Abstract
This research addresses corporate political actions as a topic of interest for managing emerging market business groups. This groups, in addition to advancing competitive activities, deal with unstable formal institutional context that can make business non-viable. This paper is guided by the research question: How is the Business group organizational structure that supports corporate political actions? This question relies between the intersection of two fields of knowledge: the new economic institutionalism and the corporate political activity. From them, we take both the basic concepts of formal rules and corporate political actions. These two fields of knowledge have set the basis for addressing the research question from a business group point of view. The perspective for researching about these actions follows Chandler’s Strategy and Structure path, when we focus on corporate political actions and the organizational arrangements that support them. This is the reason we rely on a historical method to trace corporate political actions of Argos, a cement business group in the Colombian context. The findings show how Argos deal with two kinds of formal rules: those that guarantee property rights and those aimed at business regulation. Also, that they intervene in two different stages: rules definition and their application. As to the organizational structure from which it intervenes, not one but a variety of organizational structures were identified. Argos relied upon two internal and three external organizational structures. The internal included: 1) Argos as the headquarter 2) Argos’ subsidiaries. The external: 1) General Business Association (ANDI) 2) Cement Business Association (ICPC) and 3) Independent consultants. Sometimes these alternatives operated independently while in others they acted in a coordinated way.
Introduction

Argos has reached more than 80 years in business as a relevant actor in the cement industry in Colombia. This is an accomplishment for any business in any context. But considering the 20th century context in this country, characterized by guerrilla’s war, narco-terrorism, Constitutional reforms, government intervention, and the adoption of different economic models, Argos thriving is astonishing. An explanation for Argos resilience is its ability to intervene in the definition and application of formal institutions. Institutions as North (1993) states, are the rules of the game in a society or, in other words, they are the limitations created to shape human interactions. Institutions can be formal or informal, and some of the formal are the Constitution, laws and decrees.

Formal institutional changes from the perspective of businesses is one of the subjects of interest of Corporate Political Activity (CPA) academic field (Boddewyn, 2007; Getz, 1997). CPA considers that strategic actions are not limited to competitive activities in markets (Baron, 1995, a, 1995b). This field studies actions that companies accomplish in order to shape the formal institutional context in a way that creates opportunities for businesses. This type of strategic actions, called corporate political actions, are performed from an organizational structure (Boddewyn, 2007; Hillman & Hitt, 1999; Meznar & Johnson, 2005). Following Chandler’s idea ((1962) - 1976) the organizational structure can be understood as:

the design of organization through which the enterprise is administered. This design, whether formally or informally defined, has two aspects. It includes, first, the lines of authority and communication between the different administrative offices and officers and second, the information and data that flow through these lines of communication and authority. Such lines and such data are essential to assure the effective coordination, appraisal, and planning so necessary in carrying out the basic goals and policies an in knitting together the total resources of the enterprise (p. 14)
Even tough Chandler addresses only internal alternatives, this definition can include organizational structures as an outsourced alternative. In the CPA perspective, this paper addresses the question: How is the Business groups organizational structure that supports corporate political actions? A qualitative case study helped to answer this question. From a historical perspective, this research focuses on Argos corporate political actions on Colombian formal institutions from 1960 until 2007. Argos’ CPA in Colombia is a revealing case because it has developed the power and capabilities to influence the challenging unstable institutional context. The selection of this historic period relies upon two conditions: information availability due to the legal requirement for companies to publish their financial statements defined by the government on 1960, and the turbulences of the institutional context in those years.

For this paper, the data collection techniques used were archival research and interviews. Six collections of documentary sources were systematically reviewed: the annual reports of the Board of Directors and the CEO of Argos from 1960 to 2007; The local press, specifically the newspaper El Colombiano, between 1960 and 2007; The Andi journal between 1966 and 2007; The Andi Newsletter from 1960 to 1967; The ICPC bulletins between 1973 and 2007, and the Andi bulletins between 1960 and 2000, year in which they were suspended. These sources were complemented with other publications, such as books, articles, thesis and web pages, and, in legal matters, with database information like www.juriscol.banrep.co. For the 14 interviews, we established contact with top managers and consultants who had been responsible of corporate political actions in Argos.

During the studied half-century (1960-2007) we tracked 94 corporate political actions performed by Argos to make the Colombian institutional context favorable or, at least, not harmful for its interests. These 94 actions are not all Argos political actions and not every change in the Colombian formal institutions were considered. We took into account those situations that Argos specifically referred to in its annual reports to its shareholders and the interviews. In this process, we identified corporate political actions related to changes in the tax regulations, cement price control, labor, environmental and mining issues. In addition to these situations we recognized the relevance of property rights as the main interest for Argos. It is clear that business regulations have
an effect on property rights, but expropriation or government’s inability to defend property is a greater risk and the one that businesses as Argos fear the most.

The study of the Argos case in the Colombian context revealed that the company intervened in two types of rules: those that have to do with the Property rights and those that Regulate businesses and cement in particular. Argos performed political actions not only in the formal institution definition stage, but also on the implementation or application stage. When intervening, Argos relied upon five different organizational structures: Argos as the headquarter and its subsidiaries are the two internal options. ANDI as the main Colombian business association, ICPC as the cement business association and consultants were the external alternatives. It is interesting to recognize that during the 50 years studied, Argos kept open different organizational structures from which the company selected the one or the ones that they considered the most appropriate according to the type of formal rule and the stage, upon other considerations.

This paper presents examples of corporate political actions that Argos performed and the organizational structures upon which they relied to do so. After that, we explain how the company kept five organizational structures as alternatives to intervene. Finally, we present some final remarks and limitations of this research.

**Argos: a cement company that became a powerful political actor**

*Compañía de Cemento Argos S.A.*, is a cement company founded in 1934 in Medellin, Colombia. From there on, it has become a business group since it has acquired and founded different cement companies. They have backward and forward integrated their activities by controlling mining operations and distribution channels. It has come to be one of the most important companies in the country; employed around 11,000 workers in 2007. Argos has 51% of the market share in the national cement industry (Argos, 2007, p. 7) and has ventured into several countries throughout the American continent (Argos, 2007, p. 9). Additionally, Argos is part of the so-called *Grupo Empresarial Antioqueño (GEA)* which is one of the most important business groups in Colombia (BCG, 2013, p.12). Without doubt Argos is one of the most recognized private owned companies in this country. Even tough Argos has international presence, this paper focuses exclusively on its operations in Colombia where this company originated, and it is headquartered.
Since Argos foundation, its managers were interested in influencing the Colombian institutional context. To do so, they participated in 1944 in the creation of a national business association called ANDI. As one of its founders Argos has participated in its National board of directors uninterruptedly from 1944 until 1960 and has returned to this management body in different opportunities. Afterwards, in 1973, Argos also participated in the foundation of a cement producer’s business association called ICPC. Argos managers were also active in this association. This shows that Argos has always been an influential actor in formal institutional matters.

Argos intervened in two kind of formal rules in the Colombian Context: protecting property rights and influencing on business regulations. This intervention took place in two different stages: the definition of the rules and its application. Both, the types of rules and the stages show the complexity of corporate political actions in an emerging country.

**Protecting property rights.**

With regards to issues that could threat property rights, Argos’ interests were represented by ANDI, which had a greater political power and ability to influence decisions from the government. When it came to stand by a governmental action ANDI would typically send letters of support, as they did in 1961 to president Alberto Lleras Camargo (from 1958 to 1962) and in 1965 to president Guillermo León Valencia (1992-1966). However, when property rights were not effectively protected, Andi wouldn’t hesitate to release a statement defending the interests of its affiliates. This happened with the constitutional reform of 1968, in which article 32 stated: “Free enterprise and private initiative will be guaranteed under the limits of common wealth, but the State will be in charge of the general direction of the economy” (Andi, 1967b, p. 1). Andi came out against this, claiming:

1) Common wealth is an equivocal term and not a univocal one, which could provide the basis for any intervention according to the concept that one has of it.

2) It is not possible to counter pose commonwealth with property and rights of individuals, as these are elements of commonwealth.

3) Empowering government to direct the economy is introducing an eminently socialist concept into the Constitution, which escapes the principles of the democratic theory of
state. Instead, the reform should say: “…the State will be in charge of the general orientation of the economy” (Andi, 1967b, p. 1).

The mid-80’s, were harsh for Colombia in general and a lot more difficult for Argos than the years before. It was a time of brutal confrontation between the Colombian State and Narco-terrorist groups, as the latter tried to build connections among the political establishment. In 1984 minister of justice Rodrigo Lara Bonilla was murdered, unraveling a war against the drug cartels. At the same time, illegal groups with far-right political views strengthened and targeted left-wing political leaders as well as guerrilla movements. This caused the groups with communist views to exacerbate the use of violence as well, resulting in a complex situation of public order that clearly overwhelmed the Colombian State. 1986 to 1990 was a time where shootings, bombs, and even presidential candidates being murdered, was not uncommon.

The situation for Argos was particularly hard, since most of their production plants where located in conflict zones and all these factories were declared military targets by the different groups operating outside the law. Nevertheless, the company always tried to manage communications in a way that avoided giving more prominence to this groups and continuously emphasized the need to appeal only to government agencies for protection. In relation to the State’s inability to defend the citizen’s life and property, Argos acted by generating requests to the local authorities (sometimes elevating them to the Governor or even the President) and by actively participating in state organisms within the area of occurrence of the event (E3).

The precarious situation of the country led to the need for a Constituent Assembly that wrote the Constitution of 1991. In this process, several issues including expropriation were discussed. However, even if ANDI did gather opinions and establish positions, the administration of Argos remained fairly distant. At that time, they were more concerned about the improvement of the overall hazardous situation, than of the specifics for their businesses (E1, E3). Also, Argos’ discrete participation in this process is explained by the fact that the company was never worried about Colombia being an expropriator State, but of its inability to defend life and property from opportunistic third parties (E3). Therefore, they were concerned about the application of the law rather than its enactment.
After 1991, came a period of relative public order in comparison with the previous five years. In 1994, Ernesto Samper Pizano was elected President (1994-1998) and was accused of receiving money from narco-terrorists to fund his presidential campaign. His campaign director and former minister of defense, admitted that the President had full knowledge about the origin of the funds. In consequence, most business associations (including Andi) suggested that the President should resign. However, three of the most important business groups in the country (Grupo Ardile Lulle, Grupo Empresarial Bavaria, Organización Sarmiento Angulo) decided to back Samper, and Argos joined them (E1). Finally, Samper Pizano got to complete his four-year period. As was to be expected, this deeply weakened the government and the State’s legitimacy and strengthened the guerrilla organizations (Rettberg, 2003).

Thus, this political scenario and the fact that the economic model was shifting away from a closed to an open economy, insurgent groups intensified their attacks against the Army and the civil society. Argos’ operations were again extremely affected by this terrorist activity. Accordingly, the company tried to find a way to help the Colombian Government to protect the people and their property from this war. Argos openly supported the pursuit of a negotiated solution to the conflict, which by that time meant backing Andrés Pastrana Arango (1998-2002) in his presidential aspirations. Argos stated in 1998:

Moreover, we note with great interest, and give full support to the efforts that are being done, with the general consensus of various levels, in search of peace agreements with the rebels, whose successful completion will bring advantages of many kinds to our country by allowing accelerated growth to resume, with great benefit to the community. If this is achieved, there will come a stimulus for the economy and a better standard of living for the lower-income population (Argos, 1998, p.7).

Through the negotiations, Argos, as well as President Pastrana and most of the business people, intended for a reintegration of the rebels to a civil life and the end of a conflict that had continuously attacked the life and property rights of Colombian people. Dialogues started, and as a part of the government’s negotiating team was Nicanor Restrepo, President of Suramericana de
Seguros (An insurance company part of GEA) and chairman of Argos. By 2002, the negotiation process was terminated by President Pastrana due to a lack of acts of peace by FARC (Fuerzas Armadas Revolucionarias de Colombia) guerrilla. They had recently hijacked an airplane during a commercial flight, kidnapped 12 deputies, as well as presidential candidate for the 2002 election, Ingrid Betancourt. Also, the country learned that the demilitarized area had been used by FARC to strengthen their finances and military operations. These guerrilla group started to grow and control vast fractions of the territory, even getting close to the cities. Parallel to this, paramilitary groups had intensified its illicit activity (Restrepo, 2011).

The evident failure of the dialogues for a negotiated solution generated a twirl in the general opinion of the business class, including Argos, that now wanted the Government to protect their property and life by keeping a firm hand with criminals. Therefore, Argos decided to back Álvaro Uribe Vélez (2002-2010) for the presidential election of 2002. His whole proposal was built around a concept he called Democratic Security, in which the protection of Colombian citizens and property (both private and public) would be prioritized (Villegas, 1999b).

With the support of Argos and most of the business class, Uribe Vélez won the election and became President of Colombia. Soon, results started to be noticeable and some level of trust was reinstated in the civilian society. The company stated shortly after the beginning of Uribe’s term:

The change of government with the strong impulse towards the recovery of security, and approval of major reforms in Congress seem to have marked the beginning of the process of economic recovery and provide grounds for increasing optimism about the future of the country (Argos, 2002, p.7).

Argos’ had a strong commitment to the recovery of security as a way of ensuring a shield to property rights. In 2002, the government passed the decrees 1838 and 1839 in which a new tax on equity was created. The resources collected from the new tax revenues were destined to improve the State capability of providing security. The company strongly defended the creation of the new taxes, even when they had to make additional contributions: “The action and the strong encouragement of the Government has had the support of public opinion and citizen contribution through various taxes, expected that all this effort results in the best medium-term results” (Argos,
2002, p. 7). Argos was more than willing to pay if that meant that the government would be able to control groups that operated outside the law, thus protecting the lives and property rights of its citizens.

During 2003 and 2004, the government started a demobilization process with Autodefensas Unidas de Colombia (AUC), the biggest paramilitary group in Colombia. The company supported this process through the representation of ANDI, but emphasized the importance of closely monitoring two issues. The first one was the reintegration to civil life by the members of the illegal organization; and the other was the creation of “Ley de Verdad, Justicia y Reparación” (Villegas, 2004, p. 5), which was the piece of legislation that would seek to assure achievement of truth, justice and reparation for all agents involved in the conflict.

In the following years of Uribe’s mandate (2002-2010), Colombia was able to regain control of most of its territory, widening the presence of the State in every region. As a consequence, criminal actions against the life and property of Colombian citizens decreased considerably. Argos operations where obviously benefited, as did most of the industries. This led to a period of accelerated economic growth that lasted until the worldwide financial crisis of 2008. Argos developed a certain way of approaching these issues, resulting in a much more organized and efficient corporate political activity.

Clearly, the continuous strive to protect rights related to property is a key activity for a company like Argos in the Colombian context. Property rights have been compromised, and the Colombian state has hardly been able to defend the lives and property of its citizens. This is why Argos had to define ways of acting and has established an organizational structure from which to speak about this type of rules. As evidenced in the referred situations throughout the country’s history, the company has had to intervene both in the definition and the implementation of formal rules, when it comes to defending the property rights.

**Intervening business regulation**

Threats to property rights are frequent in Colombia compared to other countries. Nonetheless, business regulation also changes frequently. In general, business regulations are dependent of the dominant economic model. Between 1960 and 1991, the imports substitution model (closed
economy) promoted by Comisión Económica para América Latina (CEPAL) was the framework for formal institutional changes. After 1991, the open economy model inspired some deregulation but other subjects like environmental became a big concern and a matter of regulation.

**Intervention under the import substitution economic model.**

In this economic context, issues such as taxes, price control, changes in labor law, among others, demanded Argos corporate political actions to seek its greatest benefit or, minimally, to avoid adverse effects. In Colombia, there is a high variability in tax rules. In 1960, Law 81 was passed, a new statute taxed not only the profits of the companies but also the dividends received by the shareholders. Benefits for non-traditional exports were also established in this law. In the concept of Argos, this standard had mixed effects for the company's results. For Argos, the levy on dividends affected it doubly: on the one hand, the company possessed a significant number of shares of other companies, for whose concept it received dividends, and, secondly, this measure made less attractive the acquisition of shares for investors. That is to say, the emissions of shares were limited as a financing source for the company.

In the process of the definition of Law 81 of 1960, the interests of Argos were represented by ANDI. This business association, on behalf of the national industries, conducted studies and defended interests such as capitalization of companies, the elimination of wealth tax, implementation of the reserve for asset protection, the special credit to profits from export, as well as the tax exemption for the basic industries. Facing reform tax, ANDI also criticized that much of the taxes would fall on very few, implying that it was the industries who paid a considerable portion of the operation and investment of the State (Uribe Escobar, 1964, p. 40). Undoubtedly, the alignment of affiliates' interests against tax reform made possible the actions from Andi.

In order to get the dividend tax dismantled, Andi participated in the different stages of the process. They advanced studies that were publish in newspapers to establish their position in front of the topic. It intervened to modify this law; However, it did not achieve the goal of eliminating double taxation. Andi took advantage of the studies and other documents as a means of presenting and justifying their proposals for modification. In the "Andi Memorial to Senate commission III", the position of the country's industrialists was presented in front of the tax Reform project, and the referral document stated that "We do so with the greatest spirit of cooperation and with the
sincerest interest in the progress of the country and its industrial development " (Andi, 1960e, p. 8).

Argos’ actions against the reforms in the tax regulations were not limited to the definition stage. The company also handled the application of the same. When Argos claimed on law enforcement, he did it directly. Argos complied with the law; Nevertheless, it identified in the articulated of the Law 81 of 1960 the possibility of obtaining tax benefits of consideration. At this stage a process of claims of exemptions was initiated, that is to say, to seek that the application of the law was favorable to Argos objectives. To apply for the exemption, the cement companies of the country — specifically those of the Argos, Samper and Diamante Group — decided to act in coordination (Argos, 1961, S/p), and thus press to achieve its goal. The option of Argos to intervene with the other cement companies of the country can be understood as its search for reaching greater negotiating power than it had, as a company. It is clear that Andi did not, by general policy, assumed particular causes of the Affiliates (Poveda Ramos, 1984).

The longed-for elimination of double taxation was a shared purpose by the different corporations in the country, much of which were affiliated to Andi, who assumed this cause. This is how in the Andi news (Andi, 1967a, p. 1) a study on the so-called double taxation was presented, in which the Colombian situation was compared to the Mexican. The report concluded that this tax was inconvenient for economic growth, and especially for the strengthening of the corporations. This action, which sought to promote change in legislation, was assumed by ANDI, which, for this purpose, encouraged its specialists in tax issues. The specialists advanced different research, and the association's stance was sustained in its results. The demands and studies related to double taxation, both of Argos and of ANDI, were not heard, and by means of Decree 1366 a new tax rules were approved.

In addition to tax issues, price control motivated different Argos corporate political actions between 1960 and 1991 (Argos, 1991, p. 7), year in which for a time the cement companies were authorized to set the price of their products. In the face of price control, Argos intervened looking for changes in the rules and their application. In relation to the definition of the rules, Argos sought to modify the control system and intervened to have the cement excluded from the list of the
primary needs. In the implementation stage, Argos criticized the way how the Government processed the price increase requests — both in terms of the time required to analyze the application and the decisions that were taken in this regard — since they were often assigned differentiated prices per company. The price control was one of the measures of intervention of the Colombian State on the economy. Price control of primary needs products, including cement, was a frequent demand of some groups (labor unions, for example), and the State agreed to their requests (Arévalo Hernández, 2001).

The *Superintendencia de Regulación Económica* was created by the Decree 1653 of 1960, as an organ of the executive branch, which was commissioned, to set the prices of the primary needs products, among them, the cement. Price control was disastrous for Argos because it affected its operational results. However, Argos' first demands in relation to the changes in the rules sought to modify the control system, in such a way that it allowed flexibility in its definition. In the first steps to seek the modification of the price control system, the leadership was taken by Andi. Without a doubt, until 1960 it supported a modification in the control system; However, this stance changed due to the conflicts that arose between the affiliates. In contrast to what happened in relation to tax reform, in which affiliates' interests agreed, price control faced groups against each other. This is the reason why Andi's action on the issue of price control would be suspended shortly after. Due to this situation, Argos and the group of cement companies associated with it would assume directly what was related to price control. Later, Argos would also rely on ICPC to intervene in his representation in relation to price control.

The purpose of eliminating the control of prices motivated the coordinated actions of the cement companies of the country. Price control became a common cause among them. It is interesting to note how the rules promoted the links of companies that in other circumstances would have been recognized as competitors. Argos achieved, through the ICPC, the definition of a system that allowed the automatic adjustment of prices, and it was at that time when the price readjustments was assigned to municipalities. It was only in 1991 when finally, Argos and the other cement companies were able to define the price of their products: "In addition, the legal regime to which this industrial segment is subjected, went from freedom regulated to probation, and finally to freedom of prices, which currently governs" (Argos, 1991, p. 7).
In addition to tax issues and price control, Argos also intervened in labor matters, as these have been of special interest to Argos. Certain rules (of individual character) involved larger payments to employees and made it difficult, if necessary, to carry out layoffs. These rules led companies to maintain large reserves, which were always insufficient to cover severance payments. For its part, the collective legislation had effects on the company-labor unions relations, and for Argos, as well as for other industries, maintaining the operation under way in the shadow of labor disputes was a challenge. The labor union strikes affected production and impacted directly on the financial results. The strength of labor union movements in these years was of consideration, which certainly concerned companies (Cuéllar, 2009).

Argos kept silent in the face of labor rules, which contrasted with what happened in other normative issues (E5). As the company maintained a prudent stance, actions on changes in labor rules were delegated to ANDI. On the other hand, what had to do with the application of the labor rules was assumed by the company. In some cases, Argos also was assisted by ICPC, especially when the actions coordinated by labor unions led to the paralysis of all the Colombian cement companies. In the face of changes in labor rules, Andi played a proactive and also reactive role. Sometimes, it reacted to the bills considered against of the interests of the industries.

In January 1963, Cairo, an Argos Subsidiary, had to deal with a labor union strike. The negotiating process was difficult and lasted for more than two months. By that time there was scarcity of cement in several regions of the country and the executives of the company requested the intervention of the government. Given that the legislation obliged the protection not only of those who were on strike but also of those who wanted to continue working, the government of Departamento de Antioquia ordered the public force — members of the army — to guard those who transported cement or raw material to and from the Cairo plant. A caravan was attacked, and the public force responded, possibly excessively. This confrontation, according to Ospina (1984, p. 104), left eight people dead and several dozen wounded. In addition to these losses, the company was subjected to all kinds of questioning. Obviously, this bitter experience warned Argos about the importance of staying away from situations that would affect the company’s good name.
Workers' strikes were the main concern at that time. As for the labor, and in front of the strikes, Argos acted directly before the Labor Ministry. However, Argos also appealed to the ICPC to intercede with the Ministry and to claim the declaration of illegality of the Labor movement (E4). The application of the collective labor rules became an important learning process for Argos. Perhaps this situation has left its mark on the policies established by the company on the application of the rules, not only in terms of labor, but also in the face of property rights, when different human groups were involved.

On the other hand, and in the context of import substitution economic model, Argos and other associated companies had to import machinery and some raw materials to ensure the supply required by the national market. Between 1962 and 1967 obtaining the import licenses was a wasteful process and became a cause of claim. For these claims the different Argos subsidiaries sought for Argos, as a headquarter, for support to achieve the so needed licenses. In turn, Argos sought support from Andi to raise claims for delays in licensing. Andi assumed a position of vigilance on the operation of the Superintendencia Nacional de Importaciones and kept its affiliates informed about those companies that had obtained licenses and the amounts that had been approved. This information was published in Andi bulletins, and with this action they sought to avoid abuses. The claims were not the responsibility of Andi; However, in the face of imports, this association participated "quietly" (Poveda Ramos, 1984, p. 98). Andi took care to advance applications on specific issues for some industries, although it supported the elaboration of studies that accompanied the import records.

**Intervention under the open economic model.**

Those who expected less state intervention in the economy as an effect of the open economy model in Colombia, were not right. The State continued to intervene on the business context. Nonetheless, there were changes on the issues on which the State intervened. For example, environmental and mining concerns gained relevance, while tax and labor continued as important subjects of regulation. On the other hand, price controls continued motivated by antitrust legislation.

Issues such as Labor and taxation after 1991 continued to be the subject of reforms and discussions. It seems that in Colombia until 2007, every new government came with a tax reform. In terms of labor, unemployment rates led to a number of changes in legislation; In addition, more flexibility
was given to labor contracts. Besides to tax and labor, environmental and mining legislation changes were of particular importance for Argos.

In other matters such as trade agreements, after 1991 the Colombian State participated in some negotiation and Andi intervened. Argos recognized that trade agreements were not of their particular interest. For example, in the face of the free trade agreement with the United States, Argos commented: "Cement enters the United States with zero tariff, so there is no reason to do so" (E9).

After 1991, Argos formalized and strengthened its internal capacity to intervene on the definition and application of the rules that regulate the business. However, this is not to say that the company is directly responsible for all its corporate political actions. It is clear that in this period Andi has retained some of its functions. Also, Argos has resorted to hiring consultants to forward actions representing the interests of the company. The ICPC was liquidated, and the motivation for it, may have to do with the application of the antitrust legislation in Colombia. Colombian cement companies were accused of carrying out product price agreements and one of the indications that the authorities exposed to make such accusations were the meetings of employees of the different cement companies, some of which were in ICPC office (E9).

Argos' corporate political actions on changes in Colombian tax legislation and its application, after 1991, were less intense since Andi was in charge of them. An indicator of this, is Argos silence in relation to the seven tax reforms that were processed in Colombia between 1990 and 2003 (DIAN, Office of Economic Studies). Andi was in charge of these issues but, the frequent tax changes motivated Argos to carry out actions that lead to the signing of a tax stability contract with the Colombian State. Also, Argos participated in the definition and regulation of Colombian free zones that would later serve to house a new cement plant in Cartagena.

In tax matters, law 49 was the first tax reform of the Nineties (Gonzalez & Calderón, 2002). This reform sought to stimulate the development of the capital market, reviving savings and investment. Argos recognized the benefits of this reform (Argos, 2001, p. 10). Just two years later, a new tax reform was passed, Law 6 of 1992. "According to the explanatory statement, these projects aim to
implement a social development plan and fulfil the commitments established in the National Constitution" (Andi, 1992a, p. 3). In this regard, Andi intervened, and they enumerated eight standards that were suitable for the country and ten that were notoriously detrimental (Andi, 1992b, p. 7). In 1995, another tax reform was approved, Law 223, which sought resources for the Samper Pizano government program. Having to face the possibility of a new tax reform, ANDI expressed the inconvenience of the frequent tax reforms. Three tax reforms in five years is a good sample of the Colombian institutional instability. Andi sought to modify the law project so that the reforms did not have negative effect over companies' competitiveness. ANDI also sought to simplify the tax rules (Ángel Arango, 1995, p. 3). However, the project went ahead without taking into account these considerations.

During Pastrana Arango presidential term, two tax reforms were approved, Law 488 of 1998 and Law 633 of 2000. The first reform "sought to define the competences of the territorial and national level in tax matters and to increase the tax collection" (González & Calderón, 2002). In relation to, ANDI acknowledged its participation on the debate, in which they tried to achieve simplification, transparency and fairness, but referred that there was still a long way to go (Andi, 1998). The reform of the year 2005 was announced as "the largest of the last decade" (Villegas, 2005, p. 2). Andi declared its commitment to institutional and cultural change and prepared and presented considerations elaborated by the Vice presidency for legal and Social Affairs of this business association (Villegas, 2005, p. 3). No doubt, Andi has retained its strengths in tax issues, and the alignment of the interests of its affiliates. It can be said that Andi was an authority on the tax issue in Colombia.

In addition to the changes in taxation at the national level, the departments (states) have also created tax burdens for companies domiciled in them. The pro-hospital stamp was authorized by law 645 of 2001 at the national level, and for the Departamento del Atlántico, Law 663 of the same year. This stamp law sought funding public university hospitals (Secretaría-Senado, febrero 20, 2011). This law authorized the departmental assemblies to "Determine the characteristics, tariffs and all other matters related to the use of the stamp in the activities and operations to be carried out in the departments and municipalities thereof" (no page). Backed by this law, members of the Assembly of the Departamento del Atlántico, instead of defining "as fact generator, the acts or
contracts where the departmental administration participates, in a shameful act they decided that the fact generator was the companies billing. Acting like this was like creating a new industry and trade tax” (E9). In view of this situation, Argos had to intervene and the Chief of Legal Affairs Officer (CLAO) was responsible for this, who was at the forefront of the process. It is clear that Argos intervened on the definition of the rules, and in this specific case they were preventing the approval of a new tax law. In the face of this situation, Argos sought the declaration of nullity of Law 645. For this purpose, they outsourced specialized consultants to lead this cause in the different judicial and administrative instances. Argos was aware of the importance of this processes and participated when considered it necessary. Public opinion had little interest in this Law and from this point of view it did not jeopardize the reputation of the company.

Besides seeking the declaration of nullity of taxes as referred before, Argos not only proposed and promoted the creation of a free zone regime, but also took benefit from it when they established a new cement plant of the company in Cartagena (E9). As it is recognized, these special territories have given rise to new investments, from different companies. In the process of proposing new regulations, Argos recognized the importance of spaces for discussion and concertation at the time of defining the rules. Plus, they highlighted the importance of an ethical posture, as good citizens, when the rules were promoted. In this logic, the rules do not have to go against of the companies’ interests. However, these objectives should not be the only ones considered when it comes to establishing rules for a country. The experience in the subject is fundamental to be able to advance these corporate political actions. In addition, it must be recognized that having access to the government is necessary (E9).

In 1995, Law 223 in its Article 169 opened the possibility for taxpayers — legal entities — to sign contracts of legal stability with the State. Argos did not intervene in the process of this law. But this law opened up opportunities for the company's new investments and they signed a tax stability contract with the government. Before this contract was signed, the company assured itself about this law constitutional validity. Based on this law, seven tax-stability contracts were signed, including Argos for the Columbus project in Cartagena (E9).
In tax matters, Argos has faced delicate situations because of the interpretation of the law, and in these cases the company claimed to the competent authority. In 2005, the integration of the cement companies of the Argos Group generated a conflict with the tax administration: "The first thing we did was to sit down with the tax administration, with the officials, technical dialogue, with respect, and taking documents from the General Board of Accountants" (E9). As it is recognized in this note, the work carried out by Argos in this claim stands out. Some company managers were the ones who were in charge of defending Argos’ interests, but also, the company relied on external consultants (E9). In this activity it can be appreciated the role that technical studies and concepts fulfill as means to support the company’s claims.

As previously outlined, Argos did not comment on changes in labor legislation but in this matter ANDI was looking for more flexibility (Villegas, 2000b, p. 3). From 1990 until 2007, labor union-company relations were more conciliatory. In a way, in labor issues Argos opted to play with its own rules inspired by international standards, and in some factors Colombian regulations were no longer enough for Argos.

In contrast to what happened in labor matters, the environmental regulation gained importance for Argos. Environmental rules and its applications became a priority intervention through corporate political actions. In the early years ANDI was the one in charge of these actions, and ICPC also intervened in specific subjects of the environmental regulation of the cement companies. After 2000, Argos chose to intervene directly on environmental regulations while ANDI followed up on the changes and kept the company's executives aware of the spaces for consultation on environmental issues. Besides, this business association supported Argos political actions with studies and technical concepts as well as with access to the government. It was common to see Argos intervening in previous discussion workshops. In this context, the political actions did not aim to impose a point of view, and Argos participated and tried to reach agreements that favor their interests (Bernal, 2010).

The price control issue remained as an important formal for Argos between 1991 and 2007. State intervention on cement prices in this period obeyed two different logics. On the one hand, it identified a decision of some politicians who considered cement as a means to advance
redistributive policies. On the other hand, we recognized the controls that have been established seeking the promotion of competition. Bill 199 of 2006 sought to control the price of cement justifying it as a way to benefit the popular classes. This bill was presented by the representative Muvdi Aranguena to the Third Committee of the House of Representatives (Camacol, 2006). The action advanced by Argos looked to prevent this Law approval, in this regard an executive of the company states: “we talk to the congressman, show him how the cement prices behave, what the company is doing for the country, and we expand the subject” (E9). In his concept, it is better to intervene before the law has been approved. This project would have had certainly had an impact on the company's economic results, and Argos sought to intervene in the discussion stage and prevent it from being approved. This activity was delegated to an external consultant with experience dealing with the Colombian Congress (E9).

In 2006, another situation demanded Argos interventions to avoid cement price control. At a critical time, in which the national government was expected to interfere in price, the Colombia’s President and Argos CEO, reached an agreement according to which Argos pledged to freeze the price. In this action, the CEO was the one in charge of representing the company’s interest, as in other cases, technical studies played a fundamental role in the decision. Besides, it was evident how the actions were accompanied by a communications function through which the company explained the motives for the price changes (E9).

Direct intervention by the CEO in the face of government’s sanctions can be explained from President Uribe’s way of ruling. It is clear that the communication channels between private companies’ leaders and the President in office during those years, were kept open. Additionally, as recognized before, Argos executives have had among their functions, those related to defending the company’s interests when the regulations or their application embodies threats. These interventions can be understood as a last resource and as an operational alternative for corporate political actions.

Anti-trust legislation has sought to control the concentration of property in an economic sector, as well as restrictions on competition. A case of this situation had as actors the cement companies competing in Colombia and Cementos Andino as a new challenger. At the turn of the century, the
The cement industry in Colombia had three large competitors: Argos, Cemex (Mexican Company), and Holcim, owned by the Swiss company of the same name. Additionally, there were smaller competitors like Andino. Between 1995 and 2005 the price of cement fluctuated frequently, and periods of price wars were followed by stages of prices rises much higher than that of inflation. In 2005, Cementos Andino sued Cementos Argos, Cemex and Holcim for alleged unfair competition. It was argued that the large cement companies had agreed to sell their products at very low prices to eliminate the smaller rivals (Brundell, 2005). In this case, Argos interests were defended by the companies’ lawyers (E6).

The referred cases show how the company has intervened directly and has done so at the different branches of the political power in Colombia. The fact is that it is not only a matter of defending themselves against specific demands but also of determining the scope of competition rules that set the precedent for future actions.

In relation to mining issues, Argos has maintained an old relationship with the Colombian State. The concessions of calcareous deposits preceded even the foundation of the company, and the creation of other cement companies was accompanied by the search of deposits and by obtaining permits of exploitation in the calcareous zones. In addition to the cement, Argos had investments in coal mines and in concrete businesses. For all these businesses, mining regulation is a determinant (Argos, 1998, p. 16). "Argos has 189 mining titles of limestone, of aggregates…We have just bought a large mine of aggregates in Tolima and we are very active participants in the whole topic " (E9). All Argos businesses imply to be aware of mining rules changes. While Argos maintained its relations with the Government in mining issued through ANDI, in 2007, Argos chose to complement its intervention with that of top managers and with the assistance of external consultants. Argos has defined procedures to anticipate changes in the rules and thus, decide if it is justified to intervene or not in the rule change discussion (E10, E11, E12). In some cases, Argos worked in a coordinated manner with other members of Andi Asomineros Chamber and with its legal committee. Andi was in charge of opening the forum for discussion in which the Law projects would be discussed and they hired specialists to inform about the definition of the mining rule. Also, at the stage of application of these rules, Argos recognized that it has had to advance claims,
especially for delays in procedures (E11). These actions have been carried out by both company employees and external consultants.

**Findings**

When Argos performed corporate political actions it relied upon five different organizational structures: Argos as the headquarter and its subsidiaries are the two internal options. ANDI as the main Colombian business association, ICPC as the cement business association and consultants were the external alternatives. Sometimes they acted independently while in others they combined these different organizational structures, looking for the most suitable to address the institutional issue of its interest. This range of organizational structures possibilities has changed over time (see figure).

*Figure* Structural alternatives for corporate political actions between 1960 and 2007

Prepared by the authors.
Argos, as an alternative to carry out corporate political actions, has had access to the Colombian government. This access was strengthened after 1977, when GEA emerged. This power allowed Argos to intervene subjects related to tax reforms, import licenses, price control, property rights and environmental matters. Argos also intervened through its subsidiaries. This has been the operative alternative for political actions when claiming for regional legitimacy, which is of great importance for asking for property rights protection. Subsidiaries intervened in issues related to property rights, and during the 1960’s were an important alternative for dealing with price control. In 2000, when Argos acquired Cementos Paz del Río, this subsidiary assumed Argos representation since this company had political abilities developed during the years when this company was government owned. Besides, Cementos Paz del Río was domiciled in Bogotá.

Within the external organizational structures, Andi stands out as a representative of Argos interest. It intervened in subjects like tax reforms, import licenses, labor legislation, property rights, environmental, mining and price control. Andi’s reputation may be related to the number and quality of its associates as well as the national causes it has defended and the political positions it has assumed. Even though, Andi has been an influential actor in institutional matters, it also limited its interventions to some subjects in order to maintain the harmonious relations between its affiliates. This business association always understood the importance of gaining the respect of public opinion, of building legitimacy, and in their statements there were frequent references to national interest. Andi had on its payroll well-known specialists in tax and labor issues of interest to all the affiliates. Andi has had numerous affiliates, which undoubtedly contributed to its negotiating power in the face of the Colombian state. However, the number of members as a strength has a shady side: the divergence of interests when faced with a change in the regulation of different economic sectors. This way of acting, among other things, has given it a legitimacy that allows it to be recognized as a valid interlocutor in different processes of the formal rules of the game. Perhaps the most outstanding are those in which the democracy has been at risk like constitutional reforms and negotiating processes with groups outside the law.

The cement industry business association (ICPC) had also represented Argos interests. This association was founded when the cement companies needed someone to represent their interest when price control was in effect. This specialized association also intervened when the cement
labor' unions threatened the normal operations of cement companies. ICPC gained recognition as a specialist in cement technical subjects due to them researches, documentary center and academic events they financed, among other actions. In the period of time studied, it was possible to recognize how this cement business association was accused of promoting colluding activities.

The last external organizational arrangement are consultants. Argos has relied upon this external alternative especially after year 2000, when needing a low profile. Consultants were in charge of representing Argos interest in mining and price control matters. Argos trusted their experience and their ability to keep the company represented in secret. These two characteristics were important especially when Argos sought to block some rules.

To choose between options Argos took into account both, the institutional issues and the capabilities of each organizational structure. This is how the ICPC specialized in pricing, while Andi did the same in matters such as tax and labor, among others. Argos worked especially in relation to the stage of the application of the rules. Undoubtedly, Andi had a greater negotiating power in the face of the Colombian State.

In addition to business regulations Argos had to deal with property rights. In the face of this issue, much of the corporate political actions were focused on the stage of application of the rules, because, as has been presented, the Colombian State inability to control the opportunistic action of third parties. The application of the rules was an issue of which Argos acted directly before the representatives of the State in each region where there were public order problems. The control of property rights had two critical moments — between 1986 and 1991 and between 1998 and 2002 — and in these periods the company had to intervene and defined policies through which it has maintained a direct relationship with the Colombian State.

In 2000, Argos centralized the operation of Cementos Paz del Rio (CPR). This initiated a process of strengthening the internal capacity of the company to intervene on formal rules. CPR had an area specialized in dealing with formal institutional issues, which supported the creation of a specific functional area within Argos. This greater capability allowed Argos to intervene in rule changes but also in proposing new rules. In 2007, Argos had a chief legal affair officer, responsible
for corporate political action, but clearly, the company’s CEO played a leading role in these matters. Although Argos headquarters were preserved in Medellin, it had an office in Bogotá in charge of corporate political actions.

**Final considerations and limitations of this study**

Business group is the name multibusiness’s corporate literature uses to differentiate the ones from emergent market from those of the Anglo-Saxon context. The business group is defined as a multicompany firm which transacts in different markets, but which does so under common entrepreneurial and financial control and their existence has been explained upon two conditions: ties, formal and informal, and coordinated action. Some researchers have started to study coordinated action, where besides market issues, business groups have to address ever-changing formal institutional contexts. The corporate political actions that business group perform to moderate the effects of unstable institutional context is the subject of this paper. The perspective for researching about this action follows Chandler’s Strategy and Structure path, when we focus on corporate political actions and the organizational arrangements that support them. For studying managerial action, historical methods are powerful. This research analyzes the case of Argos, a cement company between 1960 and 2007. Argos is head of a business group, and at the same time, part of one of the most powerful business groups in Colombia. This research shows how Argos dealt with two kinds of formal rules: those that guarantee property rights and those aimed at business regulation. Also, that they intervened in two different stages: rules definition and their application. As to the organizational structure from which it intervened, not one but a variety of organizations and functional areas were identified.

Historically, Colombian institutional context has been considered unstable due to its ever-changing business’s formal rules. Besides, the Colombian government has not been able to effectively ensure the presence of state throughout the nation’s territory. This has led to the emergence of several insurgent groups that have fueled a 60-year-old war and constant political instability. As a result, Colombia has failed to fulfill the constitutional mandate of protecting the lives and property rights of its citizens. It has been, of course, enormously hard to conduct business under such a hostile environment.
For Argos to thrive in this context, it has performed a variety of corporate political actions. They have deeply influenced the ways in which the Colombian government has defined formal rules for the cement industry. Even if it was directly through the company’s means, or indirectly through Andi and ICPC, Argos has assessed issues regarding taxation, labor law, imports regulations, among others. However, Argos’ CPA differs from that of companies headquartered elsewhere, especially in developed countries, mostly because it has operated in a country with a large and harsh history of violence and problems to control public order. Therefore, Argos’ CPA has had to influence not only the rules that define their industry, but also the creation and application of laws that seek to strengthen the State’s ability to effectively protect its citizens and their property.

This research emphasizes on business groups non market strategies and leaves out corruption and other implications of corporate political actions for the Colombian institutional context. Undoubtedly, this is a limitation of this document. Corruption and its effects on society of this corporate political actions, and even, long term effects of this actions on the continuity of the business group, are interesting subjects for future research. In addition, to these suggested research topics, another important topic to study would be that of the public communication aspects of these corporate political actions.

**Documents**


**Interviews**

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