way to mitigate

[10] Guy, Donna, "La industria argentina, 1870-1940. Legislación comercial, mercado de acciones y capitalización extranjera", *Desarrollo Económico*, October-December 1982, vol. 22, n. 87, pp. 351-374; Lluch, Andrea, "Las agencias de informes crediticios en la Argentina: una aproximación al funcionamiento de los mecanismos informativos en el mercado crediticio, 1892-*c*.1935", *Investigaciones de Historia Económica*, Fall 2008, n. 12, pp. 111-140; Regalsky, Andres, "Banking, Trade and the Rise of Capitalism in Argentina", in Teichova, Alice, Ginnette Kurgan-van Hentenryk and Ziegler, Dieter (eds.), *Banking, Trade and Industry. Europe, America and Asia from the Thirteenth to the Twentieth Century*, Cambridge University Press: Cambridge, 1997; Nakamura, Leonard and Zarazaga, Carlos, "Banking and Finance, 1900-1935", in Della Paolera, Gerardo and Taylor, Alan (Eds.), *A New Economic History of Argentina*, Cambridge University Press: Cambridge, 2003, pp. 295-323.

[11] These firms usually grew with contributions from relatives and acquaintances, as well as earning investments. They merged to gain greater scale or were absorbed by larger companies. See Scarzanella, Eugenia, *Italiani d'Argentina*, Marsilio: Venezia, 1983; Guy, op.cit., 1982; recently, Fernando Rocchi has argued that funding access was not restricted in *Chimneys in the Desert: Industrialization in Argentina during the Export Boom Years, 1870-1930*, Stanford University Press: Stanford, California, 2006.

[12] Nakamura and Zarazaga, op.cit., 2003; Della Paolera, Gerardo and Taylor, Alan, *Straining the Anchor. The Argentine Currency Board and the Search for Macroeconomic Stability, 1880-1935*, The University of Chicago Press: Chicago, 2001.

[13] Taylor, Alan, "Capital accumulation", in Della Paolera, Gerardo and Taylor, Alan (Eds.), *A New Economic History of Argentina*, Cambridge University Press: Cambridge, 2003, pp. 170-196.

risks in an ever-changing environment that was highly vulnerable to external crises, as a result of Argentina's open economy. Simultaneously, with a growing domestic market that was comparatively very small (Argentina's population totaled 8 million in 1914), diversification seemed virtually a requirement to maintain high investment levels.

In this setting, early diversified business groups emerged. In a pioneering work, Carlos Marichal identified five groups, outstanding "not only for their mixed activities but primarily for their successful efforts to build diversified business empires, turning from initially medium-sized trading (importing and/or exporting) firms into large companies with increasingly notorious involvement in financial and, later, industrial operations."[14] Three of them –Tornquist, Bunge y Born and Devoto- have been the subject of case studies published since the 1980s, which we will use as sources of information to analyze how business groups

[14] Marichal, Carlos, *La gran burguesía comercial y financiera de Buenos Aires, 1860-1914: anatomía de cinco grupos,* Mimeo: Buenos Aires, 1974, pp.2-3. Traducido del español

originated in Argentina during the export boom period,[15] combined with findings from more general studies on economics and industrialization at this time.[16]

In the large-company universe, business groups shared the market with foreign firms – mostly, free-standing companies- as well as domestic stand alone companies and a few state-owned companies. There are no corporate rankings for this period, but several sources include a substantial share of companies owned by business groups among the largest firms in the markets where they operated.[17] Some sectors, like railways, meat packing, and utilities, were dominated by foreign companies. In other sectors, domestic undiversified, large and medium-sized companies prevailed (cigarette, wine, cracker, glass and shoe manufacturing as well as leather processing).[18] It should be noted that, at this time, some of the largest companies were rural businesses, largely belonging to Argentine families. In short, business

[15] Works primarily consulted on Grupo Tornquist include Gilbert, Jorge, *Empresario y empresa en la Argentina Moderna. El grupo Tornquist 1873-1930*, unpublished M.A. Thesis, Universidad de San Andrés, 2001; Gilbert, Jorge, *Empresario y empresa en la Argentina moderna. El grupo Tornquist, 1873-1930*, Universidad de San Andrés, 2002, Working Paper # 26; Gilbert, Jorge, "Entre la expansión y la crisis de la economía argentina. Ernesto Tornquist y Compañía", *Ciclos*, 2003, n. 25-26, pp. 65-90; Gilbert, Jorge, "Declinación y muerte de una empresa familiar. Ernesto Tornquist y Cía.", Mimeo, 2004; Guy, Donna, "Refinería Argentina. 1888-1930: límites de la tecnología azucarera en una economía periférica," *Desarrollo Económico*, October-November 1988, vol. 28, n. 111, pp. 353-373; Jones, Geoffrey and Lluch, Andrea, *Ernesto Tornquist: Making a Fortune on the Pampas*, Harvard Business School, 2008, and Lenis, Maria, "Estrategias del asociacionismo empresarial argentino a fines del siglo XIX: el caso del Centro Azucarero Argentino", *Anuario del Centro de Estudios Históricos Prof. Carlos S. A. Segreti*, 2009,(forthcoming). Information on Bunge y Born has been largely drawn from Green, Raúl and Laurent, Catherine, *El poder de Bunge y Born*, Legasa: Buenos Aires, 1988; Schvarzer, Jorge, *Bunge y Born: crecimiento y diversificación de un grupo económico*, Grupo Editor Latinoamericano: Buenos Aires, 1989, and Hoste, Stephane, *Bunge in the Low Countries, Two Centuries of Maritime Trade form Amsterdam, Antwerp and Rotterdam*, Stad en Bedrijf: Rotterdam, 2006. On Devoto, we have relied on several works by Barbero, María Inés, "Grupos empresarios, intercambio comercial e inversiones italianas en la Argentina. El caso de Pirelli (1910-1920)", *Estudios Migratorios Latinoamericanos*, August-December 1990, vol. 5, n. 15-16, pp. 311-341; Barbero, María Inés, "Mercados, redes sociales y estrategias empresariales en los orígenes de los grupos económicos. De la Compañía General de Fósforos al Grupo Fabril. 1889-1929", *Estudios Migratorios Latinoamericanos*, April 2002, n. 44, pp. 119-146; Barbero, María Inés, "De la Compañía General de Fósforos al Grupo Fabril: origen y desarrollo de un grupo económico en la Argentina (1889-1965)", in *Problemas de investigación, ciencia y desarrollo*, Universidad Nacional de General Sarmiento: San Miguel, 2001, pp.327-359; Barbero, María Inés, "La formación de grupos económicos en la Argentina contemporánea. El caso Arcor (1951-1990)", in Cerutti, Mario (Comp.), *Empresas y grupos empresariales en América Latina, España y Portugal*, Tendencias/UANL: Monterrey, 2006, pp.41-73; Scarzanella, op. cit., 1983, y Devoto, Fernando, *Historia de los italianos en la Argentina*, Biblos: Buenos Aires, 2006. On Quilmes, we have used López, Sergio, *Integración y especialización como estrategias empresariales. El caso de la Cervecería Quilmes (1890-1990)*, Historical Research M.A. Thesis, Universidad de San Andrés, 2001. An article has also been published on Alpargatas' first 50 years (Gutiérrez, Leandro and Korol, Juan Carlos, "Historia de empresas y crecimiento industrial en la Argentina. El caso de la Fabrica Argentina de Alpargatas", in *Desarrollo Económico*, vol. 28, n. 111, pp. 401-424). On the general characteristics of business groups in this period, see also Marichal, op. cit., 1974.

[16] In particular, see Rocchi, op. cit., 2006. See also Lewis, Paul, *The crisis of Argentine Capitalism*, The University of North Carolina Press: Chapel Hill, 1992, and Pineda, Yovanna, *Industrial Development in a Frontier Economy. The Industrialization of Argentina, 1890-1930*, Stanford University Press: Stanford California, 2009, although the information on both does not always provide enough empirical support.

[17] Dorfman, Adolfo, *Historia de la industria argentina*, Solar-Hachette: Buenos Aires, 1970; Rocchi, op.cit., 2006.

[18] Rocchi, op.cit., 2006.

groups stood out in the corporate world, with supremacy in some of the industries where they operated, sharing the market with large foreign and domestic companies.

The three aforementioned groups shared some general features that outline a profile for groups emerging at this stage.[19]

First, these groups were built by foreign businessmen (Ernesto Bunge and Jorge Born), immigrants (Antonio Devoto) or Argentine entrepreneurs of foreign origin with strong ties to their ancestors' communities (Ernesto Tornquist). This trait separates these groups from their counterparts in other Latin American countries, where business groups were largely created and managed by families belonging to local elites. It also illustrates the significant role played by immigration in the creation of Argentina's business community.

Second, these groups networked with European companies and businessmen, sharing with them family and friendship ties as well as close business relationships. Bunge y Born relied on a scheme with two headquarters –one in Buenos Aires and one in Antwerp- and operations in several international markets.[20] Tornquist was based in Buenos Aires but conducted a large share of its business with Belgian investors –mostly from Antwerp- and other European companies. Devoto was the most local business group, but it kept strong ties with Italy through its international trade operations and its partnerships with Italian companies and businessmen. Personal contact networks (based on family and friendship ties) and shared national identities played a central role in the birth and development of these groups, as these features supported both their interactions abroad and their partner and manager recruiting efforts in Argentina. The fact that group founders were foreigners or of foreign descent made it easier for these business groups to forge ties with investors and businessmen in their respective communities –both inside and outside Argentina.

European partners viewed strategic management decision-makers at all three aforementioned groups as guaranteeing the reliability of the local ventures in which they engaged. Group leaders' personal reputation, as well as their contacts in local social and political circles, mitigated the uncertainty involved in doing business in a new, remote market.[21] Argentina's Bunge y Born group was part of a vast network of Bunge companies around the world, and

[19] While this chapter will focus on the three aforementioned groups, the Bemberg business group shared most of their features –as far as founders' backgrounds, funding origins, networking on both sides of the Atlantic Ocean, integration and diversification strategies as well as ties to the Argentine State (López, op.cit., 2001.).

[20] Since the early 1900s, the Bunges, of German descent, had established business companies in the Netherlands (Amsterdam, Rotterdam) and Belgium (Antwerp).

[21] Argentina was severely affected by international crises' effects as a result of its integration to the world's economy.

communications among family members remained constant and fluent. As a result of his personal contacts, his talent and his frequent trips to Europe, Ernesto Tornquist gained access to top-tier financial circles in Belgium, Germany, France and the United Kingdom, turning, in fact, into an intermediary of sort between European investors and the Argentine market. In 1912, the Banco de Italia and Río de la Plata, where the Devotos and other Italian investors held an equity interest, became the sole intermediary for Italian immigrants' remittances' transfer to Italy, and the Devoto family's engagement at the Compañía Ítalo Argentina de Electricidad was used by its founders as proof of the new company's feasibility.[22] Ties to European nations guaranteed these groups' preferential access to funding and information, as well as their ability to recruit new partners, managers and technicians. For Bunge y Born and Tornquist, the founding families' former trading experience provided another highly valuable intangible asset.

Third, all these groups featured broad investment diversification in trade, financing, agribusiness, industrial and other activities. In all three cases, these groups were involved in banks' and financial firms' ownership and management, had direct ties to European banks (even representing some of them in Argentina), and served as liaisons among European investors and Argentina's market. The Sociedad Ernesto Tornquist y Cía. was founded to export Argentine primary goods and to import textiles and machinery, but it started to diversify its assets since inception. The company not only acted as a trading firm but also as financial institution, granting loans, discounting bills of exchange and handling other operations. Revenues from trading and financial operations, partnerships with foreign investors and access to local loans enabled the company to participate in numerous ventures.[23] By the onset of World War I, this group held interests in 34 companies with financial, trading, industrial, farming, transportation, real estate, tourism, mining and fishing operations. Seven of them (mostly financial and land-exploitation outfits) had been established in Antwerp, while the others were created in Buenos Aires. Ernesto Tornquist y Cía. engaged in a unrelated diversification process primarily to enter several markets in pursuit of emerging business opportunities. Only in some cases, like sugar production, new investments came as part of an integration strategy, as the group owned a refinery. On the other hand, a clear synergy joined the group's financial and trading companies with its other businesses.

[22] Barbero, op.cit., 1990.
[23] Gilbert,op.cit., 2001; op.cit., 2003.

In the case of Bunge y Born, the Bunges' early activities in South America included trade (since 1876, Ernesto Bunge served as an agent for Antwerp-based Bunge & Co.), financial endeavors (participating in the creation of a bank with other European stockholders) and farming (buying land for cattle-breeding). With the creation of Bunge y Born in 1884, international grain trading became the group's core business. By the early 1900s, Bunge y Born already ranked among Argentina's top four exporting firms.[24] The company continued to diversify its investments in farming and finances, as it also ventured into industrial operations with flour milling and burlap-bag manufacturing activities (as burlap bags were used to pack grains for exports).[25] Most of these ventures also involved European partners, led by Eduardo Bunge, president of Bunge &Co. from Antwerp. In 1905, the group initiated its early internationalization process, crossing borders to other Latin American countries first with an affiliate in Brazil–Sociedad Molinhos Santista- to manufacture flour.[26] While diversification drove this business group to engage in unrelated activities –trade, finances, real estate- its industrial investments largely followed an integration rationale. Like Tornquist's, Bunge y Born's financial investments were complemented by its other businesses.

Antonio Devoto arrived in Argentina in 1854, an immigrant coming from Northern Italy. At first, he was employed by a trading firm in Buenos Aires, but, a few years later, he started his own retail business. In the 1860s, Devoto began to diversify his businesses, moving into imports and exports, partnering with his brothers to create Devoto y Cía., and also venturing into urban real estate. In the following decades, the Devotos invested in financial ventures (a bank called Banco de Italia y Río de la Plata and an insurance company, La Inmobiliaria), farming, manufacturing, extraction activities and electricity, pursuing a diversification strategy based on integration and synergies among financial and non-financial investments.[27] A key group venture was Compañía General de Fósforos, a match manufacturing outfit that grew increasingly integrated and diversified since the early 20th century, expanding into the chemical, textile, paper and publishing businesses.[28] The group's bank and insurance company provided services to its other ventures.

Fourth, these groups' ownership largely remained in the hands of their founding families, supported by a small group of outside shareholders with strong friendship and trust ties to

[24] Green - Laurent, op.cit., 1988.
[25] It also acquired a tin packaging company.
[26] Green - Laurent, op.cit., 1988.
[27] Barbero, op.cit., 2006.
[28] Barbero, op.cit., 2000.

those families. Family members, their closest partners and professional managers –virtually all recruited in Europe- shared business management responsibilities.

From its inception until 1906, Ernesto Tornquist y Cía. was organized as a limited joint-stock partnership. Ernesto Tornquist and some of his most trusted associates were responsible, as general partners, for the company's obligations and assumed leading management responsibilities. While, at first, limited partners held a 75% interest, their share had shrunk to 25% by 1906, and Ernesto Tornquist had become the majority stockholder.[29] That year, the company became a corporation but continued to be controlled by the Tornquists, its majority shareholder. Starting in the 1880s, as the group diversified its investments, European and Argentine partners joined in as minority shareholders in its new ventures. As regards the group's structure and its management scheme, Ernesto Tornquist y Cía. served as a holding company, in charge of strategic planning and resource allocation. In this company, Ernesto Tornquist played a decisive role, supported by his partners and closest associates. After his death, one of his sons, Carlos, took over as president. He served in that role for nearly forty years. The group relied on a team of professional managers –largely German or Belgian- who served on the boards of several companies. For the most part, group companies kept some measure of autonomy for operating decisions.[30]

Bunge & Co. was owned by the Bunges' European branch of the family, while Bunge y Born's ownership rested with four families –the Bunges, the Borns, the Hirschs, and the Osters- that shared the group's strategic management, sitting on the boards of companies located in several continents. Also involved in company management were minority shareholders and individuals who married into these families. As the group expanded, its subsidiaries gained greater operating independence, but major decisions remained in the hands of owner families. Like in any family business, balance was unstable and dynamic. Antwerp stood as the group's operating hub until 1927, when Eduard Bunge died and the Latin American branch took over. In turn, since the 1920s, the Hirschs and Borns grew stronger at Argentina's Bunge y Born.[31]

The Devoto group belonged to Antonio Devoto, his brothers and some Italian businessmen and professionals who, in addition to sharing the Devotos' ethnic and national identity, were close friends of the family. Unlike Tornquist and Bunge y Born, this business group featured more blurry boundaries, as it lacked a vertical structure or holding and consisted of a network

[29] Gilbert, op.cit., 2002; Jones - Lluch, op.cit., 2008.
[30] Gilbert, op.cit., 2002.
[31] Green - Laurent, op.cit., 1988

of companies brought together by loose ties, shared stockholders and interlocked directorates, and strong personal links among shareholders and managers. The center of the network was held by Banco de Italia y Río de la Plata (in which took part the Devoto brothers and their partners at other ventures) and Devoto y Cía. (a company owned by Antonio Devoto and his siblings). Around these two core, strongly connected businesses, a number of companies in several sectors operated. In turn, group members revolved around Antonio Devoto.[32] Some companies were solely owned by the Devoto brothers (Devoto y Cía., rural establishments and real estate outfits), while, in others, the Devotos held the controlling interest and engaged a small group of Italian businessmen and managers. In some ventures, like Banco de Italia y Río de la Plata, and Compañía Ítalo Argentina de Electricidad, they partnered with European investors and other Italian businessmen who had settled down in Argentina. The Devoto brothers, their partners and professional managers –mostly Italian- managed the group's companies. Intertwining stockholders and board members was a common practice in this group as in the other two described above.[33]

Fifth, all business groups built and managed companies that largely proved competitive in their respective industries. The information available on the firms controlled by these groups reveal that lofty investments were made on technology and management. While Argentina's food industry enjoyed comparative advantages, other domestic industries, like match manufacturing or steel, lacked any advantages. In addition to investing in cutting-edge equipment, these firms hired mostly foreign professional technicians who served in more than one company at a time. They also acquired foreign patents both for product and process technologies, paying royalties or partnering with European companies.

Not all ventures initiated by business groups turned out to be profitable, even with world-class technologies and management. For example, Tornquist's Refinería Argentina, oversized for local market requirements, and Devoto's Frigorífico Argentino, unable to compete with English and American meat packers, both failed.[34] For most business groups, investment diversification provided a means to offset losses, as businesses yielding more profits (like trade and real estate ventures) helped support lesser profitable ones.

Sixth, while group venture success rode largely on these business groups' competitive capability, political contacts and advantages provided by Argentina's institutional setting were also used to bolster market positioning. In the agricultural export booming years,

[32] Barbero, op.cit., 2006
[33] Barbero, op.cit., 2006
[34] Guy, op.cit., 1988; Scarzanella, op.cit., 1983; Barbero, op.cit., 2006.

Argentina's economy remained open and deregulated, with a decisive role played by foreign investment and no specific state policies intended to favor domestic companies, except in the sugar and wine industries. The lack of restrictions for foreign capital operation proved beneficial for these three groups discussed here, as a result of their close ties to investors abroad. Groups also benefited from the absence of a regulatory framework restraining conglomerates or business concentration. In grain trading, the lack of public policies –for instance, to build a silo network to allow farmers to store their crops- gave large trading companies great leverage. While Argentine fees were high by international standards, mostly as a result of taxes, this stage ending in World War I was characterized not only by a lack of industrial policies but also by the similarly paced growth of both domestic industries and manufactured goods' imports.[35] It is safe to say that, in general, business groups relied largely on their political contacts and their leaders' standing in the local society to lobby in favor of policies that contribute to their businesses.

III. Business Groups' interwar period track record (1914-1945)

Like all other countries involved in the world market, Argentina was deeply shaken by the external shocks caused by World War I, the Great Depression and World War II. In a far more complex world setting, the economy became more closed than in preceding decades, with restricted foreign investment flows and dwindling immigration. Economic growth rates slowed down, and manufacturing turned into the most dynamic productive sector, outdoing agribusiness. While it was not until the early 1940s that industrial policies came into force, starting in 1930, both overall economic conditions and state policies (exchange control, tariff raises) led local production to quickly substitute for manufactured good imports.

No new business groups emerged in this new setting, but existing groups expanded.[36] While institutional voids and market imperfections remained,[37] some of the circumstances that had favored the emergence of these groups –primarily, their possibility to work closely with European partners- disappeared and were not followed by new conditions that promoted the

[35] Díaz Alejandro, Carlos, *Ensayos sobre la historia económica argentina*, Amorrortu: Buenos Aires, 1975.

[36] In addition to the three groups considered here, the interwar period saw quick integration and diversification from Alpargatas, the largest canvas footwear manufacturer since the late 19th century. This group gradually expanded into the textile industry and other types of shoes (Gutiérrez - Korol, op.cit., 1988.).

[37] Argentina's financial sector became more regulated after the creation of its Central Bank and the enactment of a new banking law in 1935, but, since 1929, the role of internal savings and local banks grew decisive. These banks were more fragile and conservative than their foreign counterparts, which limited their access to long-term credit. Many of them were severely hit by the Great Depression (Della Paolera, Gerardo - Taylor, Alan (eds.), *A new economic history of Argentina*, Cambridge University Press: Cambridge, 2003). Argentina's capital market remained weak –more so after 1929 (Nakamura - Zarazaga, op.cit., 2003).

creation of new groups. In the 1914-1945 period, the composition of the segment of large companies operating in Argentina changed gradually, as a result of new, large state-owned companies, the arrival of multinationals' affiliates, and the inception of some domestic private companies that expanded rapidly, seizing dominant positions in several industries (metal mechanics, steel, cement).[38] Finally, business groups created before 1914 also grew.[39] The three groups analyzed in the preceding section expanded their industrial investments intended to supply to Argentina's domestic market, maintaining their holding scheme and ranking among large local companies. Bunge y Born was the most active group, as its manufacturing operations gathered momentum in the 1930s, when its core business –grain trading- was severely stricken by dropping exchanges and international prices as well as by greater State intervention, which curtailed large trading companies' leeway. This business group diversified into food production while seeking new product markets, like the textile and chemical industries (paints, synthetic fibers, industrial inputs).[40] Its industrial investments implied both integration and related diversification processes. For more technologically complex operations that strayed farther from its core capabilities, like chemical industry ventures, Bunge y Born built alliances with foreign firms (ICI and Dupont).[41] The group's industrial companies ranked among the largest players in their respective fields, remaining at the top until the late 20th century, when it got rid of them as part of a massive turnaround. In the interwar period, Bunge y Born also increased its international operations in South American countries, with new investments in Brazil (oils, textiles), Uruguay (oils, chemicals), and Peru (trade, financing, flour industry). Throughout this period, the group continued to be a part of Bunge's international business network, but the Argentine affiliate and its operations in South America increasingly took the spotlight after Eduard Bunge died in Antwerp in 1927. New international market conditions brought on by the 1930s and World War II's onset stressed the autonomy of the group's South American branch, growingly focused in industrial operations, and bore dire effects on Bunge's European companies.

[38] Some companies created in this period later became business groups, as they embarked on diversification processes. The question remains whether SIAM, a metal mechanical company created a few years before the war that showed strong growth since the 1920s, was a business group or not, as it included several companies, but its investments focused on a single industry.

[39] It should be noted that, between 1920 and 1945, from the Great Depression through World War II, a significant number of small and medium-sized companies emerged, particularly in the textile and light mechanical industries.

[40] Green - Laurent, op.cit., 1988; Schvarzer, op.cit., 1989.

[41] Schvarzer, op.cit.,1989.

Bunge y Born's controlling interest continued in the hands of its four founding families, with the Hirschs and the Borns taking one more central roles.[42]

The Tornquist group also adjusted to the new economic and institutional conditions. During the interwar period, it went on diversifying its investments, although the number of companies incorporated in those years was smaller, largely as a result of dwindling outside funding availability and because the group's financial businesses were severely compromised during the Great Depression. This forced the group to reduce its investments, shrinking some operations and liquidating some assets.[43] The group focused on real estate and industrial operations (steel, food, toiletries, cement, oil) in this period. For some of its manufacturing ventures, the Tornquists partnered with foreign companies that brought their funding and know-how –Luxembourg's Arbed Group joined it to build TAMET, a steel company, while Colgate Palmolive made a joint venture with Compañía de Productos Conen.[44] Between 1919 and 1928, ten new companies were created to operate in the industrial, agribusiness and service sectors, but some were also liquidated because their lifecycle had come to an end (*quebracho*, a tropical tree wood) or they had proven unprofitable (oil).[45]

Ernesto Tornquist died in 1908, and, as noted earlier, his son Carlos served as chairman from 1913 through 1953, successfully retaining group leadership for the family's second generation. While Tornquist group gradually lost dynamism after its founder's death, it did manage to keep its standing as a major local business group, with some of its companies dominating their respective markets. In any case, since World War I, its role as intermediary for investors based in Antwerp and other European cities declined, and the group grew increasingly dependent on its own ability to create resources and to access credit or state support.

The **Devoto group** underwent significant changes after Antonio Devoto's demise in 1916, as his role was instrumental for an investors' network, and its businesses ceased to be immediately associated with its original name. As a result of an integration and diversification process at one of its companies, Compañía General de Fósforos, the group

[42] Hoste, op. cit., 2006.
[43] Gilbert, op. cit., 2003.
[44] Gilbert, op. cit., 2003; Phelps, Dudley, *Migration of Industry to South America*, McGraw-Hill: New York, 1936.
[45] Gilbert, op.cit., 2003.

reorganized itself under the Fabril o Fabril Financiera name,[46] with close ties to Banco de Italia y Río de la Plata and other companies where Devoto had originally been involved.[47] Compañía General de Fósforos (CGF) had been created in 1889, after the Devotos joined other sector businessmen who needed more capital. Its integration process started early, as, by 1914, the company already owned printing workshops and a paper factory. During the Great War, it began to produce chemical supplies, and it moved into the cotton textile industry in the 1920s. CGF also crossed international borders early on, building a match factory and a printing workshop in Uruguay. In 1929, a new holding, Compañía General Fabril Financiera was created to control the group's paper, textile and printing industry ventures and to shed its original match manufacturing plant.[48]

Over the next fifteen years, Grupo Fabril continued on its integration and diversification path, propelled by import substitution and sourcing difficulties caused by the Depression and World War II. Its investments included paper, chemical, textile, publishing and industrial machinery ventures. The group also invested in real estate and other, unrelated businesses.[49] Grupo Fabril's ownership was shared by a larger number of stockholders, while a team of professional managers oversaw its management, though Devoto family members and trusted friends were also involved as partners and managers. The group's ties to Banco de Italia y Río de la Plata, one of Argentina's strongest private banks, guaranteed its access to funding.

In short, the interwar period did not drive the emergence of new diversified business groups. Rather, it fueled the expansion of existing ones. The world's economy was besieged by strong shocks, and Argentina's economy closed gradually, hindering the emergence of new groups linked to investors abroad. The State did not pursue any industrial policies nor did it take any steps to promote the creation of large, diversified domestic companies. At the same time, local and international conditions offered new opportunities for manufacturing operations as part of an import-substitution industrialization framework. The three groups studied here continued to diversify its investments, now focusing more on industrial endeavors. Their trajectories grew further apart, as a result of tangible and intangible assets created both before World War I and during the interwar period. Bunge y Born moved forward on its internationalization process, while Fabril zeroed in on the local market and

[46] Later, also known as Celulosa (Azpiazu, Daniel - Basualdo, Eduardo - Khavisse, Miguel, *El nuevo poder económico en la Argentina de los años 80*, Legasa: Buenos Aires, 1986).
[47] Barbero, op.cit., 2000.
[48] Barbero, op.cit., 2000. A new paper manufacturing firm, La Papelera Argentina, was created after merging with two other companies.
[49] Barbero, op.cit., 2001.

industrial operations, and Tornquist became more diversified but lost some of its earlier dynamism.

IV. Business Groups in the 1945-1990 Period –Incumbents and Newcomers

Encompassing the 1945-1990 period in a single section may spark some debate. Primary objections would argue that, starting in the mid 1970s, economic conditions shifted both internationally, with the end of the second postwar prosperity, and domestically, as a result of policy changes that embodied a first attempt at openness and deregulation in 1976-1981, after the March 1976 military coup. However, a look at the local setting reveals that such an attempt was not only short-lived but also limited in many ways. At the same time, in the study of these business groups' development, these years show enough coherence to warrant their grouping in a single period –an approach supported as well by an outstanding Argentine historian.[50]

This period is far more complex and multifaceted than former ones, and its traits prove harder to summarize. From the point of view of economic performance, a first period, spanning from 1945 through 1974, was marked by rather remarkable growth, albeit at lower rates than international averages. A second period, from 1975 to 1990, was characterized by a GDP drop at a yearly 1.3% rate.[51] Argentina underwent periodical crises, with high inflation rates since the late 1940s until the hyperinflation peaks of 1989 and 1990. As regards economic policies, the country alternated between populist, development, Keynesian and liberal policies, with orthodox and heterodox stabilization programs. Constant changes in the rules of the game derived from severe underlying political and social conflicts, reflected on a succession of opposing civilian and military governments. Companies operated in a volatile setting that escalated in violence over 1970s.

Against this backdrop of institutional uncertainty and macroeconomic instability, however, some consistencies may be found. Firstly, Argentina's economy maintained low openness levels, even during the second half of the 1970s, though it did become more open between 1977 and 1981.[52] Secondly, industrial support lay as the cornerstone of most economic

[50] Tulio Halperín Donghi has characterized the 1945-1989 period as "Peronist Argentina" (Halperín Donghi, Tulio, *La larga agonía de la Argentina peronista*, Ariel: Buenos Aires, 1994).
[51] Maddison, Angus, *La economía mundial, Análisis y estadísticas*, OCDE: Paris, 1997.
[52] In the three-year period between 1973 and 1975, Argentina's economy openness index stood at 16.6, and it climbed to 20.4 in 1976-78, only to drop again to 15.8 in 1978-81 (Berlinski, Julio, "International Ttrade and Commercial Policy", in Della Paolera, G. - Taylor, Alan (Eds.), *The New Economic History of Argentina*, Cambridge University Press: Cambridge, 2003, pp. 204-206).

policies enforced since 1943 until 1975, translating into high tariffs public credit, interest rate regulation, multiple exchange rates, exports drawbacks, sector and regional promotion programs, and State purchases to domestic companies. Starting in 1976, industrialization ceased to be a top priority for public policies, but most legacy promotion programs remained in place or were expanded.

Beyond the public policies fostering industrialization, Argentina's pervasive economic instability and many of its institutional traits hindered the emergence, survival and development of new companies. Despite the creation of a banking institution for industrial loans, Banco de Crédito Industrial, in 1944 and its successor, Banco Nacional de Desarrollo (BANADE) in 1969, access to funding continued to be restricted for small and medium-sized manufacturing companies.[53] The capital market remained weak and, for the most part, was deeply affected by local volatility and incertitude. In the early 1990s, nearly all domestic large private companies in Argentina were still family-owned businesses.[54] In some aspects, Argentina's institutional setting worsened during the second post-war period, as a result of its political turmoil; its increased violence since the late 1960s; the lack of an independent judiciary, a professional Congress and a professional state bureaucracy, among other reasons.[55]

Until the late 1960s, there were no explicit state policies favoring the creation of new diversified business groups. During the Peronist years (1946-1955), the government primarily supported state-owned large companies. Some existing business groups –notably Bunge y Born and Bemberg- were subject to hostility, while others benefited from industry-supporting policies. Most of the new groups that emerged in the second half of the 20th century dated from the 1940s and 1950, but they did not originate as conglomerates but as medium-sized

[53] Rougier, Marcelo, *Industria, finanzas e instituciones en la Argentina. La experiencia del Banco Nacional de Desarrollo. 1967-1976*, Universidad Nacional de Quilmes: Bernal, 2004.

[54] Schvarzer, Jorge "Grandes grupos económicos en la Argentina. Formas de propiedad y lógicas de expansión", in Bustos, Pablo (Comp.), *Más allá de la estabilidad*, Fundación Friedrich Ebert: Buenos Aires, 1995, pp. 131-158; Bisang, Roberto, "Perfil tecno-productivo de los grupos económicos en la industria argentina", in Katz, Jorge (Ed.), *Estabilización macroeconómica, reforma estructural y comportamiento industrial*, CEPAL/ Alianza: Buenos Aires, 1996, pp. 391-393.

[55] Spiller, Pablo - Tommasi, Mariano, "Political Institutions, Policymaking Processes and Policy Outcomes in Argentina", in Stein, Ernesto - Tommasi, Mariano (Eds.), *Policymaking in Latin America. How Politics Shapes Policies*, Inter-American Development Bank/David Rockefeller Center for Latin American Studies, Harvard University: Washington, 2007, pp. 69-110; Berensztein, Sergio - Spector, Horacio, "Business, Government, and Law", ien Della Paolera, Gerardo - Taylor, Alan (Eds.), *The New Economic History of Argentina*, Cambridge University Press: Cambridge, 2003, pp. 324-368.

companies that later expanded, with gradual integration and/or diversification, becoming full-fledged business groups in the 1970s.[56]

From the late 1950s through the late 1960s, industrial policies particularly favored foreign companies. After this period, the State started to support large domestic companies to drive them to invest in basic industries (cellulose and paper paste, oil, aluminum, steel) and other operations (agribusiness, fishing, ship-building) by means of special sector programs and preferential access to BANADE loans as well as to international loans with government support (mainly, through the International Finance Corporation). A few years earlier, the first regional promotion program had been launched, offering tax benefits to companies settling down in provinces that needed a more dynamic economy –even in very mature industries, like the textile or food sectors. These promotion policies for domestic companies initiated by a nationalist military government in 1970 were furthered by the 1973-1976 Peronist administration and the new military regime set up in 1976. This government, despite its pro-market orientation, completed most of the industry-specific projects in place and launched new regional promotion programs.[57] These steps, added to intense State involvement as buyer (before and after 1976) and the withdrawal of foreign companies' affiliates in the 1970s (as a result of an international crisis and local economic changes), contributed to strengthening some existing business groups (Bunge y Born, Fabril/Celulosa, Alpargatas) as well as to the creation of new diversified groups (Techint, Fate/Aluar, Arcor, Bridas, Pérez Companc, Pescarmona, Roggio, SOCMA). By the early 1980s, corporate rankings showed the inception and rise of domestic business groups, although, due to Argentina's economic instability, they also proved the demise or downturn of others.[58]

These phenomena continued over the 1980s, as some groups were besieged by adverse macroeconomic conditions (e.g., Celulosa) while others thrived and expanded (Arcor, Bridas, Pérez Companc, Pescarmona, Roggio, Bunge y Born, Alpargatas), favored by several state policies, including private external debt nationalization and broadened regional promotion

[56] Such was the case of Techint, Fate/Aluar, Arcor, Bridas, Pérez Companc, Clarín y SOCMA. Some of these business groups had been formed over earlier decades, but they had grown very slowly (Sociedad Comercial del Plata, Roggio), and some even stopped operating for while, like Pescarmona. Others had a more regional focus.

[57] Schvarzer, Jorge, "Estrategia industrial y grandes empresas. El caso argentino", in *Desarrollo Económico*, October-December 1978, vol. 18, n. 71, pp.307-351, and Schvarzer, Jorge, "Expansión, maduración y perspectivas de las ramas básicas de procesos en la industria argentina. Una mirada ex post desde la economía política", in *Desarrollo Económico*, October-December 1993, vol. 33, n. 131, pp. 377-422.

[58] Schvarzer, Jorge, "Cambios en el liderazgo industrial en el período de Martinez de Hoz", in *Desarrollo Económico*, October-December 1983, vol. 23, n. 91, pp. 395-422.

programs.[59] At the same time, the most dynamic domestic business groups bolstered their competitive capabilities (Techint, Arcor, Pescarmona, Fate/Aluar) and turned to foreign markets with exports or direct investments. In a severely critical setting, diversification was also used as a strategy to mitigate risks.

While, since the 1980s, several contributions on contemporary Argentine business groups have been published, there is still no database that provides a complete list of groups or the necessary information to characterize them in terms of their size, diversification scope, and ownership and management schemes.[60] Based on Roberto Bisang's works (1998, 1999), the chart below has been drafted to include major diversified groups created before 1990 and still operational halfway through that decade.[61]

Here Table n°1

As shown above, this universe is much more heterogeneous than that of traditional groups, which, except for Bunge y Born and Bemberg, have already vanished. We will now look briefly at the oldest groups that we have been monitoring. Later, we will focus on the most salient features of newer Argentine business groups.

Traditional business groups

As noted earlier, **Bunge y Born** was severely damaged by Perón's presidential administrations. In 1946, the international trade nationalization left this group out of grain trading operations, and the group's investments in new industrial companies were very limited in this period. To compensate, Bunge y Born increased its operations in Brazil and

[59] Bisang, Roberto, "La estructura y dinámica de los conglomerados económicos en la Argentina", in Peres, Wilson (coord.), *Grandes empresas y grupos industriales latinoamericanos*, Siglo XXI/CEPAL: Mexico, 1999, pp. 81-154.

[60] Among general works written on groups after 1960, see Acevedo, Manuel - Basualdo, Eduardo - Khavisse, Miguel, *¿Quién es quién? Los dueños del poder económico (Argentina, 1973-1987)*, Editora 12/Pensamiento Jurídico: 1990; Azpiazu, Basualdo - Khavisse, op.cit., 1986; Bisang, op.cit., 1996 and op.cit, 1999; Bisang, Roberto, *Los conglomerados económicos en la Argentina: orígenes y evolución reciente*, Universidad de General Sarmiento, Instituto de Industria: San Miguel, 1998, Working Paper Nbr. 11; Carrera - Mesquita - Perkins - Vassolo , op.cit., 2003; Fracchia - Mesquita - Quiroga, op.cit., 2010, and Schvarzer, op.cit., 1983 and 1995.

[61] Bisang records forty groups in his list. Some of them feature significant differences in size and diversification scope. Our chart excludes groups created as of 1989, groups with annual revenues below US$ 350 million, and groups with low diversification levels. We have selected 18 of the 40 initial groups. While this list may be biased by involvement in the 1990s' privatizations, it nearly matches the list of major groups active in the 1980s elaborated by Acevedo et al (op.cit., 1990), based on the number of controlled companies. This list also resembles the list crafted by Carrera et al. (op.cit., 2003) for 1997. In any case, further review is required, along with the clarification of boundaries separating business groups from other organizational forms.

Peru. After the fall of Peronism, the group started new ventures, particularly in the chemical industry (partnering with German companies), and expanded the facilities of its other food, textile and paint companies, diversifying and integrating its operations in those industries. In 1975, five Bunge y Born companies ranked among Argentina's largest privately-owned industrial firms, placing the group at the top of local business groups. Its investments in new product lines had materialized as a result of plant expansion and building as well as company acquisitions, using, in some cases, industry and regional promotion programs.[62]

An event that took place in 1974 clearly reveals how, regardless of promotion programs, local instability and political violence impacted business groups' operations. Brothers Jorge and Juan Born, sons of Bunge y Born's chairman, were kidnapped by Montoneros guerrilla members, who demanded a hefty ransom (US$ 60 million) for their release.[63] The ransom was paid, and both hostages were freed, but, from then on, owner families' members moved to Europe and Brazil, where group operations had been expanding since 1945, as noted earlier. While, for all legal intents and purposes, the group's management remained in Buenos Aires, its headquarters relocated to Sao Paulo.[64] After 1976, Bunge y Born restarted its investments in Argentina, broadening its diversification into oil and petrochemicals, exploiting state promotion mechanisms. In the 1980s, the group continued to top domestic business group rankings, but, by then, its operations in both Brazil and the United States had gathered momentum. When Carlos Menem took over as President in 1989, he invited Bunge y Born's senior managers to manage the nation's Ministry of Economy. The group accepted the offer, but its short-lived administration proved unsatisfactory and created inner tension. In the 1990s, Bunge y Born sold its manufacturing companies in Argentina, focusing its operations on agribusiness under the Bunge Argentina name (grain and fertilizer production, byproduct manufacturing for exports).[65] Finally, in 1999, the group's headquarters moved to the United States, though the company was formally incorporated in Bermuda as Bunge International.

The Tornquist Group continued building new companies until the late 1960s –albeit a slower pace than before 1929. During the Peronist administration, the group benefited from state loans and other industry-supporting policies. By the mid 1950s, Tornquist owned 17 companies –eight of them in manufacturing industries. In the 1960s, group investments

[62] Green - Laurent, op.cit. , 1988; Schvarzer, op.cit. , 1983 y 1989.
[63] In 1979, Francisco Soldati, chairman of Sociedad Comercial del Plata, another expanding business group, was murdered by Montoneros guerrillas.
[64] Green and Laurent (op.cit., 1988, p.113) state that the group's headquarters was moved to Brazil.
[65] www.bungeargentina.com

turned to the financial sector, recapturing contacts abroad.[66] Carlos Tornquist's death in 1953 was a severe blow for the group. By then, the family's third generation was taking over the group's management, with family rifts that eventually led to the 1975 acquisition of Compañía Tornquist and its affiliates by a French business group associated with a local businessman.[67]

After the war, **Grupo Fabril** continued to grow, diversifying and integrating its operations. The group's relations with the Peronist administration proved uneasy, as the government seized one of its companies, but, for the most part, its manufacturing firms benefited from expanded consumption and industry protection policies. By 1965, Grupo Fabril owned 19 companies that operated in the paper, textile, chemical, light machinery and publishing industries. The group also held interests in nine other companies in other industries.[68] Celulosa S.A., an industry leader by then (after merging with Papelera Argentina in 1965), received significant public loan support since the early 1970s to develop large cellulose and paper pulp projects, ranking second among Argentina's large private industrial companies in 1975.[69] However, the company suffered greatly as a result of the economic opening first and the 1980s crisis after that. Its high indebtedness as well as its ownership and management changes compounded its distress until, in 1991, Celulosa S.A. was purchased by Citibank for debt capitalization. Its new owners shut down obsolete facilities, sold off assets in associated companies (publishing house, print shop and chemical plant) and concentrated on the paper industry but failed to recover its earlier leadership.[70] Meanwhile, Banco de Italia y Río de la Plata, managed since 1978 by a new controlling group, was eventually intervened by Argentina's Central Bank in 1985 and later sold to Banca Nazionale del Lavoro.[71]

New business groups

As noted earlier, since the mid 1900s, new companies emerged, laying the groundwork for future business groups. Since the 1970s, these new groups started to rank among Argentina's top one hundred industrial companies and continued to grow strongly throughout the 1980s. As a share of them increased both their revenues and the number of firms they controlled, they entered into new product markets and expanded to markets abroad. These new groups

[66] Gilbert, op.cit. , 2003.
[67] Gilbert, op.cit. , 2004.
[68] Barbero, op.cit. , 2001.
[69] Schvarzer, op.cit. , 1978.
[70] Bisang, op.cit. , 1998; Schvarzer, op.cit. , 1993.
[71] Quintela, Roberto, *Crisis bancarias y corrupción*, Dunken: Buenos Aires, 2005.

were far more multifarious than their predecessors. Most had originated in the 1940s and 1950s and had gradually turned into groups, starting in the 1960s.[72] While they had largely started off as industrial companies, several began operating in the transportation, construction, engineering or trade businesses. Their sizes also varied, as well as their diversification levels, as groups with unrelated diversification and a large number of controlled companies coexisted with other groups featuring related diversification and a lower number of controlled firms.[73]

Another significant difference separating older and newer business groups was the latter's higher volatility and turnover. Traditional groups had managed to adjust to the transition from agribusiness exports to the import substitution era, while many of the new groups (most of the largest ones) continued to operate and expand amidst the 1990s' pro-market reforms and the new opportunities brought by privatizations. However, a relevant segment, consisting mostly of smaller business groups, had a short life. Some went bankrupt or ostensibly weaker in the 1980s, while others disappeared or shrank in the 1990s, purchased by foreign firms or seeking greater specialization and selling a share of their assets. The 2001-2002 downturn – Argentina's most severe contemporary crisis- deeply affected both traditional and newer groups with outstanding performance over recent decades. Some of these groups were acquired by foreign companies in the 2000s (Acindar, Alpargatas, Fortabat, Quilmes), and others embarked on massive turnaround processes, selling part of their companies (Pérez Companc, SOCMA, Roggio, Comercial del Plata). By the end of the new century's first decade, only nine of the 18 groups in Chart 1 had continued to expand while keeping their core businesses. At the same time, new conglomerates had emerged since 1990s –some short-lived and others with a longer lifespan.[74]

Recent case studies on three new groups born before 1990 and included in our list –Techint, Arcor y Pescarmona- that continued to grow substantially also shed more light on the environmental reasons leading to the creation of business groups as well as on their characteristics and strategies.[75] **Techint** was founded in 1947 by Agostino Rocca, an Italian steel engineer with a noted track record as public manager in Italy in the 1920s.[76] When the

[72] Very few companies created in or after the 1960s turned into business groups before 1990. See Fracchia et al, op.cit. , 2010.

[73] Distinction between groups with related and unrelated diversification made by Carrera et.al., op.cit. , 2003; definition based on the number of controlled companies made by Acevedo et al., op.cit. , 1990.

[74] For more on groups after the 1990s, see Fracchia et al., op.cit. , 2010 and Carrera et al., op.cit. , 2007.

[75] Pescarmona had to sell a telecom company it had founded in 1990.

[76] The primary source used for Techint include Castro, Claudio, "De la industrialización tardía europea a la sustitución de importaciones latinoamericana: Agostino Rocca y los primeros años de la Organización Techint,

war was over, Rocca founded an engineering firm (Techint) in Milan and emigrated to Argentina, where he resided until his death in 1978.[77] In 1947, he created a Techint affiliate in Buenos Aires, which became the company's headquarters. During the Peronist period, this firm carried out engineering projects in Argentina and other Latin American countries (Brazil, Peru, Uruguay, Chile, Mexico, El Salvador) with government contracts. At the same time, he started developing industry ventures to source its projects. In the late 1940s and early 1950s, he built a metallic construction company (Cometarsa), a roof tile and ceramic block manufacturing firm (LOSA) and a seamless steel tubes manufacturing company (Siderca). In the 1960s, the group continued integrating and diversifying, adding a laminating company (Propulsora Siderúrgica), and, in the 1970s, the tube factory started to produce steel with the direct reduction system, completing its integration. Starting in the 1960s, Techint began to export seamless tubes –an operation that gathered momentum in the 1980s, as the company established sales offices abroad and its international revenues accounted for an increasing share of its overall sales (75% at decade's end).[78] The company continued to expand over the next decade, with the acquisition of two formerly state-owned companies -SOMISA (steel) and SIAT (welded steel tubes). In the 1990s, Techint moved further along its diversification plans, participating in other privatizations (transportation, energy, telecommunications), but, in the 2000s, it withdrew from some of these companies, refocusing on steel operations, capital goods' manufacturing and energy (oil and gas).[79] Simultaneously, in the 1990s, Techint had embarked on a production internationalization process that gradually turned it into a global outfit, the largest Argentine multinational, with US$ 17.406 billion in assets abroad by 2008.[80] In the 1990-2007 period, the group acquired seamless tube manufacturing companies in Mexico, Italy, Japan, Canada, Venezuela, Brazil, the U.S. and Rumania,[81]as

---

1946-1954", in: *Ciclos*, 2003, v. XIII, n. 25-26, pp. 119-144; Castro, Claudio, "Un nuevo actor siderúrgico en la Argentina de postguerra: el grupo Techint", in Rougier, Marcelo (Dir.), *Políticas de promoción y estrategias empresariales en la industria argentina, 1950-1980*, Ediciones Cooperativas: Buenos Aires, 2007; Castro, Claudio, "Una multinacional dirigida desde Buenos Aires. La internacionalización temprana de Techint, 1946-1976" in Guajardo, Guillermo (coord.), *Innovación y empresa. Estudios históricos de México, España y América Latina*, UNAM/Fundación Gas Natural: Mexico, 2008. On Agostino Rocca's life, see Offeddu, Luigi, *La sfida dell'acciaio.Vita di Agostino Rocca*, Marsilio: Venezia, 1984. See also Lussana, Carolina (Ed.), *Techint 1945-1980. Origini e sviluppo di un'impresa internazionale*, Fondazione Dalmine: Dalmine, 2005, and Artopoulos, Alejandro, "Sociedad del conocimiento en Argentina: el caso de una empresa-red: Tenaris", in: *REDES. Revista de Estudios Sociales de la Ciencia*, May 2009, vol.15, n. 29, Buenos Aires, pp. 241-276), as well as Techint companies' websites.

[77] Offedu, op.cit. , 1984.

[78] Castro, op.cit. , 2008.

[79] Bisang, op.cit. , 1998, and www.techint.com

[80] ProsperAr - Vale Columbia Center Survey of Argentine Multinationals, http://vcc.columbia.edu/projects/documents/EMGP-Argentina-Report-2009-FINAL_000.pdf.

[81] Artopoulos, op. cit., 2009.

well as steel companies in Venezuela and Mexico, integrating its operations internationally, too.

Since the 1950s, Techint adopted a group structure, under the Organización Techint name, combining its engineering operations with industrial production to source its construction projects (roads, bridges, oil and gas pipelines, power lines, oil drilling, port facilities, industrial compounds). This was primarily an integration and related diversification process, although the group also owned a financial company (Santa María, created in 1948 to support group operations) and ventures in other industries.[82] Integration came as a result of the lack of local suppliers as well as the desire to free the group from monopolizing vendors (state-owned SOMISA dominated local steel production). The group's integration drive was also propelled by the advantages provided by controlling several production phases and supplying different markets, as well as Techint's ability to build new companies with multiple partners. Until the 1990s, the group incorporated new companies by creating them, while, after that, it largely acquired firms both in Argentina and abroad. Group expansion efforts hinged on three pillars: first, the existence of an international network closely linking Techint Argentina and Techint Milano; second, the development of competitive capabilities through ongoing investments on production, management, and knowledge creation, and, third, Argentina's state support via protection, loan and industry promotion policies, as well as government contracts and purchases.

As regards the first of these expansion cornerstones, its international network, Techint resembles export-led Argentina groups, with an entrepreneurial engineer who settled down in Argentina, putting his vast steel knowledge and experience to work, supported by a numerous group of engineers and technicians who had worked with him back in Italy. Also, Techint's strong ties with Italy supported a collaboration strategy, with the Italian affiliate assuming a large share of technical responsibilities and its Argentine counterpart securing contracts, training engineers and technicians, and manufacturing industrial goods.[83] In time, the Italian site's role became less strategic, but it was instrumental at first. When Techint moved forward in its productive internationalization process, starting in the 1990s, it also began to operate as a network company.[84]

[82] Castro, op cit. , 2003, pp.131-132.
[83] Castro, op.cit. , 2008. Assumptions have been made about the role played by Italian investors in Techint's operations, but they have not been substantiated with evidence.
[84] Artopoulos, op.cit. , 2009.

To develop its competencies, Techint initially relied on Agostino Rocca's business acumen and his collaborators' expertise while investing constantly in human resources' training and innovation drive.[85] Early internationalization in its engineering area paved the way to subsequent industrial internationalization –first through exports and, later, via direct investments, acquiring first-hand knowledge on markets and embarking on technical and managerial learning processes.[86]

Finally, Techint's relationship with the State proved instrumental both for its engineering operations as well as for its industrial companies. Government contracts, as early as 1947, largely supported the group's expansion, particularly in periods featuring heavy investments on public works. Techint's industrial companies benefited from the host of existing protection policies –tariffs, state loans, guarantees to secure loans abroad, state funding, steel industry promotion programs, State purchases, and the 1982 private external debt nationalization. At the same time, industrial policies enforced since the 1940s increased the demand for goods produced by Techint until the mid 1970s. It should be noted that Techint's dealings with the State were not always cordial, as some group projects (especially its plan to build an integrated steel plant in the 1960s) met strong resistance from Fabricaciones Militares, a state-owned company that monopolized pig iron production until the mid 1970s.[87] As Techint advanced its internationalization process, it grew more independent of local conditions.[88]

Arcor was founded in 1951 as a small candy manufacturer in Córdoba, a province in Argentina's hinterlands.[89] Its founders belonged to four Italian-stock families from neighboring towns in the so-called "Pampa Gringa," an area where European immigrants settled down in the 19th century (though the Paganis played a central role since its inception). Even as a startup, Arcor integrated its production to reduce transaction costs and to neutralize glucose vendors' opportunistic behavior, to offset the lack of local supply (machinery, electricity plant), or to control its value chain (cardboard, paper, printing, flexible packaging).

[85]Seijo, Gustavo, **"**La triple incertidumbre para la gestión de proyectos de innovación" in: *Boletín Informativo Techint*, 2008, n. 325, pp. 1-20.

[86] Castro, op.cit., 2008.

[87] Rougier, op.cit., 2004., Offedu, op.cit., 1984., Castro, op.cit., 2008.

[88] Its two leading companies, Tenaris and Ternium, have been listed at the New York Stock Exchange since the 2000s.

[89] This section on Arcor draws primarily from Kosacoff, Bernardo - Forteza, Jorge - Barbero, María Inés - Stengel, Alejandro - Porta, Fernando, *Globalizar desde Latinoamérica. El caso Arcor*, Mc Graw Hill: Buenos Aires, 2001 (Second updated edition: 2007), and, more specifically, from Barbero's chapter on the 1951-1990 period. See also Barbero, op.cit., 2006., and Ramírez, Hernán, *La Fundación Mediterránea y de cómo construir poder. La génesis de un proyecto hegemónico*, Ferreyra Editor: Córdoba, 2000.

It also integrated distribution operations early on and started to diversify its production in order to broaden the assortment offered by its official distributors. As part of its diversification efforts, Arcor was forced to start manufacturing chocolates and candy bars, eventually moving on to other foods and alcohols. In general, the company pursued an integration and related diversification strategy.[90] It also invested in agribusiness and in other industries that were not closely related to its core competencies, like construction, machinery, meat packing, and hotels.[91] Arcor furthered its backwards integration process to produce farming supplies in the 1980s and 1990s (dairy farms, sugar mill).[92] As a result of its diversification efforts and the creation of companies in several Argentine provinces, leveraging regional promotion programs, by the mid 1980s, Arcor owned 22 legally independent companies in Argentina, plus its affiliates abroad.[93] Most of these companies were founded by Arcor, but the group also acquired some domestic and foreign firms.

In the 1960s, Arcor started exporting its products, and its exports grew over the 1970s (by 1991, its sales abroad accounted for 13% of its revenues).[94] The company initiated its productive internationalization in the mid 1970s, crossing national borders to Paraguay in 1976, Uruguay in 1980, Brazil in 1981, and Chile in 1989. This trend continued in the 1990s and 2000s (Peru, Mexico). Nowadays, Arcor is a leading Argentine multinational company, ranking second with foreign assets totaling US$ 491 million, though still lagging far behind the leader, Techint (with its US$ 17.406 billion).[95]

Arcor's expansion hinged on both the development of competitive advantages and the use of all State-offered resources. To accomplish the former, the group invested heavily and constantly on production, distribution and management, updating its equipment, developing new products, making sizable investments in research and development, and partnering with universities and multinational companies for some projects.[96] At the same time, it built a distribution network that gradually broadened its coverage to service other Argentine regions, as it streamlined its operating scheme and management. The company also took advantage of several protection and state support mechanisms in place in Argentina at the time. First, Arcor benefited from the country's low economic openness, which enabled it to integrate into

[90] Kosacoff et al., op.cit., 2001., Barbero, op.cit., 2006..
[91] Kosacoff et al., op.cit., 2001., Barbero, op.cit., 2006..
[92] www.arcor.com.ar
[93] Kosacoff et al., op.cit., 2001.
[94] Kosacoff et al., op.cit., 2007., p.215.
[95] ProsperAr, op.cit., 2009.
[96] Barbero, op.cit., 2006..

sectors where it had no experience or advantages. It also used state funding and guarantees to secure loans abroad, as well as exports refunds. Taking advantage of regional promotion programs, it pursued geographic decentralization by creating new firms, especially during the 1980s. Like most large companies, it benefited from the nationalization of private foreign debts in 1982. It should also be noted that Arcor was instrumental in the creation, in 1977, of Fundación Mediterránea, a local think-tank with great lobby leverage. One of its members, Domingo Cavallo, served as Argentina's Central Bank president in 1982 and minister of economy in the 1990s, driving the pro-market reforms enacted by President Menem's early administration.[97]

The **Pescarmona Group** (sometimes known as **IMPSA**)[98] grew from a metal workshop founded in 1907 in Mendoza, a Midwestern Argentine province, to manufacture goods primarily intended for the winemaking industry. It operated as such until the early 1940s (though it remained closed between 1931 and 1936), when it started to expand its operations, serving as a supplier for both private and public projects, industrial plants and army supplies. In the 1970s, it initiated a process of strong growth, focusing on engineering projects, hydroelectric power plants, equipment for primary industries, ports, nuclear and hydroelectric plants, as well as factory construction. In the 1980s, the group began to expand internationally with engineering projects, hydroelectric power plants and port construction, partnering with foreign companies and operating in Latin America, the United States and China. It continued its diversification and internationalization process over the 1990s, and, in 2009, IMPSA already ranked third among Argentine Latin American multinationals on account of its assets abroad, valued at US$ 300 million.[99]

Starting in the 1970s, Pescarmona worked on two major and complementary sectors: engineering (project design and execution, hydroelectric power plant management) and equipment manufacturing for industries and other activities (ports, power plants). The group diversified further in the 1980s, moving into insurance, environmental services (waste

[97] Ramírez, op.cit., 2000.

[98] IMPSA is the group's leading company, specializing in engineering, power generation and equipment manufacturing. This section on Pescarmona draws primarily from Gutiérrez, Carlos, *I&D, Aprendizaje técnico-organizacional y posicionamiento comercial. La calificación internacional en tecnología hidroenergética de una firma metalúrgica argentina (1977-1997*, Thesis for the M.A. Program in Politics, Science and Technology Management at the Centro de Estudios Avanzados, Universidad de Buenos Aires: 2001, and Gutiérrez, Carlos, "Atractivos y paradojas del éxito tecno industrial en la periferia: el caso de una empresa transnacional argentina en ingeniería", in *Ciclos*, 2003, n. 25-26, pp. 145-175; Walter, Jorge, "Modernisation sociale et innovation technologique : un dilemme de l'industrialisation argentine à la lumière d'un étude de cas", in *Cahiers de l'ORSTOM*, 1989, n. 8.

[99] ProsperAr, op.cit., 2009.

collection and treatment), car spare parts, and transportation. Pescarmona also owns a winery in Mendoza since 1920.[100] The group's diversification efforts served several purposes. Its insurance company provides services to the group's companies, like its transportation business. Its environmental service outfit brings cash flow, while its winery is embedded in the family's and the province's cultural tradition. In the 1990s, Pescarmona chose to diversify into telecommunications, starting a company called IMPSAT that eventually proved unable to manage its indebtedness after the 2001-2002 crisis and was transferred to its creditors, who, in turn, sold it in 2006.

Like Techint and Arcor, IMPSA expanded as a result of the competitive capabilities it developed from within and its access to resources provided by the State, constantly intertwining both. Its growth in the 1940s and 1950s was closely tied to State demand, but, as of the 1960s, Pescarmona started to invest increasing resources on innovation and qualified personnel recruiting and training. Building on those capabilities, the group managed to enhance its role as a large public works' supplier in the second half of the 1970s, boosting its know-how and competitiveness as a result of learning processes involved in operations with taxing quality requirements (especially for nuclear plant equipment) and joint projects with foreign companies (acting as a minority partner). At the same time, IMPSA strengthened its engineering skill set, recruiting world-class professionals specializing in different fields of expertise –many of them joining trainee programs abroad. Relying on its newly acquired capabilities, IMPSA was able to compete on international markets since the early 1980s, when Argentina's public sector demand shrank. Generally speaking, since its inception, the group benefited from protection policies for the winemaking industry, implanted in the late 19th century, and a number of tariff, public credit and other government policies instituted in the 1940s and already described here. However, the group also experienced some tension with the local government in the 1970s and 1980s over public work project awards or continuation.

As regards ownership and management schemes, these three groups started off as family businesses and remain so to the present. While some of the larger firms are listed on both Argentine and foreign stock exchanges, founding families (Rocca, Pagani, Pescarmona) still retain control of their respective business groups as majority stockholders. In all of these groups, successions from one generation to the next have been uneventful and led to sustained or greater growth. Ethnic/national identity played a key cohesive role for both

[100] Gutiérrez, op.cit., 2003.; www.pcgsite.com

Techint and Arcor, with the former exploiting this trait also for its international contacts. Techint started its operations with a combination of professional management and family presence in key positions, while Arcor and Pescarmona gradually hired managers as family members became more professional. As they grew larger and more diversified, these three groups organized their holdings to control their companies.

While significant differences separate these business groups, they do share some traits. First, they have predominantly pursued an integration and related diversification strategy, based on engineering and/or industrial operations, although they have all invested in ventures outside their core competencies. Two of these groups –Techint and Pescarmona- have ventured into the financial sector, while Arcor has not, but they have all enjoyed preferred access to credit. Second, group ownership rests firmly on founding families, who also control and manage, with outside professionals, the holdings that encompass group companies. Third, all three groups combined their access to State resources with the development of competitive advantages, which, in turn, enabled them to embark on early expansion and internationalization, not just surviving but thriving in a harsh macroeconomic and institutional setting. Nonetheless, a remarkable difference sets Techint apart from Arcor and Pescarmona, bringing the former closer to business groups that emerged in Argentina's export led boom, while the latter two lacked a network spanning both sides of the Atlantic. Group size also marks a difference between these groups, as Techint's assets added up to a total of US$ 20.651 billion in 2008, while Arcor and IMPSA lagged behind with US$ 1.341 billion and US$ 919, respectively.[101]

Concluding remarks

Looking at major Argentine business groups over 150 years, a number of generalizations surface when their track records are compared. Revisiting the parameters used as a basis to elaborate this study, we shall first consider the settings where these groups emerged. Two very different scenarios may be sketched: an era marked by an open, deregulated economy (1870-1914) and another period featuring a closed economy, with strong State support for industrial operations (1960s-1980s). This finding should be highlighted, as some authors[102] tend to associate a specific type of environment with business group emergence –with a closed economy and public policies promoting domestic private companies, while a long-

[101] ProsperAr, op.cit., 2009.
[102] For example, Guillen, op.cit., 2001.

term view unveils a more complex scenario –mostly because several major groups still standing in the 1980s' rankings originated before 1914. In the period in between (1914-1960), characterized by an increasingly closed economy with greater State intervention, no new groups emerged, while existing groups expanded and other individual companies became more integrated and diversified, turning into groups as of the 1960s. This should also be underscored, as current literature on Argentina's business groups has argued that Peronism favored their emergence[103] or that their prevalence in the local economy started in the early 1950s.[104]

This finding poses two questions: why were business groups born in these periods? And why did no groups emerge during the period in between? The answer to the first question is that conditions involving institutional voids, imperfect markets and favorable regulatory frameworks (not penalizing conglomerate emergence) seem to have been in place in those periods. However, the role of the State differed greatly in both periods –aloof in the first and actively engaged in the second. The first period featured the possibility to build strong ties with foreign partners, using them to access several kinds of resources (funding, know-how, information, managers). This is a relevant issue, as it paved the way for a specific type of business groups, with ramifications on both sides of the Atlantic and transnational traits that have been largely neglected by existing literature. As a matter of fact, Techint displayed some of those traits since the 1940s.

Concerning the period when the second generation of Argentine groups emerged, it should be noted that, while state policies supporting industries continued in place since the 1940s until the mid 1970s, they were combined with periodical crises, high inflation rates and ongoing changes in game rules and macroeconomic policies. This situation worsened from 1976 onwards, for institutional shifts became more intense –and crises, more severe. Political changes could benefit or harm groups, depending on how they were perceived by new administrations, while their relationships with public officials were hindered by a constant government turnover. Finally, as mentioned earlier, the 1970s' violence struck some of these business groups directly. As a result, it is clear that not only the role of the State but also political turmoil and institutional uncertainty should be factored in when considering business groups' performance and survival potential.

[103] Carrera et al., op.cit., 2003.
[104] Lewis, op.cit., 1992.

Moreover, in Argentina, amidst that instability, there were no consistent, pervasive policies intended to build national champions or an efficient State, endowed with a meritocratic bureaucracy, as was the case in other, more successful emerging economies. The State grew larger, but both its knowledge to design adequate rules and its ability to enforce them did not advance at par. These issues prove crucial when it comes to analyzing the existence of business groups in Argentina –and, perhaps, in other Latin American economies sharing the same instability, uncertainty and weak State features.

Let us return to the second question above –why no business groups emerged between 1914 and the 1960s, when institutional weaknesses and market imperfections continued to shape the local setting. It may be assumed that, without a State willing to create enough encouragement, conditions did not favor the emergence of a second business group generation. Furthermore, as noted earlier, at some points, the Argentine State provided stronger support for state-owned companies or multinationals, and, at other junctures, economic conditions promoted the emergence of small and medium-sized companies instead. In turn, first-generation groups continued to expand over the interwar period, seizing opportunities created by import substitution.

A second angle to consider focuses on Argentine business groups' characteristics in terms of structure, ownership, control, competitive capabilities, social network roles, and ties to the State. As regards organizational structure, the three first-generation groups started off with trade operations and diversified vastly into finance, agribusiness, real estate, industry, and other service industry ventures. Agribusiness investments stand out as a very characteristic feature in this stage, reflecting the significant role played by the primary sector in Argentina's economy. These three groups largely chose a path of unrelated diversification, and all relied on their own banks or financial institutions to that effect. Integration played a lesser role in the process that led them to operate in multiple markets. Unrelated diversification and alliances with several partners for specific ventures drove these groups to create legally stand-alone companies and not large outfits with many departments or divisions. Two of these groups (Bunge y Born and Tornquist) opted for a vertical organization, while the other one (Devoto) preferred a more horizontal structure. In any case, looking at these three groups' ties with Europe, their analysis becomes more complex, as the networks connecting them abroad were horizontal in nature. As to their ownership and control schemes, these groups were all family-owned business (with one or more owner families), although, as noted, owner families joined other partners in Argentina or overseas and hired professional

managers early on. Devoto's founding family played a less prevalent role than owner families did in the other two groups, and, at Grupo Fabril, ownership and control were shared among several stockholders.

These three groups gradually developed capabilities and acquired knowledge that enabled them to operate in multiple markets, as a sizable share of their companies boasted cutting-edge technologies and world-class professional management teams. At the same time, they (Tornquist and Devoto) combined productive investments with more speculative operations – for instance, in real estate. Social networks –gathering family members, friends and fellow countrymen- proved instrumental to building and advancing corporate capabilities – especially so, as these networks crossed national borders. Relations with the state did not play a decisive role for these groups' creation and early growth, but these groups did build some ties with government officials, mostly in the form of personal contacts between businessmen and politicians.

A particularly interesting fact that can only be perceived from a historical approach is that all three groups adjusted –more or less successfully- to economic changes after 1914, maintaining their leadership in several industries over a number of decades, using the resources offered by an increasingly closed and regulated economy where industrial endeavors proved the most dynamic. To that end, these groups relied on tangible and intangible assets created before World War I. After 1914, they leveraged their international contact networks to partner with foreign companies in several ventures –albeit to a much lesser extent than in earlier decades. These business groups also began to access new resources offered by the State since the 1940s, and two of them -Bunge y Born and Fabril/Celulosa- took advantage of special programs launched in the late 1960s.

The three groups that emerged in the late 19th century eventually disappeared as such in the late 20th century. Tornquist succumbed to a critical process that is fairly common among family businesses, as rifts among third-generation family members ultimately led to the group's demise in the mid 1970s. Devoto, later known as Grupo Fabril/Celulosa, failed to survive amidst the harsh macroeconomic conditions of the 1980s. For Bunge y Born, the decision to sell the group's industrial companies in the 1990s was part of an international strategy, but, as early as the 1970s, its businesses in Brazil and the United States were poised to take the lead, leaving Argentina behind.

Second-generation business groups also share some features with older groups, though other characteristics set them apart. As regards structure, these latter groups' diversification

followed a different pattern, more based on an integration and related diversification rationale –albeit with differences in each case. With a starting point in engineering (Techint) or industry (Arcor, Pescarmona) and investments on several operations while exploiting promotion programs or joining other partners, these groups began to create new, legally independent firms that remained under the control of a common management. All three kept their core businesses in the industrial domain (Arcor) or the engineering and industrial realm (Techint and Pescarmona), regardless of their diversification efforts. The move into financial services is less widespread among these groups than among their first-generation counterparts –none of these three groups own banks, although Techint holds some financial investments and Pescarmona has invested in an insurance company.

These three groups operate on a hierarchical scheme, with holding companies and owner families in control, but managerial tasks are shared by family members and professional managers. All three groups emerged in a closed economy, characterized by strong State intervention and active public policies to support industries, which gathered momentum in the late 1960s. While these three groups grew amidst the shelter of protection policies, promotional programs, public loans and State contracts, their successful track records also reveal their ability to build competitive advantages. In addition to developing the skills required to approach public officials, these groups invested in product and process technologies, as well as in technical and managerial human resources, embarking –to a larger o lesser extent- on innovation efforts and forging alliances with companies abroad. Their early internationalization –via exports, engineering projects or direct investments- is also noteworthy, as it enabled them to continue growing over the 1980s downturn and when Argentina embraced economic openness in the 1990s.

Let us now consider the evidence and suggestions provided by these cases as compared to current literature on business groups. As regards the reasons underlying their existence, the information supplied leads to an eclectic view, as their presence in Argentina has come as a result of both environmental factors and groups' capabilities, which enabled them to operate satisfactorily in multiple markets and surviving over time. Clearly, Argentina has retained emerging market traits over time, but these features have not always led to the creation of new business groups; rather they have been paired with access to international networks (during the first globalization) or State resources (1960s-1980s). At the same time, state policies have been far less consistent and long-lasting than in other emerging countries,

hindering groups' operations and survival, as they had to deal with an uncertain setting riddled with volatility.

International networking and, more generally, internationalization processes proved instrumental to business groups' emergence and growth. This also proves that, regardless of economic reasons, social networks –family and ethnic/national ties- played a decisive role for groups' access to funding, information and management resources, as well as for inner cohesiveness, although those networks weakened over time or eventually led to internal rifts.

The most salient features of these Argentine groups all but confirm the prevailing combination of integration and diversification strategies (though diversification tended to be more unrelated in the first than in the second phase, when integration processes became more outstanding), as well as sustained family ownership and control (by one or more families). Diversification into agribusiness operations also stands out as remarkable, as well as the dominance of vertical organizations, based on holdings, with the caveat that horizontal relationships characterized first-generation groups' ties abroad.

The cases studied here also shed some light on business groups' competitive capabilities and their relations with the State. As noted, these groups managed to expand by leveraging tangible and intangible assets built over time and rendering them apt to compete satisfactorily in multiple markets, including foreign markets. While some groups did engage in speculative businesses, rent-seeking strategies did not dominate their operations, and all these groups contributed to Argentine industry development. Furthermore, these business groups used their relationships with the State (or regulatory voids), but in different ways. In the first period, groups relied on personal ties between businessmen and political leaders, and, in the second period, they took advantage of protection and industrial promotion policies while lobbying to access these resources.

Finally, a historical approach inevitably probes not only into the causes for business group existence but also into the reasons for their weakening and demise. Once again, the answer lies in a combination of environmental factors (changes in domestic and international conditions, new institutional scenarios, impact of macroeconomic crises, political reasons) and elements of groups' own dynamics -like a decision to turn to other markets, impaired competitiveness or succession issues. Future research on Argentine business groups and new case studies, particularly focusing on groups that have followed a financial or rent-seeking rationale, will surely allow for a more complex typology and help to broaden the conclusions of this work. Nonetheless, we believe the empirical evidence presented further enhances the

multiple contributions made by business history to gain a better understanding of Latin America’s business group phenomena.