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ARGENTINA

A lack of sector specific policies is a cause for concern for many family businesses in Argentina, but could the appointment of a new president spell a change in their fortunes? *Michael Finnigan* takes a look

Family businesses play an important role in Argentina – the third largest economy in Latin America, where at least 80% of the country’s 1.2 million businesses are privately owned. Yet a recent collapse in commodity prices is wreaking havoc on the region’s emerging economies. One saving grace, praised by international investors, is the appointment of new president Mauricio Macri, who is a member of family-run conglomerate Grupo Macri. It is hoped that the 57-year-old’s innate understanding of the issues faced by families will result in better conditions for businesses across the board.

Ernesto Niethardt, a consultant for Argentine family business consultancy Niethardt & Associates, shares the enthusiasm. When asked what Argentine family businesses might want from the new government, Niethardt had three suggestions: “Firstly, I think they would like to have public recognition for their role in the Argentine economy. Secondly, I think they’d like to see some changes

made around taxation. And finally, easier access to loans.” The former professor also says that the education of the next generation is a significant problem that needs to be tackled.

While the majority of Argentine family businesses are small to medium-sized, there are a number of large players that are recognised around the globe. Among the best known are Techint Group, a leading supplier of tubes and related services for the world’s energy industry, owned by the Rocca family, and Aceitera General Deheza, one of the country’s largest natural food producers, which is owned by the Urquía family.

Even these international players are not immune to the flailing Argentine economy, which has suffered from high levels of inflation for approximately six years. Niethardt says that president Macri’s challenge will be to tackle inflation of around 30%, a fiscal deficit of almost 8%, and a decade-long legal dispute with US creditors who are blocking Argentina’s access to international capital markets. **FB**



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In the pipeline: TECHINT

Founded in 1945, Techint has grown to become the world's largest manufacturer of seamless steel tubes, mainly for the oil industry. The Buenos Aires-headquartered firm is currently the largest steelmaker in Latin America



FAMILY

Italian businessman Agostino Rocca founded precursor firm Compagnia Tecnica Internazionale in 1945. A few years later, newly rebranded Techint won a contract to build a 1,000-mile gas pipeline from Comodoro Rivadavia to Buenos Aires, and went on to become a leading government contractor. Rocca retired in 1975 and transferred control of the company to his eldest son, Roberto. By that time it was an international conglomerate. Third-generation brothers Paolo and Gianfelice Mario Rocca lead the company today.



X-FACTOR

Agostino Rocca's original philosophy for the Techint Group was one of long-term presence. As a result, Techint describes its companies as being deeply rooted in the communities in which it operates. Through this thorough understanding of local cultures, the firm says it is able to recognise and draw upon local strengths in order to manage extremely complex projects. Equally important is reinvestment in these communities.



LOOKING AHEAD

Working in an increasingly demanding market with lower margins, Techint intends to remain competitive through continuous training of its employees – a move it says helps encourage professionals to stay in the company. The firm also believes that training of employees helps to build knowledge on a permanent basis. With more than 58,000 members of staff, their unique approach seems to be withstanding the poor performance of the Argentine economy.

TECHINT IN NUMBERS



FOUNDED
1945



GENERATION
Third



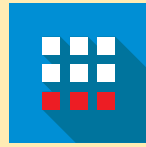
REVENUES
\$23.8 billion [2014]



EMPLOYEES
58,300

Argentina

Family Businesses



3

AVERAGE NUMBER OF FAMILY MEMBERS ON THE BOARD



20%

OF FAMILY FIRMS HAVE A FORMAL SUCCESSION PLAN



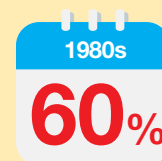
8%

OF FAMILY FIRMS HAVE A WORKING FAMILY PROTOCOL



35%

OF FAMILY FIRMS ARE ENGAGED IN PHILANTHROPY



60%

OF FAMILY BUSINESSES HAVE BEEN ESTABLISHED SINCE THE 1980s

GOVERNMENT POLICY

A little-known succession tax recently implemented in Argentina is likely to draw ire from family businesses in Buenos Aires. Ernesto Niethardt, a consultant for Argentine family business consultant Niethardt & Associates, explains: “In Buenos Aires – the largest province in Argentina – the former government implemented a succession tax that has slipped under the radar. The curious thing about this tax is that it was introduced as a law of education, which is very unusual. It is going to affect all family businesses. The new tax charges 10% on all assets above the \$300,000 threshold.”

Despite the tax change, the Argentine government has failed to create any other new policies that support family businesses, according to Leonardo Glikin, founder of the Argentine Council of Succession Planning Civil Association. “There is no government-level support for family businesses in Argentina, which is surprising because you usually see some recognition for privately-run businesses in European countries or the United States,” he explains. “The greatest challenge we face is gaining government support to help with the transfer of the company from one generation to the next.” The knock-on effect, according to research produced by Niethardt & Associates, is that only 25% of family businesses in the region make it into the second generation.

It is difficult to anticipate how the Argentine economy will look by the end of Macri’s presidential term as well as how it will impact the country’s many family businesses. However, the current lack of government support means that Argentina’s family businesses are finding it difficult to professionalise and pass on their businesses. If Argentina hopes to catch up with the rest of the world, then Glikin says more needs to be done to recognise the role family businesses play in the Argentine economy.

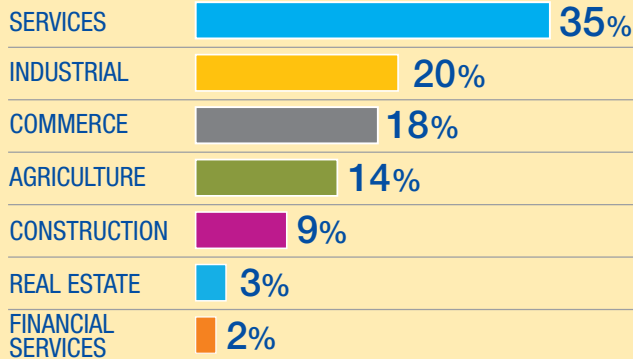
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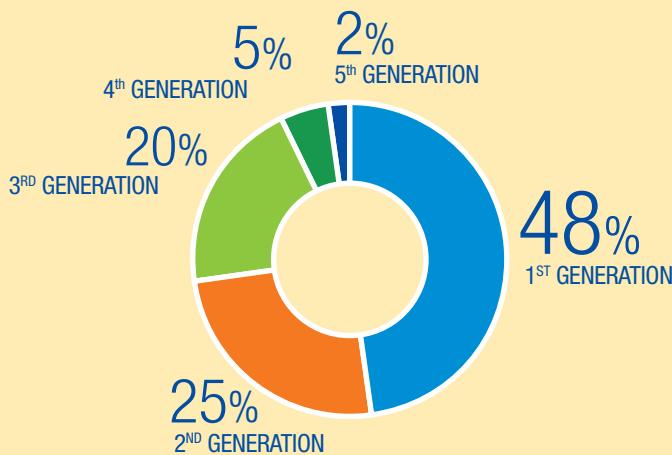
ARGENTINA QUICK FACTS

- **Population:** 42 million
- **GDP (PPP):** \$947.6 billion
- **0.5% growth**
- **4.4% five-year compound annual growth**
- **\$22,582 per capita**
- **Unemployment:** 8.2%
- **Inflation (CPI):** 37.6%
- **Foreign Direct Investment Inflow:** \$6.6 billion

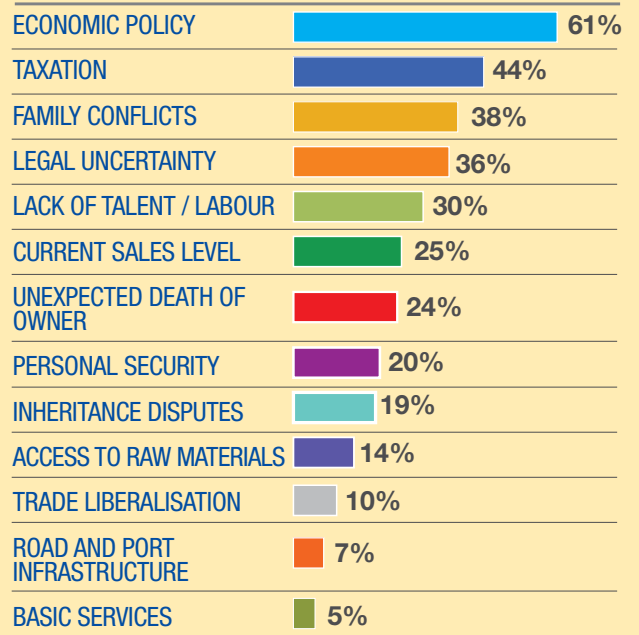
SECTORS WHERE THEY ARE ACTIVE



PERCENTAGE OF FAMILY BUSINESSES IN THEIR...



TOP CONCERNS AMONG ARGENTINE FAMILY BUSINESSES



MAJOR PLAYERS



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