

# The transformation process of AGD, Argentina

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**O**n a quiet morning in December 2000 Adriana Urquía, one of the Directors of Aceitera General Deheza (AGD), met with the Head of the Human Resource Department, to discuss and find which assess the evolution of the organisational changes AGD went through over the previous years. This meeting was particularly important for Adriana because the Argentinian economy had entered a period of recession and Adriana was convinced that the organisation should be prepared to adapt quickly to possible problems in the market. Adriana was also convinced that the transformation the organisation had gone through would be helpful when it came to surviving and overcoming the competitive pressures after the opening of the economy in the 1990s. She also thought that the transformation process would help the company succeed if turmoil had flared up in the country again.

## Brief overview of the history of AGD 1948-1999

Founded in 1948 by Adrián Urquía, AGD transformed itself from a small oil-processing factory into the biggest indigenous firm in the industry in the 1990s. Nowadays AGD is a leading edible oil export company and also one of the frontrunners in the retail market for bottled oil with several successful brands. It ranked 40th among the 1,000 top companies in Argentina in 1999 (Revista Mercado, 1999), and it is considered the fifth most important exporter in the country (Revista Mercado, 1999).

After the changes the country went through in the 1990s, the company was able to adapt and thrive in an industry where most indigenous businesses did not manage to survive. Nevertheless, the roots of AGD's success do not date back the 1990s but long before, in their thinking ahead about ways of improving technology, scale and cost-effective measures – a trio of decisions that would prove to be the right combination for survival and success.

The first generation tenure is shaped by the figure of its founder, Adrián Urquía, who was absolutely determined to set up an oil factory in the countryside in the Province of Cordoba. His enthusiasm and commitment, plus the importance Urquía attributed to technology and process flexibility, were key factors in the success of the firm:

He [the founder] worked permanently to increase production volume in order to improve economies of scale. Optimising logistics, gaining efficiency and lowering costs were particular preoccupations of his. Another distinctive attitude was the systematic incorporation of technological developments[1].

However, the road was paved with hurdles. The year 1968 was a milestone for the company. AGD was forced to shut down. An unfortunate combination of events – such as a worldwide boom in oilseed prices and the lack of a commercial strategy – forced the company to rethink its strategy.

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From 1968 to 1985 the consolidation process took place until AGD had reached a leading position in the industry. In 1985, the company was a 100 per cent export oriented, selling bulk products made with state-of-the-art technology.

Urquía's children not only inherited the company, but also some of their father's fundamental values that were and still are deeply rooted in AGD's culture: paternalism, and directors who know the operations and who are constantly attentive to what is going on both within the industry and outside it.

The period from 1985 to 1999 was characterised both by times of turmoil and spells of stability in Argentina. Changes in macroeconomic policies prompted companies to rethink their businesses and strategies. AGD did just this and ahead of the other companies in its industry, it launched two strategic initiatives: first, it started to manufacture brand products to compete with the retail market; and second, it went onto strengthening the logistics chain to achieve cost-effectiveness. A second stage began in 1995 when the company took a good look at its internal organisation – a process which triggered changes affecting the structure, management and governance of the company. In November 1996, the founder died. By that time, the firm was a leading indigenous edible oil producer.

### **The edible oil industry**

The edible oil industry is one of the most dynamic industries in the agrifood sector. It has experienced the highest rate of growth among agribusinesses over the 1990s, largely based on strong export performance. During this period it has become an export leader, earning US\$5.2 billion in annual foreign sales (Herrantz, 1999) Argentina is the main exporter of soybean and sunflower oil –two of the three most widely traded oils worldwide. The country is also the fifth largest producer of oilseeds and the sixth crusher (that processes the oilseeds into edible oil; Rabobank, 1998).

Only few companies dominate the processing of edible oils in Argentina. These are generally owned by multinationals. Margins are low and market entry is difficult because the initial investment required is high. The dynamism of the industries since 1970s with the soya boom caused the companies to increase their production capacity to meet export demands. This is one of the most important factors that determined a rise in the level of concentration of the companies noticeable over time. From 57 companies operating in the industry in the 1970s, 1998 found the industry with only 37 processing firms.

The 1990s implied new challenges for the industry stemming from changes in the international markets and the national economy. At the international level it is possible to find first, more demanding consumers that called for more sophisticated products. Second, increasing competition from countries that traditionally were not exporters of edible oils (such as India and China) became an issue. Finally, high levels of protectionism and subsidies used by developed countries hit Argentina and other oil-producing countries hard.

The internal competing pressures stemmed from, first, the economic stability of Argentina that attracted foreign investors to the industry and gave rise to even more competition. Second, the export capacity of the industry in Argentina (by 1999 the internal market was reaching maturity). Finally, Argentina has some of the lowest crushing costs worldwide, illustrating the technological efficiency that the industry has reached in terms of scale and transportation facilities (Verheijen and Jimmink, 1995)

### **Understanding the transformation of AGD: chronological and analytical tracing of key elements over the period 1989-1999**

#### ***Strategic initiatives: branding***

By 1988, AGD saw the need to diversify its production of bulk edible oil. It would be expected that a company that crushed and refined oilseeds would make a move into the retail market:

The family wanted to keep one foot in the internal market as a safeguard in case the external market did badly. The retail market offered that opportunity. It was the opposite of what other companies were doing. Everybody wanted to export to avoid the turmoil of the internal market[2].

The Director and CEO of the company, assumed the responsibility of preparing the launch of the new strategy:

After one trip to the USA he [the CEO] came to a Board meeting and opened a suitcase full of oil bottles. They were plastic bottles – a different concept to that used in Argentina back then, because the market leader used glass bottles. He also came up with the idea of non-cholesterol oil, which was a piece of luck because until then this was a dormant market[1].

Another important development took place in the retail market for edible oil: Molinos, the leader, bought Santa Clara, the second company in the retail market:

We perceived that the important customers wanted to have more than one supplier. Besides, that, Molinos was so far ahead of the rest of the market that it did not need to keep up to date. Undoubtedly this led them to relax and not think about innovation, which was a big mistake and we took advantage of that mistake. They fell asleep[1].

“Commercialising products with an extra value, achieving greater profitability and becoming more diversified were the outcomes of this strategy,” stated one of the directors of the Board. “Not putting all their eggs in one basket,”[1]s another Director said was the strategy to help the margins of the business to remain stable.

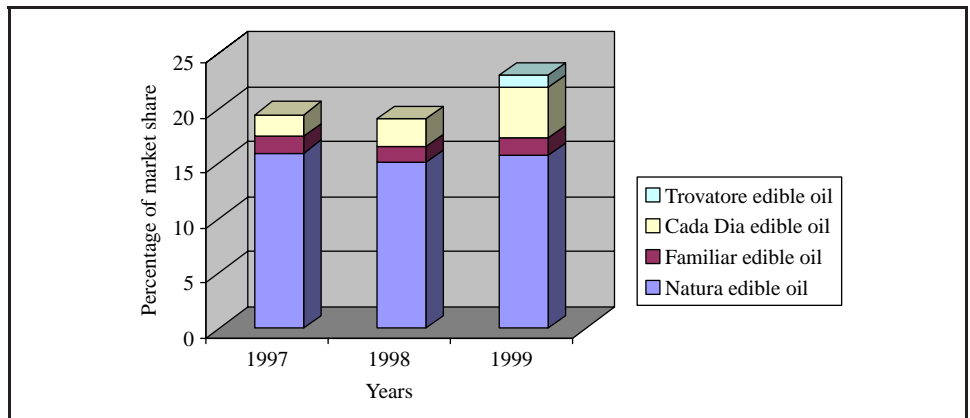
In 1989, AGD launched the first pure sunflower oil to appear on the Argentinian market. Market studies pointed out that customers saw this product as healthier and a good combination of relatively low cost price and perceived high quality, proving AGD’s strategy of product innovation to be a successful one and achieving a high market share in the market for brand name oils (Ketelhohn *et al.*, 1998) (Figures 1 and 2).

AGD also took a step towards its entry into the massive consumer market by launching products related to the oil industry such as mayonnaise and juices based on soya and fruits. The following table and figures aim to illustrate the sequence of launching new products and the market share obtained (Table I).

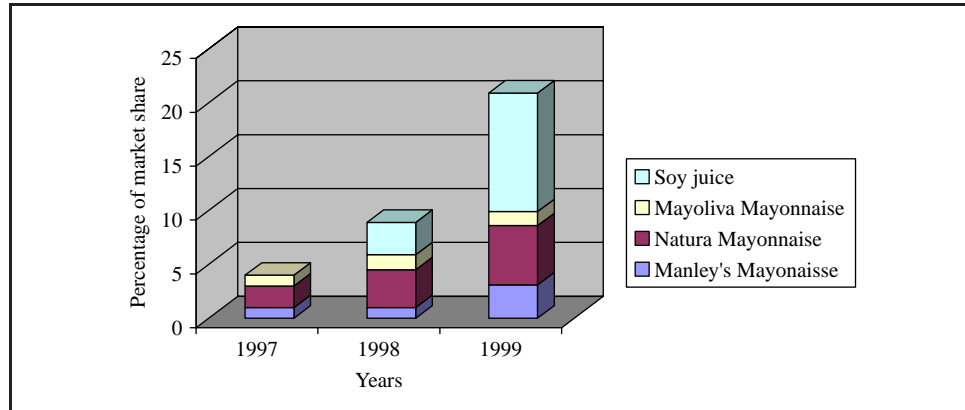
### Strategic initiatives: origination and the logistic chain

The success of their entrance into the retail market made the Board and Managers more confident about the future of the company. AGD also started to evaluate the implications of macroeconomic measures that caused inflation to fall and prices to stabilise. It became increasingly important to achieve cost-effectiveness. The company reacted promptly and started to attack the weakest part of its value chain: “the origination” process and its logistics chain.

**Figure 1** Market share for AGD’s edible oil products 1997-1999



**Figure 2** Market share For AGD's soya and mayonnaise products 1997-1999



**Table 1** Releases of different products by AGD per year

Product year of launching	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Natura edible oil	x											
Manley's mayonnaise				x								
Familiar edible oil						x						
Natura mayonnaise						x						
Cada Dia edible oil								x				
Mayoliva mayonnaise									x			
Soya drink										x		
Trovatore edible oil											x	
Soya drink light												x
Manley's ketchup												x

Origination is the name the company uses for buying seeds, transporting and storing them. It is an activity which has always existed. AGD has always bought seeds, but their method of buying changed in the 1990s. Until then, the company had bought seeds from intermediaries or on the cereal stock market and stored them in silos (grain collecting stores) that were often owned by the same intermediaries from whom the company had bought the oilseeds. This way of doing business became the company's Achilles' heel: AGD was dependent upon the intermediaries to obtain the raw material it needed to process oil. In order to counter act constant supply problems, as well as dealing with the new economic situation, the Board implemented a strategy that was to have an impact on the whole organisation: they decided to move backwards in the chain of value to enable them to make all the raw material needed available:

We are well aware of our company's history. In 1968, the company went bankrupt because we did not have the raw materials with which to supply the plant. We are not going to go through the same thing again. We have learnt our lesson[1].

By 1999, the company had 22 grain collecting plants and two purchasing offices spread around the country.

The firm's strategy gave them two advantages: first, it did not have to pay commission to the agent at the stock market because it bought the raw material directly from the farmer: and second, it provided the company with a commodity backup, thus not leaving them heavily dependent on market prices. The outcome was what the company wanted: achieving efficiency by reducing costs.

The company saw that the logistics chain would have been incomplete without an adequate transportation system. Transport was also seen as critical for the business:

Formerly the aim was to get the supplies needed for our processing facilities, but when you think that grinding a tonne of soya costs twelve or thirteen dollars and transport between Tucumán and Rosario comes out at fourteen dollars, you see that logistics are all-important in our business. And here is where you can achieve efficiency[1].

In 1992, the company incorporated a fundamental link into its logistics chain: the NCA railway which AGD operates. With a 40-year-concession, and in partnership with other groups, AGD controls the 4,757 of kilometres of track, linking storage facilities with industrial plants and the port, making connections possible with the rest of the country. Furthermore, this strategy was complemented by the facilities at the Terminal 6 port. In 1996, Terminal 6 became the biggest private port in the country:

The company gained a real advantage in the sector with this strategy. I think we are ten years ahead of the other companies. The few national businesses that survived are trying to copy our strategy. Even Molinos is trying to replicate our success[1].

Not only did this strategy help AGD become a leader in the industry, but it also allowed the company to incorporate new businesses and seize the opportunity in others. In 1993, following the strategy of making the very most of its logistic chain, the company moved into the purchasing and exporting of cereals as an independent activity. In 1997, AGD sold one million tons of cereals worldwide and in 1999 one and a half million tons:

The origination business made us widen our perspectives at the same time. We started off buying only oilseeds, but to shut out possible competition from intermediaries we started to buy cereals too. That is how our Cereal Export Department came into being[1].

The producer also required different services such as loans, agrochemicals, and seeds, so, in 1994, the company created the Agro-product Department, adding more businesses and services to the origination complex.

## **Generating the process of internal change: organisational and structural changes**

### *Thinking out a new business structure*

In 1995, once the new strategic initiatives were running successfully, the Board decided to implement a new structural design. The growth the company underwent over the period 1989-1995 plus the intense competition and changes within the industry made the Board reformulate the way the company should be organised.

The Board hired a group of consultants and started work on the most far-reaching and organisational changes in the whole of the firm's history. Behind such changes was a clear idea:

We had a clear objective once we started making changes in the structure: we wanted a structural change which would enable the Board to have more time for planning strategies and spend less time on the operational side[1].

The document presented by the consultants is revealing in terms of highlighting the aims behind of the changes in the structure: first, seeking ways to liberate the Board from operative tasks but at the same time allowing them to keep control of the operation; second, clarifying the different departments of the company and differentiating between operative (business units) and support areas: and lastly, the idea that the structure should clarify the relationships between these different departments, customers and suppliers.

The new structure brought a new concept into the organisation: the idea of business units and support units. The concept of the business unit entailed each one to take responsibility for its own profits and business performance. Until 1996, the structure had been a functional one in which all the departments were dependent on the Board, and the directors played the role of directors and managers at the same time. The new concept of business units meant giving more responsibility to the managers of different units and also meant that the Board should start to delegate operational tasks[3].

Support areas were either reformulated or created from scratch such as the new businesses unit and the Economic Studies unit. An economist with extensive experience in market studies was appointed to head the Economic Studies unit. The idea of setting up this new

department was to consider the “short, medium and long-term future of the company, to centralise the economic information that the Board received and to interpret environmental information for the Board”[4].

The figure below shows the different stages of the evolution in the company’s structure. Units that could work together and had common elements were merged until they formed the business units seen in Figure 3. The new structure meant that different support units would have to learn to offer services to the business units rather than depending on what the Board needed. The business units, on the other hand, had to be more efficient in their use of resources. They also needed to coordinate the different activities to avoid overlapping, and had to re-structure different processes to attain more effectiveness (i.e. administrative processes in the different business units and production processes).

### Communicating the changes in structure

In November 1996, the Board met with the top and middle management of the company. One of the company’s director gave a speech prepared by the Board and the consultants. Some paragraphs of the speech are enlightening in terms of defining the Board’s aims for the future of the company. First, the director stressed the importance of the company’s stance once the process of change began:

AGD is an organisation which, fortunately, is growing at the moment. The company is not in the critical position of some organisations in which re-organisation is being undertaken not in order to be more efficient, but to avoid collapse[5].

Customer focus was the reason given to justify the immediate need for change:

In a phase of expansion like ours, we need to have a flexible organisation and a flexible structure which allows us to adapt quickly to the needs of the customer and the market. To achieve this we are thinking of giving more autonomy to the different areas to allow the businesses to develop better but within certain organisational guidelines, which will allow synergy and horizontal

**Figure 3** Evolution of the company’s structure

Functional structure till 1996	First stage of change year 1997	Business units and support areas since 1998	
Administration and IT	Administration and IT	Administration and IT	
Finance	Finance	Finance	
Human Resources	Human Resources	Human Resources	
Purchasing	Purchasing	Purchasing	
Origination Soya-Sunflower- Peanuts	Origination Soya-Sunflower-Peanuts	Origination Soya-Sunflower-Peanuts	Cereals and oilseeds business unit
GD Plant	GD Plant	GD Plant	
CH Plant	CH Plant	CH Plant	
DV Plant	DV Plant	DV Plant	
Trading	Trading	Trading	
Cereals	Cereals	Cereals	
Fractional distillation	Fractional distillation	Fractional distillation	Brand business unit
Mayonnaise	Mayonnaise	Mayonnaise	
Brands	Brands	Brands	
Peanuts	Peanuts	Peanuts	Peanuts businessunit
Agro products	Agro products	Agro products	Agriculture and livestock business unit
Agriculture	Agriculture	Agriculture	
Pigs	Pigs	Pigs	
NCA	NCA	NCA	
T6	T6	T6	
		New Businesses	
		Economic Studies	

Directly dependent on the board

communication between sectors. This will be advantageous to the company and result in a better service for the customer[5].

The Board also decided that a new area of Human Resources (HR) was needed to operationalise the changes. The head of the HR area remembers the difficulties in implementing the organisational changes:

There was resistance to implementing the ideas that the Board launched in November. At first, Managers were keen to go ahead with the changes, but when we went to the departments they started to say, 'why don't we do it next week'; 'I am very busy at the moment' and gave plenty of other excuses. There was a lot of anxiety[6].

The HR manager work also resulted in flattening the hierarchical levels of the company. From the six levels that existed in the structure in 1996, he streamlined down to the current three levels, eliminating the supervision level:

One of the things that the Board wanted was for the Managers to have more contact with the process. Having a top-heavy structure meant the middle Managers had less of a hands-on approach towards the process[6].

### **The tasks still underway**

Some aspects of the process, nevertheless, were not yet complete. The structure shown in Figure 3 has already been implemented, but the transformation of the different areas is lopsided: "I believe that further clarification of the structures is necessary. Maybe certain people in charge do not have the ideal profile. They are older people whom AGD trusts"[1].

The Peanuts unit is the most advanced of the four in that its structure has been totally clarified:

The Peanuts unit progressed a lot because of the pressure from the younger Managers, while other areas were more difficult to restructure, the staff is older and the changes take longer to implement[1].

### **Changes in the management of the company**

#### ***A new generation of managers***

The new businesses of the company and the need for better-prepared managers for running the business units opened the door for new managers with different skills and education. The profile of these new managers was stated in the speech given by the Board while launching the new organisational design of AGD:

We sought and want people who are not afraid of a challenge; who are orientated towards both internal and external customers; who have the capacity to work in a team and the ability to interrelate; who think analytically and strategically; who are enterprising and orientated towards action; and above all we are looking for people who would risk everything for the company[5].

This was a challenge for a company used to low levels of employee turnover and an homogeneous culture. The running of the company's various departments required more sophisticated tools and those tools were brought to AGD by professionals who joined the organisation over the ten-year period analysed:

With the new incorporations, we are looking for people with a more complete profile, not only professionally, but also at a level of leadership and teamwork, things that we did not look for before, that were not prioritised. We had good Managers, but we thought that we could be better than before and prepare for new challenges[1].

(See the evolution over time of the profile required in different areas of AGD in Table II).

Professionalizing the company so that it could face the challenges of the new context in Argentina was given great importance. Nevertheless, there was a feeling of pride about the way the company was managed before 1990s. This pride arose from the idea within the company that its managers were different from those of the multinational companies. In the opinion of several managers, the difference stemmed from the fact that managers at AGD

**Table II** Degrees requested and experience required for joining various departments over the period 1989-1999

<i>Business units</i>	<i>1989</i>	<i>1999</i>
Brands <sup>a</sup>	(1989) University degree not required Previous experience only needed in marketing or commercialisation in the edible oil industry	University degree is a pre-requisite A minimum of three years experience required for middle management positions Previous experience in the food sector rather than edible oil industry is welcomed
Cereals and oilseeds (origination, industrial, trading)	Country people to deal with farmers No higher education required Technicians to work in the industrial complex Internally trained people for trading	A degree in Agricultural engineering required to run the purchase offices and grain collecting plants A degree in Industrial engineering is required to work in top positions in the plants; group leaders must be technicians Experienced traders with a university degree and previous experience in trading companies are required to fill these positions
Peanuts	Technicians to work in the field Technicians to operate the plant	Engineers to operate the plant Agricultural engineers to work in the fields
Agriculture and livestock <sup>b</sup>	Not specified	A degree in Agricultural engineering needed for managerial positions

**Notes:** <sup>a</sup>Includes brand and the fractional distillation area in the 1980s; <sup>b</sup>includes agriculture, pigs and agro-products areas in the 1980s

were closer to the process, knew the area and its problems and had closer ties with the producers. As a manager said:

If we need to use a Poncho, we'll use it and if we have to dance the farmers' parties, we will. It is a different approach to those companies that send managers out in suits and ties[7].

Whereas the company had not set high standards in regards to what it expected from its new employees in the 1980s, the 1990s saw conditions change as it became much harder to join the firm (Table II). At the same time, the demographic characteristics of the company were also changing in that the average age of its personnel was going down. This last aspect was the outcome of the incorporation of younger personnel throughout the 1990s (Table III).

### The challenge of having “two generations of managers”

Probably one of the most important challenges, as recognised by the Board, was dealing with the issue of having two generations fighting over power.

The changes in the company structure and the possibility for a new generation of managers to work more freely under the new conditions caused conflict:

**Table III** Average age of personnel in selected areas

<i>Areas of the company</i>	<i>1989 (age-average)</i>	<i>1999 (age-average)</i>
Administration and IT	48	34
Finance	47	36
Brands	46	35
Origination	50	32
Peanuts	55	34
DH plant	55	30

**Note:** Taking into account the whole personnel of the department/area

Around here what happened was that before the process of change started, we had a few old leaders who were more in favour of the old system, more rigid, more for the establishment, less for teamwork. Now we have a group of young people who came here and were encouraged by the changes. They had other ideas: to work as part of a group, to participate: this fact generated conflict and strain sometimes[1].

Nevertheless, AGD was able to handle the transitional stage firstly due to a good group of top Managers “aware of the future challenges” [1] and secondly, because of the company’s decision to avoid sudden or large-scale replacements of Managers, unless absolutely necessary:

We think that our company was lucky because in most cases the old generation and the new got on well, the old one gave the new one experience and customer-oriented service and the new one gave the old one the administrative tools the senior Managers lacked[1].

### Control and planning processes

The 1990s also introduced new managerial concepts into the company in terms of how to run the businesses. Both planning and control emerged as two different and complementary aspects that the managers of AGD started to learn and apply. The different areas of AGD at different levels started to formalise what had been impossible in the 1980s.

The company did not want to become more bureaucratic once the systems of control and planning were installed, although at the same time, these systems were necessary:

Although we have grown as a company, we do not want to lose the virtue of being agile when it comes to decision-making. It’s important to avoid bureaucracy. Otherwise you end up accumulating things but not attributing any value to them. We need control and planning, we need more formalisation, but not so much that we risk destroying the agility and promptness of our decision making process that I would say we are proud of[1].

The following table shows the main indicators of control used by the selected departments of the company over time (Table IV).

### The board of directors: strategy and family alignment

#### *The governing of the company: structure and strategy*

Until 1996, the year when AGD’s founder died, Urquía’s children had been working as company directors. Ever since the first of his children started to work for the company in 1968, the directors started to mould a profile that would shape the future of the Board. Adrián Jr was very keen on technology and marketing. He was the one that pushed for the launch of the new branded products and developed the retail market. Roberto was very committed to the industrial complex – that comprised more than 60 per cent of the company’s turnover. He was the force behind the origination and plans for the logistics chain. Finally, Adriana, the youngest of the children was the last one to join the company. She liked the freedom that the very profitable Peanut area gave her and, at the same time, started to get involved in human resources (henceforth, HR)[8].

<b>Table IV</b> Indicators of control used by selected areas over the period 1989-1999		
<i>Areas</i>	<i>1989</i>	<i>1999</i>
Brand	<i>Control</i> Crude oil: not considered Branded products Average price Share in volume Share in US\$	<i>Control</i> Crude oil: cost effectiveness branded products Average price Share in volume Share in US\$ Profits with/without amortisation of debts Evolution of markets Evolution of each product
Logistics	No indicators, estimates	Cost of transport-evolution Cost of stock (storing grains)

Adrián Urquía died in 1996. His children did not modify the way they were working. Adrián Jr took over as President because the company needed a President. Nevertheless, there was a verbal agreement that the President would be “primus inter pares”[1].

The changes the company went through after 1996 made the Board rethink its function. The directors wanted to “think strategically and act in consequence”[1] they did not want to get involved in the operation. Once the business and support units were set up the Board divided its responsibilities: Adrián Jr would supervise the Brand business unit and the Purchasing unit; Roberto would control Cereals and Oilseeds business unit, Administration and Information Technology, and Finance; and Adriana would be in charge of Peanuts and HR.

“While Roberto and Adrián are the strategists of the company, Adriana was the mastermind behind the organisational changes AGD had gone through”[6]. It was Adriana who insisted on working in-depth on organisational issues once the consultants were hired. She saw the opportunity to speed up the organisational changes that were needed.

The Board was also working on a family protocol: “If you don’t plan, or you don’t shape it (family protocol) when things are calm, afterwards it might cause a lot of problems”[1] The aim of the family protocol is to establish the pre-requisites family members had to fulfil to join the firm: “It is really to stop loads of relatives joining in the future”[1]. Only the brightest and most committed to the company’s work culture might be granted a place in the firm.

### Strategic thinking and strategic decision making

While the 1980s represented a period of economic turmoil in which strategic issues were set aside because of short-term problems related to the operational side of the business, the 1990s were seen as the opportunity to start to focus on strategy: “In the 1980s there was so much time invested in the short-term that you were not able to look to the mid and long-term” [1].

In the 1990s, the directors wanted to focus on strategic issues. To do so, the Board started to prioritise strategic decisions over operational ones. The delegation process that began in the mid-1990s helped the Board to achieve this aim:

The experience taught us to delegate, because in a family business this is not easy. We were starting to have a bottleneck situation. The bottleneck is the decision-making process that prevents you from moving forward[1].

The Board made a firm decision to distinguish between those decisions that had to have the Board’s approval (considered by the Board to be strategic decisions) and operational decisions that did not need their intervention (Table V).

In 1998, with the launch of the new structure, more frequent meetings took place to inform the Board of aspects related to the business units and to allow them to control their operation (Table VI).

In 1995, AGD hired the STRAT consultancy to start to communicate the strategy down through the company, improving communication between the Board and the managers. In 1997, the company decided to start holding “immersion days” to discuss the strategic directions of the company with the top managers of the different business and support Units.

Table V Strategic decisions needing board’s intervention	
Areas	Strategic decisions
Brand	Investments Product images (control of advertising)
Origination	Investments Annual amount of money available for farmer’s loans Development of complementary activities such as production of materials, distribution of seeds and production of seeds

**Table VI** Follow-up on meetings between the board and the business units

<i>Business units</i>	<i>Frequency of meetings</i>	<i>Indicators/aspects required by the board</i>
Brands	Every two months	Sales Shares (Litres and US\$) World markets Profit margin
Cereals and Oilseeds	Every two months	-Expenses Sales Gross profit margin Follow up the grinding budget
Peanuts	Every two months	Expenses Sales Gross profit margin
Agriculture and Livestock	Every six months (once before sowing time and once before harvesting)	Surfaces to be sown Evaluation of the harvest

The directors explained these changes as a positive aspect that allowed the directors to focus on strategic matters:

Focus on strategy needs the strategist to have time to think. We need time not to lose sight of what is going on outside of the company. We want to see our colleagues, we want to watch the international companies to see what they are doing better than us[1].

### 2001 crisis and beyond

Since 1998 Argentina has been subjected to a long recession. As a consequence, of that and the fiscal and debt burden, the economy had almost come to a halt by the end of 2001. The chain of payments between consumers, businesses and suppliers had been broken, and people were prevented from using their bank savings. Moreover, after a decade in which the peso was pegged to the dollar (in a one to one ratio), the government allowed the peso to float in the open market ((*The Economist*, March 2, 2002).

The case of AGD is illustrative of the way the strategies elaborated by the firm in the 1990s helped the company make decisions according to the market needs a decade later. AGD's diversification strategies helped them avoid huge losses. Since 2000, AGD has focused on exporting branded or elaborated products (i.e. soy milk, soy sub-products and mayonnaise, among others) to avoid tax retentions from the government for products sold in bulk[9]. While in the 1990s, 60 per cent of branded products were sold in the internal market, the changes in the internal market prompted a shift in that percentage: only 40 per cent of branded products were sold in the internal market in 2003, while 60 per cent were exported.

The brands for the internal market continued to be commercialised but at a higher price (due to the devaluation of the peso). Market share was stable and showed no signs of losing ground in the edible oil market. Immediately after the devaluation, AGD launched *Sojola* and later Soy Mayonnaise, products designed to complement the top brands of the company and to satisfy the needs of a society in crisis. In addition, AGD's efficient logistics chain helped the company be cost efficient.

In a market that had entered in turmoil, AGD did not reduce salaries nor fired employees.

The organisational changes the company went throughout the 1990s helped them to confront the challenge of the Argentinian crisis "We were better prepared because a decade earlier we had defined the way we wanted to work and also had clarified our structure and functions"[1].

The scale of the delegation process, however, gave some managers cause for complaint: "I think that the Board still finds it hard to delegate"; "there was a peak at that time of trying to delegate, and afterwards they went back to taking the reins[6]. The crisis the company foresaw in the country by the end of the 1990s may be the explanation for such an attitude. The same directors felt that the delegation process was only half-complete:

We have still not completed total delegation, but I would say that we have taken a big step forward. I spend much more time in meetings with different departments in the company than before. I am not concerned now about the Chicago stock market, whether it rises, sells or does not sell[1].

## Notes

1. Interview with one of AGD's directors.
2. Interview with Finance Manager.
3. Documental material "Ideas and criteria of the work done for AGD" (provided by consultants).
4. Interview with Economic Studies Unit Manager.
5. "Speech from the Board" – November, 1996.
6. Interview with HR Manager.
7. Interview with HR Manager AGD.
8. By 1999, Adrián Urquía Jr was 58 years old, Roberto Urquía was 54 and Adriana Urquía, 38.
9. The retention tax was 10 per cent for agriculture exports and 5 per cent to industrialised products.

**Keywords:**  
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