

## ***Anheuser-Busch and Grupo Modelo Joint Venture***

In 1993, Anheuser-Busch created an international joint venture with Grupo Modelo, the leading beer company in Mexico. The joint venture ended in international arbitration when negotiations were unable to resolve the disagreement over Anheuser-Busch's right to exercise stock options in Diblo, Modelo's unlisted operating subsidiary. In the initial contract, when Anheuser-Busch purchased 10 percent each of Modelo's and Diblo's business, it also acquired rights to increase its shareholding in both companies within four years at a strike price of 19 times earnings'. However, when trading for Modelo's stocks was at 38 times earnings in 1998, the controlling shareholders were reluctant to part with their shares at the predetermined price. Anheuser-Busch intended to exercise its remaining options and acquired an additional 13 percent in Diblo for approximately \$550 million in June 1997. In December 1996, August Busch, the chairman of Anheuser-Busch, paid Modelo's controlling shareholders \$60 million in order to settle an earnings definition dispute as part of a \$605 million deal. Mr. Busch thought that the matter was resolved, but in late 1998, Modelo's shareholders revived the dispute. As a result of the fallout of the joint venture, Anheuser-Busch had invested more than \$1 billion in Modelo, only for the negotiations to go to international arbitration. This situation clearly illustrates the different approaches that U.S. and Mexican managers take in negotiating a resolution. Mexican firms tend to be more team oriented with a we-are- all in this together perspective, while American managers are more focused on the financial returns to their firm. Additionally, the \$60 million Anheuser-Busch had to pay to Modelo to settle the earnings definition signifies the financial impact of misinterpretation due to cultural differences.

### **References:**

Teegen, H. J. & Doh, J. P. (2002). US-Mexican alliance negotiations: Impact of culture on authority, trust, performance. Thunderbird International Business Review.

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