

Too Compatible

One Canadian firm entered the Mexican market in the late 1970s without the assistance of a local representative or agent. The decision was made entirely in Canada. Contracts were very slow in developing and required much costly travel and negotiating time in Mexico.

By the mid-1980s, a potential joint venture partner was located and a protocol of understanding established between the two firms. Yet no cooperative basis for an alliance has evolved. The reason? In the view of the Canadian firm, the partners were too similar in nature. Both were interested in doing the same type of work. This absence of any complementarity meant that they were not strategically compatible. The Canadian firm looks back on its experience and investment in Mexico with some misgivings, and questions whether the market really holds much potential for its product.

"Making contacts is easy in Mexico. Doing business with these contacts is much more difficult. Follow-up is critical and be concrete about your suggestions. Be flexible and be prepared to negotiate everything."

Michèle Duclos, Delegation du Quebec, México, D.F.

Do they have similar attitudes to risk, the distribution of dividends, reinvestment, the most appropriate debt/equity ratios, or tax policies? Do they have similar employee policies, compensation programs, hiring strategies, and attitudes to labour relations?

Even when you know exactly what kind of a partner you want, you may not know where to look. A good place to start is to examine any existing business contacts in Mexico, especially any in the same industry. Basing a partnership on an existing business relationship means that you already know how well your companies work together: You have personal ties; and your companies are familiar with each other's skills, resources, corporate culture, and values.

If you have no close business contacts in Mexico, you may look for leads from suppliers, customers, industry associations, banks, other financial institutions, auditors, government officials, and regulators. Remember too that the Trade Commissioner at the Canadian Embassy in Mexico City and the satellite office in Monterrey can help you to identify candidates and arrange for introductions. You may also want professional help from financial advisers, accountants, lawyers, consultants or market researchers who can fill gaps in your own capabilities. If you reach for expert advice, be sure to define clearly what you expect before retaining a professional. This will give them the basis of drawing up a work plan and providing you with satisfactory deliverables.

Screen all prospects carefully, no matter how many are under consideration. In the final analysis, the overriding consideration must be the compatibility, commitment and credibility of the potential partner. If none of the prospects are compatible, reconsider alternatives such as licencing, short-term contracts, mergers, acquisitions, or a greenfield investment.

Negotiating the Deal

Negotiations between prospective partners are the heart of the partnering process. They will set the tone and create the structure of the relationship. Communications should be honest and frank. Cooperation depends on an atmosphere of mutual respect and trust. Trust, however, does not mean ignoring difficult questions or brushing aside serious reservations. Trust allows partners to meet challenges and solve problems together. Nor does trust mean ignoring questions of corporate security. Frank and clear definitions of intent, of the scope of cooperation, and of the terms of confidentiality are important. Clarity builds trust. The avoidance of important and legitimate concerns can only lead to confusion, unease and suspicion.

Once negotiations have been initiated, personnel with a superior grasp of technical, operational and legal details should be used. Senior executives have been known to avoid

raising thorny issues to maintain a pleasant, collegial atmosphere. They may also lack detailed knowledge of issues that affect lower levels of management and they may simply assume that difficult details will be ironed out later.

On the other hand, senior executives do have the broad strategic understanding and the clout to keep talks on track and break deadlocks in negotiations. Their involvement should be limited, but should come at the right strategic point in the discussions. The choice of that point may be gauged according to the composition of the potential partner's negotiating team.

Once the negotiation process is under way, it is common to prepare an interim agreement such as a memorandum of understanding. This may be only a brief statement that signals the intentions of the negotiating parties, lays out the