

Public-private partnership

INTERVIEW WITH ALBERTO C VOLLMER

EXECUTIVE PRESIDENT, CA RON SANTA TERESA

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Your company has had a long and distinguished history as a family enterprise in Venezuela. What influence has the 'family corporate model' had on the success of the business?

As you say, CA Ron Santa Teresa is an independent, family-owned Venezuelan company with some 200 years of tradition. The company started in 1796 at a Hacienda founded by the Count of Tovar y Blanco. In 1885 my great, great grandfather bought the Hacienda, adding to his already vast land holdings. He turned the uncultivated farmland into sugar cane fields and two of his sons developed and industrialised the process of rum production. The business soon prospered and began to expand into global markets.

I became Chief Executive in 1998 at a time when my father was Ambassador to the Holy See. The company was at that time in the hands of professional management and had fallen into financial and managerial crisis – in fact the company almost filed for Chapter 11 bankruptcy protection and my brother and I took over the reins of the company with the aim of pushing through a major corporate restructuring.

Our strategy was to focus the company on its core competency of rum production and sales. We rationalised the portfolio of brands – closing 262 different products, leaving just seventeen. The results improved quickly and we restructured the shareholdings, bringing in an international partner. The restructuring was a very difficult process and hard decisions produced social issues which led to my interest in social responsibility – an issue which was always at the heart of our family business model.

What are your key strategic objectives for the company, particularly with regard to international expansion, and in what areas do you feel you have a competitive advantage?

Our key strategic imperative is to grow exports to some 50 per cent of total sales. We are true believers in building a global brand which will further strengthen the foundations of the company. We are market leaders in Venezuela so the natural progression is to build the brand internationally.

Our primary international market is Spain, which has a long history of rum consumption and where the market is enjoying double digit growth. The United Kingdom is another key market – it is very sophisticated

and cosmopolitan and represents a wonderful showcase for the rest of Europe. We see continental Europe as the natural springboard into Eastern Europe and Russia. We are also very interested in China and India and see enormous scope for our brands in these markets.

In terms of our competitive position we believe that we have a singular and clear advantage in the quality of our products, and that quality is backed by two hundred years of heritage and authenticity.

Apart from maintaining the brand values and quality of Santa Teresa what are the key benchmarks by which you judge the success of the company?

This is a good question, and my belief is that one of the key benchmarks for success revolves around people. We need to attract, train, motivate and retain the best possible talent throughout our business. I am adamant about the importance of human resources.

Another important benchmark is to ensure that we have the right corporate structure to allow us to achieve our strategic objectives – to maintain and develop our leadership in the premium rum category. This will involve a three-pronged strategy, with international, headed by my brother Enrique, the manufacturing side and thirdly, the domestic Venezuelan division.

The third key benchmark is to achieve the forecast growth and efficiency indicators.

You mentioned the importance of the Venezuelan domestic market. What is your perspective on the current challenges facing the Venezuelan economy?

I think that the first challenge is to ensure an open, transparent and cordial dialogue between the private and public sectors with the objective of working towards a common objective. I am very optimistic that this can be achieved and this represents a great opportunity for President Chávez.

The private sector believes in the future of Venezuela, generates considerable employment and is committed to giving of their best to the country. I believe that the government side is convinced that the private sector has a vital role to play in the development of our country and the challenge is to achieve the right balance between both sectors. In the past, the private sector has invested about half that of the public sector

– the great challenge for Venezuela is to reverse that statistic. Investment decisions are based on confidence and trust, and these pre-requisites can only arise from a sound public-private sector dialogue based on a clear set of rules. I believe that this is achievable within the next five years but will require good faith and respect from both sides – this is an historic opportunity for President Chávez.

How do you see Venezuela's international role, both in the Latin American and global contexts?

Venezuela has always had a very independent nature and this national characteristic lends itself to leadership – Venezuelans are creative, adaptable, clever and understanding people, but these leadership qualities need to be enhanced through better education and cultural learning. So, if Venezuela is to attain a Latin American and global leadership position we must harness the great qualities of the Venezuelan people.

You have done much to promote the concept of corporate social responsibility in Venezuela. Please outline your vision of 'community investment'.

I believe that Venezuela, and indeed much of Latin America has an enormous social debt – the poor and dispossessed. President Chávez is underlining the importance of this challenge – to ensure that there is equal opportunity for all the people. The context of poverty in Latin America and Venezuela is unique and we must find our own solutions.

I do subscribe to the adage that 'miracles happen' and we can eradicate poverty if we integrate, involve and commit people to solving the social debt and liability. This is a debt which is so huge that it cannot be solved by government alone – the private sector must also be willing to address the challenge.

The private sector can help in a number of ways to give people the tools to raise themselves out of poverty and strengthen the value system. This concept of corporate social responsibility must be part of the public-private sector agreement and be in addition to our responsibility to pay our dues via taxation.

However, if the private sector is going to invest in attacking and eradicating poverty, the public sector may have to make concessions – not necessarily by lowering taxation but by engaging the efficiency of the private sector in infrastructure, education, healthcare, security and so on. This will, I believe, produce a win-win formula.

For example, a few days ago I was called into the ministry of Interior and Justice and asked to be part of a Security Commission to help reform the police force and enhance its ability to fight crime. This is an enormous step forward and shows that the government is serious about creating a public-private sector body to address social problems.

You clearly see 'community investment' as part of your responsibility as a business leader. Is this philanthropy, or is there a business rationale?

There clearly is a business case but the dividends will accrue in the long term. If one eradicates poverty this will produce more consumers who will drive economic growth. We have also seen a significant multiplier effect from our community investment. So, for example, a reduction in drug use lessens the burden on the healthcare system, allowing more resources to be directed into education.

What is your most outstanding 'community investment' project?

The project of which I am most proud is NGO Proyecto Alcatraz, which is a non-governmental organisation which we have established to recruit gang members with behavioural problems in the Revenga Municipality, in the State of Aragua.

It all started in 2003, when one of our security officers was assaulted and nearly killed by a group of gang members. We had to respond and we only had three options: to do nothing, to respond with force or to take a long-term approach and establish a dialogue with these gang members. We felt that the intelligent way forward was through dialogue. We offered gang members employment in return for housing and food. One of those who accepted this offer was a gang leader and he brought his entire gang of twenty-two members. The experiment was very successful and we subsequently recruited a further six gangs who asked to join the project – there are now 150 criminal gang members in the project and the crime rate in the area has decreased by 70 per cent against an upward trend in the rest of Venezuela.

Our objective was to transform violent leadership into virtuous leadership. These gang members are natural leaders who have put their lives on the line to serve their own interests. The key is to convince them to serve a common interest – they are the solution to the problem.

What leadership lessons have you learnt over the years?

I believe that true leadership can only be formed in conflict. Conflict provides the environment for learning about leadership – leadership is about adapting quickly and seeing the best way out of a difficult situation. In this respect Venezuela is a great university! On a serious note, I am deeply appreciative of being able to live in Venezuela and learn so much from this country. The Venezuelans are very understanding people and have great respect for each other, and respect is the beginning of leadership and also the beginning of value. **F**

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