Oscardo Inc.

The case of Oscardo Inc., a Toronto-based tie manufacturing company, highlights the importance of finding the right partner. It also illustrates how an effective partnership can combine Canadian expertise with the partner's knowledge of local market conditions.

Eduardo Lulka, President of Oscardo, is a native Mexican, so Mexico was a natural choice as the companies first export market. Ten percent of the company's sales are in the Mexican market, and Lulka expects considerable growth not only in Mexico, but throughout Latin America.

The company decided to work with a Mexican manufacturer carrying a non-competing line which targetted the same type of retailer. As Lulka points out: "Retailers in Mexico are used to working with the owners: there are direct relationships based on years of doing business together. The retailers are only now learning to deal with distributors."

Oscardo's first Mexican partner went out of business, and Eduardo and Oscar Lulka subsequently founded a new company in partnership with a Mexican men's-wear distributor to manufacture lower-end ties and to distribute the high-quality, Canadian-made silk ties in Mexico. Oscardo considered producing its high-end ties in Mexico but learned that it could produce them more competitively with the advanced technology and skilled labour in its Toronto plant. Oscardo is also using its technical and marketing expertise to help its Mexican partner to improve manufacturing efficiency and to develop export markets.

industries, competing firms often form an alliance to make components used by all the competitors.

Franchising

The franchise is a specific form of licensing, and is a rapidly growing segment of the market in Mexico. Most franchise operations to date have been pursued by American companies, partly because of the huge advantage that name recognition gives to American companies which advertise extensively in the North American market. However, the new law on intellectual property offers significant protection which may make this a growth area for Canadian companies as well.

Virtual Corporations and Relationship Enterprises

These are the newest and most distinct forms of collaboration. The virtual corporation might be thought of as a partnership of companies that will be formed on a temporary basis. Firms are brought together by computer networks and a specific market opportunity. Each member contributes only its core competencies to the research and development (R&D), manufacturing, marketing and servicing of the product or service. Once the task is complete, the partners are free to move on to other concerns.

Relationship enterprises are much like their cousins, the virtual corporations, but the relationships they form are of a longer-term nature and involve larger undertakings. Due to the long-term component of relationship enterprises, they are more likely to be international in scope, which might eventually allow a relationship enterprise to operate on a home-country basis in each partners' market. Based on this quality, a relationship enterprise will have a competitive advantage over a multinational corporation in that it has (and will be perceived as having) many home markets, rather than only one.

These new collaborative forms differ from traditional joint ventures in several respects:

- the individual production facilities of the collaborators are electronically connected and integrated, not created;
- the companies contribute their core competencies to the undertaking but do not transfer them; and
- the new forms of collaboration can be formed with comparatively loose ties by virtue of a highly flexible network infrastructure, rather than extensive legal arrangements and financial investments.