INTERNATIONAL OIL Summary:

Main problem: various company policies were putting International Oil at a competitive disadvantage, especially in developing countries. Background: • IO was a fairly new conglomerate that grew out of the European Economic Community (EEC) • IO purpose: to provide a united European competitive front against other major international producers and distributors, especially those from the US and the Arabian peninsula • IO’s job was not to drill – it was to identify opportunities and distribute them fairly among the major European oil companies such as British Petroleum and Dutch Shell so that EEC members didn’t directly compete with each other. • Claus Schwaneger, head of field operations for IO realized that the company was stretched thin – it cast a wide net and often had to send inexperienced managers into relatively uncharted territories. • IO also faced international competition: o English became the company’s main language, and employees from France and southern Europe didn’t appreciate it o Various nationals pushed the interests and retained the practices of their own countries o Managers often put people in countries outside of their realm of comfort, which upset the member oil companies that entered the consortium reluctantly and under political pressure. o Leadership tended to be European, while support staff was local employees. Political and social pressures on IO: Due to the Iraqi war, new opportunities for contracts opened up for IO in the Middle East. However, much of the EEC members opposed the war, and wanted Iraq’s debts to them paid back, while the US wanted to block access to Iraq’s oil reserves to countries that opposed the invasion.

Outlined problems: 1) Sometimes I feel members of my own staff from different countries are working against themselves and one another. 2) Our ethical policies, especially those against offering gifts or bribes to local decision makers, are hurting our competitive position. 3) Members of our staff refuse to master the local language or adapt themselves to cultural norms. 4) Often, by the time headquarters has cut a deal with the European oil companies, some competitor has already won the bid. South Asian rep believes that bribery isn’t bad – it preserves country’s honor and status by giving them something in return for what they are giving us… otherwise we’re arrogant. Middle east is in chaos, not knowing what America will do next – they can’t even rely on existing pipeline routes (let alone form new ones) Africa – we need greater governmental-political cooperation in Europe. Countries are looking at bigger issues than the price of oil – they’re concerned about their country’s future. Indonesia – doesn’t know company’s position on issues, and what they can offer to close a deal; plus there’s lots of anti-Western sentiment. East Asia – employees aren’t familiar with culture of taking businessman out on a night on the town. Also, you can’t get through to the people who have the power to decide, because you’re never exactly sure who hey are. “I’d call it collusion [[conspiracy]] to keep out competition, except, of course, that’s something like what we’re trying to do ourselves.”