Molson versus Kaiser: A Case of Unsuccessful Acquisition

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ABSTRACT

Intended to be used in International Business graduate or undergraduate courses, the teaching case Molson vs Kaiser describes the unsuccessful acquisition of Brazilian Kaiser beer producer by the Canadian brewer Molson. It confronts the students with the problems that Molson incurred when it hired executives from a Brazilian competitor. The literature on mergers and acquisitions has since long attributed to the lack of cross cultural competence, parochialism and ethnocentrism much of the blame for the failures of multinational companies when they try to diversify geographically. A common recommendation on how to perform better abroad is to avoid bringing in people from headquarters and prefer local managers who supposedly are more knowledgeable of the host country institutions and behaviors. As national cultures are far from uniform and organizational culture can vary dramatically from one company to another, the acquiring company can end up incurring in more difficulties by hiring locals than if they had managed the acquired company themselves. So, the present case offers to the students an opportunity to discuss this issue that has been overlooked in the research and brings in a counterpoint to the literature that tends to blame ethnocentrism and ethnocentric Human Resource policies for the failures in acquisitions.

INTRODUCTION

From his office, in downtown Montreal, Daniel O'Neill Molson's CEO reflects on what has gone awry with his decision of acquiring Brazilian Kaiser in 2002. At the time of the acquisition, it seemed the obvious move to make and Molson´s share rose 50% in three months following, hitting an all-time high in May. But in early 2006, after his company has lost almost a billion dollar in one of the most costly blunders in international takeovers, everybody was crying fool blaming him for the "obvious" mistakes he has committed.

ANTECEDENTS

Molson is a centenary Canadian brewery with its headquarters located in the bilingual city of Montreal, Quebec. It has been controlled since its foundation by the Molson family and competed in its home country basically with another Canadian brewer, Labat, in a duopoly market situation with each firm detaining about 40% of the market.

Molson's Chairman since 1974 was Eric Molson, who controlled almost 45% of the company voting stock, with Ian Molson, his distant cousin, who controlled another 10% as his deputy. In 2004 Ian, who was expected to succeed Eric, stepped down from the board after clashing with him.

At the time of Kaiser acquisition by Molson, the Canadian beer market was estimated in 23 million hectoliters a year and was quite mature, which means it was growing slowly. Worldwide, Molson ranked 15th in the beer market that was consolidating rapidly, with many mergers and acquisitions. Molson had a weak position in the American market as well as in all others outside its home country and its dependence of Canada and low globalization were seen as a main weakness.

Daniel O'Neill was Molson's CEO at the time of the acquisition. O´Neill arrived at Molson after working twenty years in consuming industries. He had at least eight years of

international experience, four of them in Brazil alone, where he had lived while working for Johnson & Johnson after graduating from an MBA. During the period Molson controlled Kaiser, he spend a lot of time in Brazil, where he would come at least once a month for a whole week. From the very beginning of the Molson operation in Brazil he impressed the reporters and many analysts as someone that knew quite a lot about the country and the beer business in it.

At that time O'Neill said in a press release:

> *"This transaction strengthens Molson's continuous commitment to delivering long term shareholder value…This transaction should be accretive to earnings in year one…We feel the opportunity is immense, as Kaiser offers many of the same efficiency opportunities that Molson had in Canada three years ago". (CBS News, March 18, 2002)*

THE ACQUISITION OF KAISER

The acquisition of Kaiser was not Molson's first movement in Brazil. In 1999, when Brazilian brewer Brahma bought Antarctica, giving origin to Ambev in a polemical move that left the new firm with 70% of the Brazilian market, the local authorities demanded that the newly formed company let go some of its brands in order to authorize the operation. Molson then made its firsts inroads into the Brazilian market by acquiring Bavaria, then having 3.1% of the market, one of the brands that Ambev had to sell.

Molson Inc bought Brazilian Kaiser in March 2002 for US$ 765 million. At the time of the acquisition Kaiser was the number two beer producer in the Brazilian market, the fourth biggest of the world. At the time Molson passed Kaiser forward to Mexican brewery Femsa, in January 2006, its market share had dropped significantly. In the mean time, for two years in a row, Kaiser had experienced losses of around US$ 100 million, which affected quite negatively its value in the Canadian' stock market and the career of the executives that were involved in the deal.

In 2004, analysts from prominent Canadian investment research companies put forward declarations like those bellow:

> *"Selling beer in Brazil is a business they don't understand. They have already been hammered."* (DeCloet, 2004)
>
> *"They don't belong there. They don't understand the country."* (Anderson, 2004, p. 32)
>
> *"I think Molson got the model wrong for Brazil."* (Silcoof, 2004, p. 6)

Kaiser was founded in 1982 by Luis Otávio Possas Gonçalves – one of about twenty bottlers and distributors of Coca-Cola in Brazil. He envisaged, in the possibility of producing and distributing beer, both an opportunity and a way to improve his competitive position against Brahma and Antarctica, two then independent breweries with strong positions in the soft drink market.

By the time Molson bought it, Kaiser had become a thirteen facilities endeavor and represented 14% of the Brazilian market of about eighty million hectoliters a year. Kaiser beer

was sold and distributed around the country by the Coca-Cola bottlers, many of whom belonged to influential Brazilian families and groups and saw in it an interesting side line to their main business. The combination of Bavaria and Kaiser gave Molson a market share above 17% and carry in it a great potential for rationalization and synergy.

The Brazilian Beer Market

The Brazilian beer market was the fourth largest in the world and, with an average growth rate of more than 7% a year in the previous eight years, was one of the fastest growing, expected to surpass Germany as the third largest sometime between 2007 and 2010. Brazil had a population of more than 180 million, half of it under the age of 30, an attractive demography for any beer producer.

The distribution of the market among competitors, though, was a quite unusual one, with almost 70% of it belonging to just one firm - Ambev. The logistics of beer distribution in the country have been dramatically complicated due to the sheer dimension of its geography and the existence of about one million beer selling places.

The Management of Molson's Operations in Brazil

Molson designated to lead his expanded operations in Brazil Robert Coallier, who has been until then Chief Financial Officer for the company in Canada. Coallier adapted himself very fast to the Brazilian culture, surprising journalists by how fluently and with little accent he could speak Portuguese not long after arriving in Brazil.

Coallier hired at least two top ex-managers from Ambev as executives for key offices at Kaiser. The new managing team acted quickly and decisively to increase the recently acquired company profitability. Ambev's organizational culture has been well-known in Brazil for being strongly result oriented, informal, meritocratic, and for valuing initiative and creativity.

Within three months of the acquisition Molson closed down three of its thirteen plants, reducing its workforce of about 2.300 workers by 400. The company 2002 Financial Report states that the restructuring of the production facilities and logistic alone represented an investment of US$ 65 million.

The Battle for Market Share

At the beginning of 2004, Kaiser, in an effort to improve the positioning of its main brand, Kaiser Pilsen, decided to change its taste and launch a major advertising campaign. The initiative aimed to change the image of cheap beer that Kaiser had in many Brazilian states, selling poorly at bars and nightclubs were breweries made their higher margins. In the process, it also changed the advertising agency that it has used since long, Fischer and Justus, hiring in its place the not less prestigious Washington Olivetto's W/Brasil.

Olivetto publicly announced that Kaiser was investing close to US$ 50 million in advertising and point of sale efforts, an allegation difficult to verify. What is certain is that the exchange of agencies worried and displeased many of the bottlers, as Fischer and Justus had long worked for Kaiser and conceived very successful campaigns that were considered to have played a key part in the growth of the market-share of the company in the past.

A situation that contributed to the difficulties Molson had with its acquisition of Kaiser in Brazil was the aggressive marketing Schincariol, the brewery that ranked third in sales in the

country, adhered to during the period. The company adopted a slogan – Experimenta – (try it) and hired Zeca Pagodinho, a very popular Brazilian singer, to promote its brand. It invested massively in advertising on the major TV chains, outdoors and all types of media. Between September and December 2003 alone, Schincariol gained 5% market-share in the country.

The extension of the campaign raised suspicions that the company was only able to finance it because it did not pay all the heavy taxes that are imposed by the government on beer, a suspicion that gained credibility when the Brazilian Federal Police jailed a number of partners, directors and employees of Schincariol on allegations of tax evasion. Designed to capture market-share from leading Ambev, Schincariol's aggressive marketing certainly contributed to the failure of Molson in Brazil.

The Brazilian Currency

One bad surprise to the Molson's executives was the Brazilian currency. When the Canadian firm started to negotiate the acquisition during 2001, the exchange rate of the Brazilian currency, the Real against the dollar, was around 2.4. It was very difficult to predict it would get devaluated by 60% in one year, as it did. That it would afterwards rise in value year after year, until the exchange rate got to be R$ 2,15/US$ nobody in the country, not even its best economists foresaw.

The Relationship with Bottlers and Distributors

Another delicate and crucial issue in the Kaiser saga was its relationship with the bottlers and distributors. Molson realized that bottlers' organizations belong mostly to traditional Brazilian families that tend to value formalism, conflict avoidance, tradition, dependence and loyalty to people. While Molson´s 2003 Financial Report still spoke of "improving distribution capabilities through a stronger relationship with the Brazilian Coca-Cola bottlers" the 2004 report mentioned "hiring of key sales leadership and creation of Kaiser managed sales team" as a major accomplishment of the year that justified the expectation that the company would regain momentum in the following year.

How and when exactly the relationship between Kaiser management and Coca-Cola bottlers went sour is difficult to point out and describe precisely, yet it is clear that Molson's top management was quite disappointed, soon after the acquisition, with what they perceived as the low effectiveness of the sales force of the organization they had purchased.

The problems Kaiser had with the Coca-Cola bottlers, particularly with Pananco in the important state of São Paulo, were also very difficult to be anticipated. Pananco was one of the bottlers that had more aggressively pushed Kaiser beer and had captured for it a significant percentage of the market, specially as the margin Coca-Cola Company were allowing it to have in their products was very thin. However, Coca-Cola Company changed its distribution policy in a radical way, allowing its distributors and bottlers much more leeway in fixing its prices and margins. This new policy made Pananco much less motivated to push Kaiser beer to the bars it served. Finally, Pananco owners sold the company to Mexican Femsa, the Molson´s rival on the global market.

To try to improve the effectiveness of its sales effort Kaiser hired twelve hundred employees, equipped many of them with motorcycles and palm tops and had them visit the point of sales. They concentrated more than half of their new workforce in the São Paulo State, the richest of Brazil, were the drop of market-share had been particularly strong reaching almost 46% in

volume during the Canadian fiscal year of 2004. Only the delivery of the merchandise sold continued to be done by the Coca-Cola bottlers' truck fleet. The move increased Kaiser's cost, angered the Coca-Cola distributors and did not achieve the desired results. It was reversed about a year later.

DISEMBARKATION OF MOLSON FROM KAISER

On June 2004, Kaiser hired Fernando Tigre to substitute Robert Coallier, who was repatriated to Canada, only to leave Molson soon after. Tigre stayed as CEO of Kaiser until its acquisition by Femsa. But the exchange in the top management did little to reverse the erosion of Kaiser market-share and the financial losses it was incurring. In 2005, Molson merged with American Adolph Coors Company, originating Molson Coors Brewing Company; a movement many journalists considered important to determine the disembarkation of Molson from Kaiser. Finally, in 2006, Molson sold Kaiser to Mexican brewery Femsa for US$ 68 million in one of the biggest and most costly blunders in International Business (IB) of the decade.

Thinking again about O'Neill's decisions...

Had O'Neill underestimated the difficulties of entering a market where one player Ambev had more than 70% of the share? Had he not respected enough the local culture and not done enough to play the game by the rules his partners, especially Coca-cola distributors were used to? Or had he simply been undertaken by a stroke of bad luck?

TEACHING NOTES

Teaching / Learning Objectives

Intended to be used in International Business graduate or undergraduate courses, the teaching case Molson vs Kaiser describes the unsuccessful acquisition of Brazilian Kaiser beer producer by the Canadian brewer Molson. It confronts the students with the problems that Molson incurred when it hired executives from a Brazilian competitor. The literature on mergers and acquisitions has since long attributed to the lack of cross cultural competence, parochialism and ethnocentrism much of the blame for the failures of multinational companies when they try to diversify geographically. A common recommendation on how to perform better abroad is to avoid bringing in people from headquarters and prefer local managers who supposedly are more knowledgeable of the host country institutions and behaviors. As national cultures are far from uniform and organizational culture can vary dramatically from one company to another, the acquiring company can end up incurring in more difficulties by hiring locals than if they had managed the acquired company themselves. So, the present case offers to the students an opportunity to discuss this issue that has been overlooked in the research and brings in a counterpoint to the literature that tends to blame ethnocentrism and ethnocentric Human Resource policies for the failures in acquisitions.

Focus and Relevance

The advantages and disadvantages of hiring local versus expatriate managers from headquarters has been a long debated issue in the literature on MNC management in different fields. Many, if not most of the research have argued that locals tend to be more sensitive to the subsidiary culture and behave more accordingly to the host country institutions and requirements.

Kopp (1994) found out that firms that had nonethnocentric Human Resource Management (HRM) policies and staffing procedures were more successful in preventing problems in their subsidiaries. He concluded by urging the international personnel functions at headquarters to pay attention to the issue of the assignment of expatriates and consider the potential of using nationals when posts become available. Bures and Vloeberghs (2001) found that when companies have centrally developed HRM systems, they tend to be less responsive to local needs. When recruitment and selection processes are decentralized, the opposite occurs. The failure rate of expatriates in their assignments has been the object of several studies. Francesco and Gold (1998) indicate that for American companies the percentage rate of failures reported by researchers varies between 10% and 40%, with most studies finding rates in the 10% to 20% range. Hansen (2003) is one among many authors who echoes the idea that expatriates fail in their foreign assignments due to their inability to understand and adjust to different ways of working, not due to their lack of technical competence. Castillo (2006), analyzing the dilemma MNC face between choosing expatriates or locals to head branch management, stated that expatriated managers put the firms at greater risk of critical personnel turnover and cross-cultural tension than the national managers. According to the author, locals can develop stronger relationships with other local managers and have stronger identification with the local subsidiary. This, in turn, augments the possibility that local management will have a more comprehensive understanding of the local socio-cultural, political and economic environment.

So, there is a wieldy accepted belief in the HRM theory that local managers tend to be more sensitive to the requirements of subsidiaries and more knowledgeable of the host country institutions and behaviors than expatriates from headquarters. This strong belief may cause a kind of bias when analyzing failures in international ventures, potentially offering an easy explanation to the failures and hiding the real causes of the unsuccessful ventures.

Protagonists

Daniel O'Neill, Molson's CEO at the time of Kaiser's acquisition and Robert Coallier, main executive of Brazilian operation, are the protagonists of this case.

Sources of Information

The case Molson versus Kaiser is real. We collected data for the case by interviewing four managers from distributors and bottlers for the Coca-Cola Company in Brazil, by reviewing the Molson's Financial Reports of 2002 to 2005 and analyzing materials published in the business press in Brazil, Canada and the United States. The bottlers played a major role in the unfolding of the case, and they were accessible for interviews, while, so far, we have not been able to access either key personnel from Kaiser or Molson. Four interviews is a quite small number, but even with such a limited set, the information put forwards by our interviewees became redundant or peripheral. This is considered an indication that the gain from carrying on with more interviews will be small and not justify the time and cost incurred (Weiss, 1994). As for secondary sources we relied basically on the business press. We retrieved our material mostly from the National Post and Globe & Mail in Canada, the New York Times in the United States and Gazeta Mercantil and Valor Econômico, the two most influential business newspapers in Brazil.

Case Dimension Summary

This case was designed to present difficult level of 2, 2 and 1, respectively to the analytical, conceptual and presentation dimensions (see Exhibit 1).

Exhibit 1 - Case Dimension Summary

Dimension	Range	Information Given in Case	Explanation of Case Dimension and Range	Objective of Case
Analytical	2	The case describes a situation, the decision made and the consequences.	The case presents what the manager did. What would the students do if they were in his shoes and why?	Develop ability to appraise decisions, analyze and identify alternatives, select appropriate alternative and present action plan.
Conceptual	2	Concept (theory) of medium difficulty.	Needs clarification via class discussion or previous reading.	Give to the students practice in identifying, understanding and using the concepts involved.
Presentation	3	Small amount of information.	Relatively tough case because of missing information.	To force the students to specify what additional information is required before a decision may be made.

Source: Adapted from Leenders e Erskine (1989, p. 120).

Assignment / Discussion Questions

1 – What factors contributed to the unsuccessful acquisition of Kaiser?

2 – How do you evaluate O'Neill´s decision of choosing Robert Coallier, a Canadian executive, to lead the new venture in Brazil?

3 - What can you say about Coallier's decision of hiring top ex-managers from Ambev as executives for key offices at Kaiser?

4 – What would you have been done differently if you were in Coallier's shoes?

Case Analysis and Suggested Teaching Approach

Opening the Plenary Session

In face of the Monson's failure, the business press and the financial analysts attributed it to more or less the same reasons International Business literature identifies as the causes of mergers and acquisition problems: insufficient preparation by expatriate managers, lack of international experience by Molson´s top management, tendency to imagine techniques and practices adopted in the Canadian market would work in Brazil, lack of recognition of how particular and demanding the Brazilian situation was, etc.

So, a good opening question to start the discussion in plenary could be: *What are the problems related to hiring expatriates to run the business*?

The main idea here is to put the students in O'Neill´s and Coallier's "shoes" so the vast pool of arguments in favor of hiring locals come forward: locals tend to be more sensitive to the subsidiary culture and behave more accordingly to the host country institutions and requirements; locals can develop stronger relationships with other local managers and have stronger identification with the local subsidiary; and local management tend to have a more comprehensive understanding of the local socio-cultural, political and economic environment. Besides, expatriates show inability to understand and adjust to different ways of working; expatriates tend to be less responsive to local needs; expatriated managers can put the firms at greater risk of critical personnel turnover and cross-cultural tension.

This opening approach should offer the opportunity for the students to appreciate both advantages and disadvantages of hiring locals or expatriates to run foreign ventures. It could be a good time to register these students' contributions in the blackboard, using a 2x2 table.

At this point, the instructor could advance to the next phase: the discussion questions.

Question 1: What factors contributed to the unsuccessful acquisition of Kaiser?

This discussion could be started posing the strong Canadian analyst statement *"They don't belong there. They don't understand the country" or "Selling beer in Brazil is a business they don't understand. They have already been hammered".*

These claims may ignore significant information and lead to faulty conclusions. Many failures in mergers and acquisitions may be incorrectly attributed to causes close to parochialism and

ethnocentrism. The objective here is to offer the opportunity to the students to become conscious that there were a lot of factors influencing the success (or lack of success) of this venture.

Most of the problems that plagued Molson's operation in Brazil were very hard or impossible to predict, no matter how experienced in overseas operations or knowledgeable of Brazil the people or the company were. One example was the exchange rate of the Brazilian currency - nobody in the country, not even its best economists, foresaw the huge changes. The Schincariol aggressive marketing campaign was unpredictable as well.

So, this discussion question aims to develop a broad understanding of the factors that had some influence in Molson's failure. The instructor can register these factors in the second blackboard and advance the discussion to the next question.

Question 2: How do you evaluate O'Neill´s decision of choosing Robert Coallier, a Canadian executive, to lead the new venture in Brazil?

This question is a provocative one. The main purpose here is to motivate students to compare the cultural dimensions of Brazil and Canada and, more than that, to challenge them to offer good reasons to reject or support the O'Neill´s decision. They should develop a clear distinction between to be a foreigner and to be insensitive or unaware of a country's culture.

First of all, O´Neill had at least eight years of international experience, four of them in Brazil alone, where he had lived while working for Johnson & Johnson. During the period Molson controlled Kaiser he spent a lot of time in Brazil, where he would come at least once a month for a whole week. From the very beginning of the Molson's operation in Brazil he impressed the reporters and many analysts as someone that knew quite a lot about the country and the beer business in it.

Although the articles we had access to did not mention any international experience of Robert Coallier, they reported several attitudes and behaviors indicative of a serious attention to learning the host country culture and consideration for its peculiarities. According to these materials, Coallier "spends much of his time on the road…wakes each day at dawn to attend Portuguese lessons with a private tutor" (Vincent, 2003), and surprised journalists by how fluently and with little accent he could speak Portuguese not long after arriving in Brazil (Teixeira, 2004).

In the interviews we conducted with managers from Coca-Cola bottlers we didn't hear any complaint or restriction against the two Canadians while we did get many about the Brazilian managers they hired from Ambev.

An interesting comparison is of the cultural distance between the Quebec culture, from which the Molson´s managers were natural, to that of Brazil. If we assume that Quebec's culture has similarities with the French one, a reasonable hypothesis as it was colonized and guards a strong influence of that country and speaks its language, we can make some inferences about its culture by consulting Hofstede (1997) indexes of the basic dimensions of national cultures.

In Table 1, we reproduce these indexes for France, Brazil, Canada and the United States. It is clear from the numbers that, except for the individualism/collectivism dimensions, the indexes for Brazil and France are very similar, making it probable that the culture of the State of Quebec is the most similar to the Brazilian one in the whole of North America. On top of that, we have to remember that Molson´s headquarters are situated in Montreal, one of the few

bilingual cities in the world, what tends to make its citizens particularly aware of cultural issues.

Table 1 - Hofstede´s indexes for Canada, United States, France and Brazil

	Power Distance	Individualism/ Collectivism	Masculinity	Uncertainty Avoidance
Canada	39	80	52	48
United States	40	91	62	46
France	68	71	43	86
Brazil	69	38	42	76

Source: Adapted from Hofstede (1997)

So, this discussion question is a kind of bridge that takes the students to the next step: to the discussion about the culture of top ex-managers from Ambev.

Question 3: What can you say about Coallier's decision of hiring top ex-managers from Ambev as executives for key offices at Kaiser?

If we compare Ambev´s culture to that of the Coca-Cola bottlers, we come to the conclusion that very few organizations have cultures so diametrically opposite to each other as these two. While the bottlers' organizations belong mostly to traditional Brazilian families that tend to value formalism, conflict avoidance, loyalty to people, tradition and dependence, Ambev is well-known in Brazil for being heavily result oriented, informal, meritocratic, and for valuing initiative and creativity.

At this point, the instructor could tell the students this anecdotal evidence about Ambev´s culture, in order to reinforce the differences between these organizational cultures:

> *"There is a curious story, quite well-known among HRM professionals in São Paulo, where Ambev´s headquarters are located. The story says that at the final selection phase for a trainee place, the Ambev´s recruiters locked the candidates in a room that has all its walls made of glass. The recruiter told the candidates that the first one to come out of the room would get the job. According to the story that has circulated wildly, one candidate broke the glass with his chair and was selected."*

Ambev´s HRM personnel vehemently deny that this has ever happened, but the fact that the story is passed forward and given credibility is eloquent of the kind of image Ambev's culture and HR practices have.

The story above increases the plausibility if the affirmation that by hiring local managers experienced in beer production and commercialization from Ambev, Molson´s management may have incurred in more problems than it would had if it had administered the company itself, bringing in more managers from the headquarters.

The problems Kaiser had with the Coca-Cola bottlers, particularly with Pananco in the important state of São Paulo, were also very difficult to have been anticipated, no matter how knowledgeable of the Brazilian market the investing company was. Pananco has traditionally been one of the bottlers that had more aggressively pushed Kaiser beer and had captured for it a significant percentage of the market, specially as the margin Coca-Cola Company were

allowing it to have in their products was very thin. Ex-Pananco managers we interviewed showed an emotional relation with the brand they consider as "a child they helped to raise". How could one have guessed that Coca-Cola Company would change its distribution policy in a radical way, allowing its distributors and bottlers much more leeway in fixing its prices and margins and that this policy would be successful? And that this change would make Pananco much less motivated to push Kaiser beer to the bars it served? Even worse, who could have imagined that Pananco owners would sell the company, and sell it to Mexican Femsa, the beer producer and Molson´s rival on the global market?

Closing the Plenary Session

At this time, the instructor could initiate to close the plenary discussion. We suggest the use of the Question 4 - "*What would you have been done differently if you were in Coallier's shoes*?" in order to start this important step of the class.

Of course, as the case method advocates, it is not possible to point out the best hiring alternative that Coallier could have chosen. But, we believe that this case offers to the students the opportunity to discover, through an inductive way of learning, that this decision between hiring local versus expatriate managers from headquarters can be much more complex than it can appear. Naturally, besides the assignment questions, it is expected that the students will bring fresh examples to the discussion. There are many alternatives to close the plenary session. We suggest connecting this discussion with the next session, building bridges to the next case of internationalization, depending on the course syllabi.

General Contribution to the Field

The IB literature in the fields of Organizational Behavior and HRM has insisted that companies that don't have much experience in overseas markets have less chance of being successful while investing abroad then more globalized firms and that they should seriously consider hiring local managers instead of sending abroad its own executives as expatriates. When international mergers and acquisitions fail, this is often attributed to the lack of preparation of the firm and the personnel going overseas.

This case offers the opportunity to analyze the unsuccessful venture of Molson into the Brazilian market through the acquisition of the then second biggest brewery in the country, Kaiser. The case shows (a) that the failure did not have to be exclusively related to the inexperience of the acquiring company in going abroad; (b) that the hiring of local managers knowledgeable of the Brazilian beer business did not help Molson at all, much in the contrary; and (c) that the managers from the acquiring company did not exhibit the parochial and ethnocentric attitude and behavior so often attributed to North American firms investing abroad and blamed for its failures.

If the blunder of Molson in Brazil has nothing to do with parochialism and ethnocentric HRM policies, notwithstanding the fact that at a first look it does look that way, than perhaps we should examine more carefully the assumptions we have been making about the relationship between global experience and success in overseas investments and about the desirability of hiring local people.

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