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Abstract: In 2012, U.S.-based CHS Country Operations executed their first steps in an international business strategy with the acquisition of Canadian agriculture retail company, DynAgra. In 2014 they purchased more retail locations from CPS and Viterra, and in the time since these international acquisitions, management at CHS has worked to bring the company's core values and business culture to their new employees, customers, and market. Through a qualitative analysis of the company through interviews with key stakeholders in the acquisition and operation of the Canadian assets, a case study is formed to better understand the overall international business strategy of CHS Country Operations. This paper discusses CHS' adjustment to the culture, the differences they identified between the U.S. and Canada, the strategic fit of the acquisitions, the performance mindsets, and the perceptions of Canadian employees and communities of CHS as an American company operating a Canadian enterprise.

Keywords: international business, CHS, culture, foreign ownership, performance mindset

The global population is currently 7.2 billion people, and is projected by some scholars to grow to 9.7 billion by 2050 (PRB, 2015). The burgeoning world population will require a substantial increase in energy production to sustain itself. This includes energy in the form of grains, fertilizers, transportation services, and fuels. Cenex Harvest States (CHS Inc.), based in Inver Grove Heights, MN, is an agricultural and energy company with a global strategy that focuses on serving this increased demand for energy around the world. Their agriculture retail subsidiary, CHS Country Operations, was entirely a domestic operation until 2012 when they acquired DynAgra, a retail operation in western Canada. The purpose of this paper is to identify the components of CHS Country Operations' (CHSCO) international business strategy. Using a case study method, specific focus will be placed on the initial decision to expand operations beyond the U.S., the strategic fit of the acquired retail locations, as well as the implementation of their international business plan as it relates to the new culture and community in which they now operate.

HISTORICAL CONTEXT OF BUSINESS STRATEGY

The term strategy is a derivative of the Greek work *stratego*, which means "to plan the destruction of one's enemies through effective use of resources" (Bracker, 1980, p. 219). The modern understanding of business strategy developed from research in the 1960's and 1970', as businesses began learning the importance of maximizing shareholder value through efficient use of corporate resources (Ankli, 1992). Even prior to this period, scholars identified a need for a cooperative effort of all functional areas of a business that requires management's intentional focus. In a precursor to the generally acknowledged field of strategic management, Fayol (1949) recognized that "general management is to conduct the enterprise toward its objectives by making optimum use of available resources" (p. 60-61). Drucker (1954) implored the use of strategic thinking by imploring managers to seek out the conditions of the external environment and to change the course of action accordingly. Strategic planning evolved during this time to include the management of both knowledge (Penrose, 1959) and the necessary planning on organizational structure (Chandler, 1962; Hopf, 1944). Establishing an organizational structure prior to establishing an overall strategy would lead to inefficiencies and a rigidity that prevents functional progress.

Scholars and business leaders alike were beginning to recognize the need to incorporate all decisions under the umbrella of a unified corporate strategy. In the first attempt to formalize the burgeoning school of thought on business strategy Ansoff (1965) prescribed a four step process business could follow to formulate strategy – define objectives, identify the gaps, propose a strategy, and review results. It was during this same decade that the analytical tool of SWOT analysis became prevalent in both industry and academic literature (Ghemawat, 2002). These concepts and seemingly simple steps that are readily used today laid the foundation for the next two decades on strategic thinking. Schendel and Hofer (1979) identified the need to separate business strategy from the general planning process by placing it in its own field and imploring managers to make explicit efforts in tending to it.

Porter (1980) outlined competitive strategy in a new light, and became the basis for vigorous scholarly inquiry on the subject. This included the need to "integrate, build and reconfigure" internal and external resources (Teece, Pisano, & Shuen, 1997, p. 524), while managing them in such a way that makes it "more difficult for others to catch up" (Wernerfelt, 1984, p. 173). This resource-based view of strategic management gained standing years later when the concept of core competencies was introduced. Instead of focusing on the products made by a company (utilizing available resources), the strengths, characteristics, and abilities of a company in the management of those resources was the source of competitive advantage (Prahalad & Hamel, 1990).

Despite the growing optimism and new approaches to strategic planning during the 1980's and 1990's Mintzberg (1994) cautioned business leaders against a formalized view of strategic planning. The downfall of business planning lies in management's assumption that the future will represent some iteration of the past. He argued that strategic planning stems organically from the day-to-day recognition of changing market and organizational forces. Successful business planning requires synthesis of real time information and the inclusion of "soft data" which cannot be quantified.

THEORETICAL FRAMEWORK

The theory of business strategy in modern times rests on the theories postulated by three major thinkers on the subject. Porter's monolith on competitive strategy was a watershed moment in strategic thinking, as the basic constructs of corporate strategy were uncovered. His contribution is regularly considered by most as the "rules of the game" (Cranier, 2006). Schrumpeter's (1950) insistence that the market continually reinvents itself through "creative destruction" implies that managers must continue to change business offerings, and Christensen's (1997) theory on disruptive innovation created a conundrum whereby successful businesses undermine themselves in the long-term by allowing the market to displace their core business.

Porter's Competitive Strategy

Porter (1980) describes three strategies that a business might employ to gain a competitive advantage. The first strategy is differentiation, whereby a business competes on the basis of the value they create for their customers such as quality, service, or product uniqueness. The second strategy is cost-based leadership where cost reduction and price offering entice loyalty from the customer base. Finally, he identified a focused strategy, where customer segmentation allows for a target market to be sought and catered to. Porter cautioned that failing to implement one of these strategies or attempting to employ more than one of them at a time for the same customer base would create a poor economic result for the company (Porter, 1980).

Prior to establishing a strategic plan, a company must first understand the external environment and the makeup of the industry in which they compete. The five forces model created by Porter allows such an analysis. Both the rivalry among industry players and threat of new entrants will lead to waning profits and force businesses to reinvent themselves and the products and services they offer the market. The threat of substitutes forces a business to consider the alternatives for their product and caps the price a company can charge. Bargaining power of suppliers and buyers will adversely affect profitability inasmuch as these stakeholders wield the leverage they hold over a business.

Literature and commentary abound on Porter's definition of competitive strategy. The original theory has been added to, criticized, praised, and reaffirmed since its publication in 1980. Porter himself has been a prolific contributor in advancing his original work. He cautions that competitive strategy is not the same as operational effectiveness. Operational effectiveness means doing performing in a functional and efficient manner that is better than the competition. Strategic planning requires a company to identify how they can perform in different (and unique) ways than their competition (Porter, 1996).

Porter further emphasizes that corporate strategy is different from business unit strategy. Business unit strategy is concerned with how the individual sub-companies can create a competitive advantage, but corporate strategy focuses on the industries and sectors in which the company chooses to compete (Porter, 1987). In choosing the portfolio of businesses, a company must consider three primary factors. The attractiveness test reflects how structurally complimentary the new business is to existing ones in the portfolio. The cost of entry test considers all opportunity costs associated with acquisition, and the better-off test identifies the competitive advantage a new business would afford the company as a whole.

In addition, Porter recognizes the contemporary changes in the business environment and identifies the need for businesses to confront the international competition as a result of globalized markets (Porter, 1991). He argues that business strategy must include considerations for corporate social responsibility at both the local and global levels. Businesses operate in the context of society and society functions because of successful business operations. This symbiotic relationship means that business strategy must reflect a long-term responsibility to society (Porter & Kramer, 2006).

Porter's second most recognized contribution to competitive strategy arose from his publication of the diamond framework on the competitive advantage of nations. He recognizes that countries themselves do not compete globally, but businesses within each country are engaged in international business and must consider the factor conditions, demand conditions, supporting industries, and the firm strategy, structure and rivalry in each country in which they conduct trade or operations (Porter, 1990).

One major criticism of Porter's original work was that it was purely theoretical and did not provide a guide to business strategy implementation. Porter (2008) responded with a prescription for practical application of the five forces model by advising companies to position themselves where the forces are weakest, to exploit changes in the forces (real and anticipated), and to reshaping the forces in their favor.

Creative Destruction and Disruptive Technology

Traditional economic theories postulated market gravity towards equilibrium as businesses operated in their rational self-interest towards profits (Wiggins & Ruefli, 2005). Sustained economic growth above the market average was considered by many to be an anomaly, a condition that market equilibrium would periodically reset (Debreu, 1959). However, Schumpeter (1947) propagated the notion of market disequilibrium as he claimed that businesses must continually adapt to the business environment which by its very nature is in constant change and reinvention. He claimed that a company that achieves superior economic results does so via entrepreneurial innovation and imitation (Schumpeter, 1939). This constant cycle of new product offerings and new corporate offerings he termed "creative destruction" (Schumpeter, 1947).

In terms of strategic planning, it is essential for businesses to acknowledge that creative destruction will continually erode profits and leaders must find new ways to compete. Moreover, he claimed that the ability to innovate defines a business' competitive advantage, but more so defines the foundation of their company and even "their very lives" (Schumpeter, 1950, p. 84).

Schumpeter's theory of creative destruction reflecting market disequilibrium evolved over time (Holm, 2009). Creative destruction as he described it originally stemmed from the idea that market reinvention came about as a result of new firms creating innovative products (Schumpeter, 1934). In this case established firms reacted to market innovations by adapting and reacting. He later recognized that firms were becoming larger and that corporate research and marketing efforts were the impetus for creative destruction (Schumpeter, 1950).

In tandem with the idea of creative destruction is the construct of disruptive technology. Christensen and Bower (1995) recognized that innovative and consistently high-performing companies could not stay at the top of the industry for a sustained period of time. "The logical [and] competent decisions of management that are critical to the success of their companies are also the reasons why they lose their positions of leadership" (p. 9-10).

This seemingly contradictory conclusion was explained in terms of how companies deal with disruptive and sustaining technologies. Sustaining technologies are a reaction to customer needs as businesses recognize the incremental value they make through small advancements to the products they already offer. Traditional strategic planning would indicate this is good marketing and a path to successful growth. However, companies that focus on their customers' needs do so at the expense of anticipating the disruptive technologies. Disruptive technologies are innovations that are designed for a new set of customers, or customers that do not even exist yet. In short, these technologies are innovations that the customers did not even know they value yet because they could not conceive of their reality. Christensen (1997) cites floppy disks manufacturers as victims of disruptive technologies. These manufacturers strived to find new ways to make disks thinner and hold more data while the invention of mainframes and hard storage capacity of desktop computers made floppy disks obsolete.

Christensen (1997) defines disruptive technology by identifying five principles that characterize it. First, customers ultimately decide where resources are allocated in the market. Disruptive technologies anticipate a need in the market, whether a customer can articulate it or not. Second, disruptive technologies begin in emerging markets and established companies are reluctant to allocate the time and energy to projects that do not represent an immediate large market growth. "Small organizations can most easily respond to the opportunities for growth in a small market" (p. 15). Third, disruptive technologies create new markets. This makes it difficult for companies to analyze and to understand markets that previously did not exist. The fourth principle that characterizes the theory of disruptive innovation is the concept that companies have a difficult time embracing the change because they rely heavily on the processes and values they already possess, which grounds their perspective. Finally, the speed of technological change can outpace the demands of the market. As established companies progress towards sustaining technologies, they often outstrip the actual demands of their market. This creates an opportunity for disruptive technologies to satisfy the actual needs of customers at lower price points.

LITERATURE REVIEW

The globalization of markets over the previous three decades has led to considerable inquiry by scholars into its causes, implications, and effects. Globalization entails not only an expansion of commerce between countries such as trade and foreign direct investment (FDI), but also the communication of ideas, technologies, and cultures. To provide a context for CHSCO's international business strategy, these ideas will be outlined in the literature review. This discussion will cover the significance of both organizational and national culture, the impact of foreign ownership on the country, community and employees, as well as the unique commercial relationship that exists between the United States and Canada.

CHSCO's acquisition of Canadian agriculture retailer DynAgra would be classified as foreign direct investment (FDI). The most common operationalization of FDI in the literature is provided by the International Monetary Fund (IMF). They defined it as "an investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of an investor, the investor's purpose being to have an effective voice in the management of the enterprise" (1977, p. 136). In more functional terms, FDI is when investors of a country outside the host country acquire an equity interest in a business within the host country (Ramasamy & Yeung, 2010).

Culture

One of the most significant challenges for organizations as they grow internationally is the new cultural environment at the organizational and national level. Maintaining a common organizational culture was identified as the greatest concern among top global executives, while the second most common challenge was identified as a need to understand local customs and business practice (Bellin & Pham, 2007). Doug Ivestor, former CEO of Coca-Cola, stated the problem succinctly: "As economic borders come down, cultural barriers go up, presenting new challenges and opportunities in business" (Rosen, Digh, Singer, & Phillips, 2000, p. 21).

While it is true that culture is an ever-important component to a successful international business strategy, Javidan and House (2001) pointed out that the challenge with managing culture lies in the fact that there is "no standard definition. . .and no universal set of cultural dimensions" (p. 293). In response to this problem, they identified nine cultural dimensions through the extensive cultural study they conducted, referred to as Project Globe. These cultural dimensions include assertiveness, future orientation, gender differentiation, uncertainty avoidance, power distance, institutional emphasis on collectivism, in-group emphasis on collectivism, performance orientation, and humane orientation. The global manager must understand the differences between the home-country and the host-country dimensions in order to facilitate a successful merger between two cultures and to more effectively communicate with employees, customers, shareholders, and regulators (p. 302).

Much of the literature discusses the need for international businesses to balance execution and economies of scale and scope with the responsiveness to local conditions (Ghemawat, 2007). As such, foreign acquisitions are more successful when they are both a strategic fit for the organization (Jaruzelski, Loehr, & Holman, 2011) and when they support an organizational culture of change and innovation. Successful international companies integrate culture while maintaining a focus on performance mindsets. This allows for global uniformity in some areas while leveraging the local cultural conditions. These performance mindsets were identified by Bellin and Pham (2007) as:

1. Balancing market making and execution – Companies must expand into new markets while maintaining an emphasis on base business execution.

2. Cultivating and managing talent – Managers in the host country have valuable insights and this knowledge needs to be leveraged.

3. Leveraging information technology as a strategic asset – Technology allows for better communication, work flow and can help overcome the logistics challenges associated with international expansion.

4. Measuring performance – Common performance scorecards across the organization help a manager gauge success using standard measures.

5. Seeking continuous innovation – The diverse markets and cultures will facilitate new ideas and allow for integration and innovation throughout the company.

The Response to Foreign Ownership

Much of the literature on globalization focuses on its determinants, impact, and consequences at the national level. However, a unique research focus has emerged that endeavors to uncover how countries, communities, and employees respond to foreign ownership in their country.

During the 1970s there was a sentiment among some Canadian policy makers that the U.S. had far too great an influence on Canadian commerce through the ownership of subsidiaries within Canada (Stranges, 1976), but what held the Canadian government from employing an interventionist strategy was a "diplomatic culture" (p. 47) between the two nations. Caves (1971) found that U.S. companies could exploit the intangible assets of Canadian subsidiaries such technology, innovative designs, and unique promotion strategies. A common perception during the era was that Canadian workers were deprived of the management experience that was required to drive innovation and progress within Canada (Globerman & Meredith, 1984). Moreover, Saunders (1982) concluded that U.S. companies saw Canada as an extension of their domestic operations with the added benefit of lower labor costs.

Since the 1980's, globalization has further strengthened the economic ties between the two nations. Canada has continued to struggle with the issue of foreign ownership of U.S subsidiaries within Canada. Specifically as it relates to energy policy, the nations have separate focuses. The U.S. continues working towards energy independence, while in Canada, "the debate has less to do with energy independence and more to do with foreign ownership" (Kranc, 2013). The national debate over foreign ownership has abated somewhat over the previous decade as Canada itself has become a prolific global investor. The national discussion of the issue took center stage during the negotiations of the Free Trade Agreement, but since that time the issue of foreign companies owning Canadian assets has been suppressed to some degree. Today, Canada welcomes foreign investment by private investors but has put in place restrictive measures for state owned enterprises (Lally, Turner, Glossop, Murray, Rodal, & Franklyn, 2012).

Limited research has been conducted on the perceptions of foreign ownership at the community level. Miller (2006) conducted one such study and identified several important factors for a foreign company to maintain a good relationship with the local community. Communities are concerned with the foreign company's impact on their long-term economic viability as well as the support the foreign company shows for the community, in particular the school systems.

Finally, it's important to note the perception of foreign ownership by the employees of the foreign subsidiary. Dill and Jirjahn (2014) analyzed the perceived job insecurity of employees of foreign owned companies. They found that perceptions of job insecurity had a positive relationship with foreign ownership especially within companies with a history of turnover and limited growth. Interestingly, the relationship was negative for companies which maintained a focus on product innovation.

Connections between Canada and the U.S.

On January 1st, 1994, the U.S., Canada and Mexico entered into the North America Free Trade Agreement (NAFTA) which eliminated the barriers to trade between these three nations (CBP, 2015). In the twenty years since this trade agreement was implemented, FDI flows from the U.S. to Canada have increased 345 percent and currently represent 51 percent of all of Canadian FDI inflows (FATDC, 2015). Tinbergen (1962) suggested that FDI flows are directly related to the size of the economies and the proximity between two trading partners, while later studies have shown market growth and labor costs impact FDI as well (Groh & Wich, 2012). This would in part explain the significant FDI flows between these neighboring countries.

Myriad factors influence this commercial relationship. Canada represents a stable market opportunity for U.S. companies as the country's GDP growth rate has averaged 2.46 percent since 1994 (World Bank, 2015). The overall risk profile of Canada is considered "stable," the country carries a AAA bond rating (IHS Global, 2015) and is ranked sixth on the 2014 Index of Economic Freedom (Heritage Foundation, 2015). These factors afford U.S. companies a safe and growing market in which to invest their organizational resources.

From a cultural standpoint, the U.S. and Canada are similar in many of the cultural dimensions outlined by Hofstede (2015). The countries are nearly equal in terms of power distance (2.5 percent difference in rating) and indulgence (0 percent), and moderately close in uncertainty avoidance (4.3 percent) and individualism (9.8 percent). In the last two categories, long-term orientation and masculinity, the nations are only 27 percent and 16 percent apart respectively. Hill (2002) found that nations with similar cultures seek each other out when looking for FDI targets. The similarities of these two nations' cultures play an important role in the commercial relationship that exists between them.

One final note needs to be made on the connection between Canada and the U.S. Hejazi and Ma (2011) found that countries which have English as an official language tend to be more attractive as FDI targets. Both Canada and the U.S. are native English-speaking countries, so this cultural dimension, in addition to those outlined by Hofstede, plays a role in the trade relations between the U.S. and Canada.

CHS and CHSCO

Cenex Harvest States Inc. (CHS) was formed in 1931 as the Farmers Union Central Exchange and has grown into a global operation in its 80 years in business. CHS operates as a global cooperative based in Inver Grove Heights, MN with primary business functions of energy and agri-business. CHS conducts operations in refining, wholesaling, and retailing of petroleum products. In addition they supply crop nutrients, chemicals, feed, seed, grains, food, food ingredients, and offers business solutions such as insurance and risk management to its customers (CHS, 2015).

Marketline (2015) identified the following characteristics and environmental conditions of CHS in a company analysis. Strengths include a diverse business portfolio and large scale of operations while weaknesses include assets that are heavily leveraged and an overall dependency on the U.S. market. Opportunities for CHS include strategic international acquisitions and the reformation of business entities to take advantage of joint ventures and limit legal liabilities. Threats to their business include intense competition in each of their sectors, environmental regulations, and technological advances in agriculture.

As part of their agri-business operation, they maintain a U.S. retail presence through their subsidiary CHS Country Operations (CHSCO). CHSCO has more than 500 retail locations in sixteen U.S. states and serves 75,000 producer-owners. Each year CHSCO originates 600 million bushels of grain, handles two million tons of fertilizer, and supplies more than 200 million gallons of energy products (CHS, 2015). The retail business operation of CHSCO includes selling fertilizer, seed, pesticides, herbicides, insecticides, fungicides, fuels, and various other agriculture services to farmers.

CHSCO was entirely a U.S. based organization until 2012 when they purchased western Canadian retailer DynAgra Corp. As described by DynAgra general manager, Tasha Scmaltz, "new products, new markets and new perspectives have opened for us by joining CHS" (Jordan, 2012). Customers were promised a smooth transition from the Canadian-based retailer to foreign ownership by CHSCO. The locations would maintain their current staffing, and Tasha Schmaltz would continue as the general manager of operations. This new subsidiary was restructured as CHS DynAgra and included retail locations in Beiseker, Standard, Rolling Hills and Carseland, Alberta (Ag Canada, 2014).

In 2013, Canadian agriculture company Agrium acquired Canadian-based retailer Viterra's outlets in Canada. Agrium already owned retail locations under their subsidiary Crop Production Services (CPS) in many of these same areas so the Canada Competition Bureau forced Agrium to divest seven retail locations as a condition of the Viterra acquisition (Ag Canada, 2014). CHS purchased these retail outlets, located in Edenwold, Saskatchewan, and in Alix, Alliance, Craddock and Vauxhall, Alberta. In addition, CHS acquired Agrium's CPS stores at Bow Island, Eaglesham and Lacombe, Alberta. This latest acquisition increased CHSCO to eleven total retail locations in Canada.

CHSCO's acquisition and management of the DynAgra and Agrium Canadian retail locations will serve as the basis for inquiry in this study. This literature review lays the underpinnings for the qualitative research in that it outlines specific implications for CHSCO's international business strategy. How does CHSCO balance culture and the performance mindset, and did their Canadian acquisitions reflect a strategic fit that still allows for innovation through localization? Which of the cultural dimensions created conflict within the organization and which ones allowed for synergies? What is the response of foreign ownership by the local community and employees? Finally, what roles do the differences between Canada and the U.S. play in CHSCO's operation in that country? These questions all served as the foundation for the qualitative inquiry of this case study on the company.

INDUSTRY STRUCTURE OF CANADIAN AGRICULTURE

The agriculture industry in Canada includes a variety of products and services which are directed towards the production, harvest, storage, transportation, and processing of grains. Each sector has a slightly different structure consisting of manufacturers, wholesalers, importers and exporters, retailers, and farmers while each sector is influenced by unique supply and demand forces. The following section describes the Canadian agriculture market and the competitive environment that shapes the industry.

Crop Inputs

According to the United States Census Bureau (2015), the world population currently exceeds seven billion people, and by the year 2025 the world will be home to over eight billion people. The world's increasing population will necessarily increase the need for food and subsequent demand for crop inputs (Quinn, 2014). Moreover, as developing nations such as China, Brazil, Russia, and India see higher annual incomes for their citizens, the consumption of meat and dairy increases, which puts further demand for grain production towards animal feed (Sundaram, 2010). This means more acres of crop land need to be planted and harvested, while farming practices need to be more efficient.

Crop inputs such as fertilizers and chemical protectants contribute to efficient production of grains, and constitute a large portion of revenues in the Canadian agriculture industry. In 2010, Canadian application of commercial fertilizers included 4.2 million metric tons of nitrogen, 1.1 million metric tons of phosphate, and 600 thousand metric tons of potash. The Canadian market exports a vast majority of the fertilizer it produces. In 2010, exports consisted of eighty five percent of domestic production, most of which were destined for the U.S. market (TSA, 2013).

Agricultural protection chemicals can generally be categorized into pesticides, herbicides, and fungicides which allow plants to operate efficiently by "[controlling] the population of organisms considered harmful or those that can potentially damage or adversely affect the growth of crops." (PR Newswire, 2013, para 1). Crop protection allows for better yields and higher quality grains at harvest. Crop Life Canada (2011) estimates chemical protectants used in Canada prevent $6.4 billion each year of lost grain production.

Canadian agronomy retailers that offer crop inputs to farmers also serve an important role in the delivery and service of those inputs. Agronomic service and consulting includes offering soil sampling and analysis, customer application and blending of fertilizer, crop scouting, global positioning application, field management services, data management, credit services, grain originating, risk mitigation planning, and myriad transportation services. The services offered by retailers create value for the farmers that no other channel in the supply chain offers.

Seasonality

The dramatic weather changes and distinct seasons not only limit the types of crops that can be grown in Canada but also limit the timing of planting and harvesting. Western Canada makes up a substantial portion of agriculture production in the country where main crops include wheat, oats, barley, canola, pulse and flax crops (Toma, Bouma, Canitz, & Baldwin, 2014). Advancements in seed genetics have improved farmers' ability to manage the crops through shorter season varieties and have allowed crops to withstand harsher conditions. These improvements are considered a driving force for innovation in the industry (AAF Canada, 2014).

Grains in Western Canada are typically planted in May when the snow melts and the ground thaws. After seeds are planted, applications of nitrogen, phosphate, and potash fertilizers are applied, followed by chemical protectants to prevent disease and pests. During the summer months retailers offer the agronomic services to help farmers manage crop conditions. Crops depend on essential rainfall and temperate summer weather across the western provinces to develop and are ready for harvest usually from late August and early September (CSX, 2014).

Competitive Analysis

Consolidation of Canadian retail locations over the previous five years has fostered fierce competition among rivals in the industry. Agrium's retail division, Crop Production Services (CPS) became the largest retailer in Canada when they purchased 200 retail outlets from Viterra in 2013 (Cross, 2014). CPS considers itself "best in class" and represents a strong competitive presences for independent dealers as well as established co-ops across Western Canada (Agrium, 2014).

Limited substitutes exist for the fertilizer and chemical products Canadian retailers provide. Moreover, in a survey of 1,100 Canadian farmers, Stratus Ag Research found that trust was one of the most important in choosing their agronomic retailer (Weddel, 2013). They want reliable and timely service that is offered at reasonable prices. Some farmers see their retailer as a "partner in maximizing productivity" (para 6). The need for a local relationship that fosters trust, knowledge sharing, and mutual focus on productivity would seem difficult to substitute.

While the products and services offered by retailers are difficult to replicate, new trends are changing who is offering the services. Some farmers are skipping the agronomic guidance of their local retailer and outsourcing those technical consulting services to firms outside the region and in some cases, even the country (Maclean, 2014). In this case, the form of new entrants is coming vis-à-vis distance consultations through online and telecommunication media.

In 2006, The Western Canadian province consisting of British Columbia, Alberta, Saskatchewan, and Manitoba contained 131,000 of the 229,373 total farms in Canada (Statistics Canada, 2014). While this vast number of farms that exist limits the bargaining power of farmers as buyers, the trend is slowly changing. Canadian farms are becoming fewer but the average size is in increasing. From 2001 to 2006, the aggregate number of farms dropped by 7.1 percent, while the average farm size increased from 676 acres to 738 acres (Statistics Canada, 2014).

Bargaining power of suppliers to the agriculture retailers in Canada is substantial. In particular, the potash mining companies have been dominated by three players, Mosaic, PCS Corp., and Agrium. When they are not competing for Canadian retail business, they work collectively to export their product through a national marketing consortium, known as Canpotex. Through Canpotex, Canadian producers export ninety five percent of their 10 million metric tons of annual production. This means they rely little on the demand of domestic retail use and increases their bargaining power. Potash suppliers further yield their power over the market through reduction in output. From 2004 to 2009, the potash industry average for capacity usage was sixty six percent (Stone, 2009). New production capacity in Canada from foreign owners (Germany and Australia) over the next five years is expected to reduce this power of domestic producers.

Nitrogen-based fertilizer suppliers also command a strong bargaining power. Low natural gas, a key input to nitrogen fertilizers, affords Canadian manufacturers a healthy profit margin structure (Morris, 2013). Four key manufacturers (Yara, CF, Agrium, and Koch Fertilizer Canada) supply a majority of the 2.2 million metric tons of annual domestic consumption, and export the remaining 800 thousand metric tons of annual production, most of which goes to the U.S. market. Unlike potash, where the country exports 95% of production, nitrogen producers rely more heavily on domestic consumption (75%) and export only 25% (Agrium, 2014). This dependence limits the bargaining power of these suppliers of nitrogen.

METHODOLOGY

The research methodology was a qualitative use of case study through personal interviews with stakeholders of CHSCO. This entailed telephone conversations with current and former CHSCO managers, community members in the locations where CHSCO acquired Canadian assets, and one Canadian supplier to CHSCO. Table 1 shows the stakeholders interviewed and their relationship to CHSCO.

Table 1

Summary of CHSCO Stakeholders that Provided Responses to Qualitative Inquiry

Name	Position	Organization	Stakeholder Relative to CHS Country Operations
Bryan Strickler	Crop Nutrients Manager	CHS Country Operations	Former U.S. Manager
Larry Cook	Crop Nutrients Manager	CHS Country Operations	Current U.S. Manager
Mark Biedenfeldt	Regional Director	CHS Country Operations	U.S. Manager Expatriate in Canada
Tasha Scmaltz	General Manager	DynAgra	Acquired Company Employee
Wayne Rempel	Member of City Council	City of Lacombe, Alberta	Community Member
Greg Lendvay	Associate Principle	Standard School, Standard, Alberta	Community Member
Eric Spletzer	Pastor	Tri Community Church, Beiseker, Alberta	Community Member
Rod Krip	Fertilizer Salesman	Koch Fertilizer Canada, ULLC	Canadian Supplier

Each of the interviewed stakeholders offered a unique perspective on CHSCO's international business strategy through expansion into Canada. The managers and employee provided insights into the strategic fit, cultural adjustments and performance mindsets, while the community members offered their perspectives on how CHSCO has impacted each of their communities. The fertilizer supplier provided a market perspective of CHSCO's entry into the market. These stakeholders' comments are summarized and incorporated into the findings section.

FINDINGS

Country Differences

As CHSCO transitioned into Canada, a few differences became apparent. Mark Biedenfeld, the Canadian Region Director and U.S. expatriate manager of the Canadian business, indicates the first challenge that

CHSCO had to overcome was a difference in currencies (personal communication, April 21, 2015). As the exchange rate flows in favor of either currency, Biedenfeld sees an impact on both fertilizer and fuel prices. Larry Cook, the current U.S. manager of CHSCO, notes that transportation costs are significantly higher in Canada because of base commodity costs, but also because trucks and railcars have to travel farther distances across the western provinces of Canada to deliver products (personal communication, April 21, 2015). This means that even the slightest change in currency exchange can have a significant impact on operational expenses. The company accounts for this by using the risk management tools in corporate headquarters in Inver Grove Heights, MN by utilizing financial hedging and options strategies. A less impactful difference between the two countries is the systems of measurement. Canadians use liters, kilometers, and metric tons while their U.S. counterparts measure in gallons, miles, and short tons. This has required some adjustment for accounting and tax purposes but the difference in systems did not impact their operation in any significant ways.

In regards to the government regulations, Biedenfeld suggests that both countries have similar, conservative approaches. Therefore, the adjustment to the Canadian regulations was not a noteworthy change, particularly in reference to environmental and accounting practices. However, he does note two areas where the countries differ. The first significant difference is in labor laws – Canadian rules tend to "favor the employee more than U.S. governments allow." For example, a U.S. employee is allowed six weeks of unpaid leave for illness or the birth of a child under the Family Medical Leave Act (FMLA). In Canada, maternity leave allows parents to take off a full year to spend with their newborn child. The second regulatory difference revolves around toxic inhalation hazardous (TIH) materials. Anhydrous ammonia, a nitrogen based fertilizer, is a deadly chemical if ingested, and Canada takes a more extreme approach to requirements for storing, handling, transporting, and labelling this chemical. Biedenfeld indicates that several of the retail locations had to improve operating practices to bring them into compliance with these standards. Safety was the first priority upon acquisition of the DynAgra assets and continues to be a focus for him and his location managers.

Cultural Adjustment

Biedenfeld admits that the choice to enter Canada was influenced by its close proximity to current operations, the strong similarities in cultures, and the prevalence of English as the preferred language in the western Canadian provinces. Biedenfeld was transferred to Canada in 2014 as a U.S. expatriate to manage the Canadian assets acquired from DynAgra in 2012 and the Agrium locations acquired in 2014. Prior to being transferred to Calgary, Alberta, he had worked on several projects with Canadian customers and suppliers. Therefore, the company decided that no cultural training or expatriate adjustment training was necessary. He indicates that his previous experiences and the reality that the two cultures are similar in many ways were important factors in foregoing any sort of training.

After having some time to adjust, Biedenfeld remarked that in regards to management and national cultures, there are many more similarities than differences. This has facilitated a smooth transition, particularly as it relates to a focus on what Project Globe would categorize as performance orientation. He states that salesmen and managers at all of the Canadian locations are focused on adding value for their farmers, and want to offer the expertise they have as agronomist and business professionals to serve their customers. Rod Krip, a salesman for Koch Fertilizer Canada, and supplier of CHSCO, offered his perspective on how CHSCO has had to adjust to national culture (personal communication, April 21, 2015). "Americans are more targeted in their approach to acquiring assets and engaging in strategic growth," he stated. Where an American will conduct extensive due diligence, a Canadian company will tend to grow organically and choose to acquire companies with whom they are comfortable and forego much of the due diligence. This would indicate that CHSCO entered into a foreign market where uncertainty avoidance, another Project Globe cultural dimension, was much lower.

Getting Canadian employees to adjust to CHSCO's method of due diligence and market analysis has been a continuing focus for Biedenfeld: "Even after two years, our locations are not fully indoctrinated into the CHS way of thinking. This will take some time." The strategy to get their acquired locations conducting business like the American retail outlets has included bringing in vice presidents of the parent company CHS, sending employees to development training in the U.S., facilitating company gatherings of both U.S. and Canadian retail location managers, and providing leadership and example within the Canadian operation. Maintaining CHS core values across borders is a priority, and he states "that's why I'm up here."

Strategic Fit

The decision to expand the retail operation into Canada stemmed from what CHS identified as a strategic opportunity. CHS conducts business in twenty five countries, but until 2012, CHSCO was entirely a domestic enterprise. CHS had originated grain with Canadian traders and growers and procured oil for their U.S. refineries from Canada, but they did not have "bricks and mortar asset" presence in that country. The choice to enter Canada was affected by this trading presence and what Biedenfeld defined as numerous opportunities for arbitrage with these other CHS companies.

Western Canadian market had a strong desire for an alternative choice in retail supply which lead to CHS' decision to acquire DynAgra (CAAR, 2015). The game plan to continue expanding Canadian assets is not defined, but the current strategy is to get all of the newly acquired locations up to CHS standards so that these business units can operate on their own. At that point, Biedenfeld stated, CHS would continue to look for growth opportunities. Larry Cook agrees that as they become more familiar with Canadian markets and business practice, the company will consider more locations in that country, and that "other international locations are not ruled out."

Tasha Schmaltz was the general manager of DynAgra when they were acquired by CHS and stayed with the company for two years following the acquisition. He stated that "anytime you expand into a new country, or in some cases even moving over one province, you have to start over in building a brand" (personal communication, April 22, 2015). He suggested that CHS has a good brand in the U.S. with a reputation for good business practice, but it could take some time for the Canadian customer to understand the value they bring, in some regions maybe as long as five years.

While Biedenfeld, Schmaltz, and Cook are optimistic that CHS is making a strategic expansion, Rod Krip, one of CHSCO's suppliers in Canada and the U.S. offers a differing opinion. He states that all of the "good" assets are taken by a few massive Canadian retail companies, and the Canadian Competition Bureau will not let them expand much more for competitive reasons. Consequentially, the owners of many retail locations are limited to whom they can sell their assets. This implies that CHSCO's acquisition of Canadian retailers was not strategic but limited in choice and scope.

Performance Mindsets

As suggested by Bellin and Pham (2007), an international business strategy needs to make cultural considerations while still focusing on performance. These performance mindsets were addressed by CHSCO in various ways. CHSCO balanced market making and execution by implementing a slow growth strategy. They currently have eleven retail locations, and are open to expanding in the future only after they get these new assets up to CHS standards. The first priority, Larry Cook stated, was to get some of the older assets upgraded to ensure safe working conditions and protection for the environment. As they progress, core values of CHS are communicated, displayed, and taught to employees through training and the daily execution of the business.

The second performance mindset, cultivation of talent, has been successful for CHS in its three years of operation. Biedenfeld observed that workers within the Canadian agriculture labor force move around a lot. They have continued to search for a company that provides long-term stability, a chance for personal and professional growth, and the opportunity to be recognized for the contributions they make. The CHS business model provides these dimensions and has attracted new talent to the organization. In regards to the last three performance mindsets, CHSCO has taken a simple approach of emulating business model at their U.S. agriculture retail locations. They leverage information and technology by implementing the same information and reporting systems in Canada as they do in their U.S. locations. Performance of Canadian managers and employees are scorecarded using the same metrics as their U.S. partners, and innovation is encouraged through the same bonus and compensation system.

Response to Foreign Ownership

A lesser researched aspect of globalization is the effect of foreign ownership on the local community and newly acquired employees. However, this does not diminish the importance of a company's efforts to build relationships with these essential stakeholders. As an acquired employee of DynAgra, Tasha Schmaltz indicated that there was no particular resentment towards an American company making its way into Alberta. The promises of growth opportunities and job stability were communicated with honest intent and hence well received by the Canadian employees.

Biedenfeld cited several examples of CHSCO attempting to build relationship with Canadian communities. They have donated funds to local youth organizations, community hockey rinks, and partnered with rural fire departments on community events. Biedenfeld indicated that much of the consolidation in the agriculture and energy industries has created uncertainty for many of the rural communities in western Canada and he wanted to emphasize CHSCO's desire to be there long-term.

Although the preference would be for purely Canadian ownership because profits stay local, the communities in which CHSCO now operates are fairly optimistic about having an American company owning these assets. Eric Spletzer, pastor of Tri-Community Baptist Church in Beiseker, Alberta, indicated that since the assets were bought by CHS, it has been "business as usual," and he is glad to have American companies choose Canada as a place to invest (personal communication, April 22, 2015).

Greg Lendvay, associate principal at Standard School in Standard, Alberta spoke well of CHSCO's presence in their community. "They are one of our biggest employers, and with so much uncertainty in the economy we are thankful for the opportunity they provide for jobs. Of course, we would prefer the location be Canadian-owned, but just providing jobs is more important" (personal communication, April 22, 2015). They go beyond providing jobs, however. CHSCO has partnered with Standard School to offer dual credit education for the students as they search for internship and apprenticeship opportunities.

The community of Lacombe, Alberta also has had a positive experience with not only CHSCO, but many American-based companies. Wayne Rempel, member of the city council in Lacombe, commented that "these companies are paying taxes and providing employment, and are therefore welcomed here" (personal communication, April 22, 2015). He has heard some debate in Lacombe over American ownership in Canada inasmuch as profits are sent back home, but he characterizes this as short-sightedness. "This is closed-minded thinking because these American companies want to be here, and they provide much needed stability."

COMPANY REPORTED RESULTS

The interviews conducted in this research reflect the two years of experiences of CHSCO stakeholders. The successes and failures of the international business strategy and expansion into Canada can be fully assessed after several more years of operation. With this in mind, we can get an initial glimpse of the impact of the strategy through what is reported in the annual financial reports and company publications.

CHSCO's Canadian enterprise bolstered the overall financial results of the company, spurred by innovation, focus on customer needs, and commitment to its employees and to the community. Carl Casale, CEO of CHS reported in the 2014 financial report that "country operations earnings increased $19.9 million during the year ended August 31, 2014, compared to the prior year. Overall agronomy and grain margins as well as service income increased for retail operations" (p. 28).

Innovations drove much of the success in the 2014 fiscal year. CHSCO introduced a private label starter fertilizer called CHS Aventine® Complete. In concert with the private label products offered by their wholesale fertilizer division, starter fertilizer sales were up 400 percent in 2014, and were projected to increase another 60 percent in 2015 (CHS Annual Report, 2014).

Another strategy that characterized their innovation was in the mitigation strategy of Canadian (and other) currency. While CHS reports minimal fluctuations in 2014, they still committed $2.5 million in derivative assets of foreign currency. Additionally, CHS expanded the insurance and risk management tools offered to their farmers. These tools included the forward payments of bonds that protects farmers from volatility in the futures market of crop inputs (CHS Inc., 2014).

As reported in the qualitative findings, CHSCO strived to focus on the needs of their customers as a means to growth and stability. The CHS 2014 Annual Report attributes the strong financial performance to "established customer relationships, backed by supply chain, logistics and risk management" (p. 14). The tremendous logistics and product availability challenges imposed upon farmers by the seasonality of the business was a focus for CHSCO. Their customers in southern Manitoba and Saskatchewan will benefit from the fertilizer plant being built by the parent company CHS in Spiritwood, ND. This $3 billion fertilizer plant will be completed by 2018 and produce more than 2,400 tons of ammonia per day. In a similar collaborative effort with their U.S. retail counterpart, a storage facility in Shelby, MT will allow both CHSCO's U.S. and Canadian teams to expand their market presence. The facility will hold 42,000 tons of fertilizer and 3.2 million bushels of grain (C Magazine, 2014).

The growth into Canada has been stabilized with CHSCO's commitment to both its employees and to the communities in which it operates. Throughout both the U.S. and Canadian retail locations, "[CHSCO] completed more than 100,000 safety training events, with participation from all locations. More than 600 employees completed emergency training and 700 were certified in first aid, CPR and defibrillator use" (CHS Annual Report, p. 11). The impact to the community has been seen through several efforts. CHSCO awarded seventy five $1,000 scholarships to students entering the agriculture field and continue to contribute to research at local universities. Their commitment to Harvest for Hunger raised $930,000 and donations were made to two communities in Alberta in the amounts of $5,000 and $8,000 to serve local firehouses (Steward, 2014).

LIMITATIONS

This study was conducted with several inherent limitations. The transition into Canada is a fairly recent occurrence. A longitudinal study over the course of the next five or ten years would provide more thorough examination of CHSCO's international business strategy. In addition, while most of the respondents were candid with their thoughts there is some proprietary information they could not share in an effort to maintain confidentiality with their employer and preserve their professional integrity. Finally, as a case study on a specific company, these findings are not generalizable to other companies engaged in international business in Canada or elsewhere.

CONCLUSION

The unique relationship between the U.S. and Canada has afforded companies an opportunity to expand across borders. In particular, the positive diplomatic relations between the governments of these two nations as it pertains to refraining from protectionist measures, the similarities of their many cultural dimensions and common language, and the provisions of NAFTA have facilitated both trade and foreign direct investment between these two countries. CHSCO has taken advantage of this opportunity as a growing, yet safe market for their agriculture retail expansion.

Through strategic acquisition of Canadian assets, they have engaged in an international business strategy that will allow them to bring their extensive agricultural experience to a new market. Mark Biedenfeld, the American expatriate running the Canadian business admits there is still ground to make up in regards to cultural indoctrination of the Canadian employees, but the core values of CHS have proven sustainable in at least twenty five other countries around the globe. All of the stakeholders interviewed in this research study were optimistic that CHSCO's business model would function in Canada, but it will have to come with a balanced approach to incorporating local culture and executing what they already do well as company. CHSCO is a cooperative focused on adding value for their members who serve both as customer and shareholder.

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