

## JOINT VENTURE THE WOODBRIDGE GROUP

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This reality is reflected in the way that Woodbridge does business in Mexico. Their initial contact with GUS came from recommendations and introductions from customers (Tier 1 suppliers) already in Mexico and wanting to expand. In essence, the significant players in this industry are the same as they are in North America, and relationships established over a period of years in Canada and the US are likely to be continued in Mexico.

Woodbridge executive Rob Todd says there is a learning curve involved in doing business in Mexico and that the early stages of any such enterprise are likely to be marked by a number of mistakes. He adds that Woodbridge would not think of going into the market alone, and would always select a local partner to deal with local issues. This includes cultural differences and specific business practices such as dealing with banks and regulatory authorities. Just as important, the company would not think of doing business in Mexico without empowering someone in the joint venture to deal with the range of complex issues involved. Woodbridge has a full-time Mexican employee on staff at the joint venture. Mr. Todd notes that selecting a good partner takes time, even though the special nature of the relationships in the automobile industry can shorten this.

The staff of the joint venture itself are mostly Mexicans who have received supplementary training in Canada or the United States. For instance, at the start-up phase of each of the joint ventures, the entire engineering staff was brought to the head office for a two- to three-month period, to see how Woodbridge does things and to get specific orientation training.

Mexican partners bring local knowledge to the operation, but Mr. Todd stresses that Canadian staff cannot expect to operate in Mexico, or to deal with Mexican partners, without extensive background in Mexican culture, some of which is best obtained in that country. Language is not an issue, since most of the business communication is in English.

Woodbridge sees the Mexican operation as an extension of its international network of relationships and has put a lot of priority on maintaining good relationships with its suppliers in Mexico as in other markets. As the Mexican market expands, it is likely that Woodbridge will be investing further in Mexico, but always in conjunction with local partners.

## JOINT VENTURES

A joint venture is an independent business formed through the cooperation of two or more parent firms. It is a distinct corporate entity, separate from its parents. Therefore, it requires an administrative structure as well as relatively complex arrangements for sharing decisions between partners in Canada and Mexico. Joint ventures tend to force specific commitments from the partners. Therefore, they are appropriate mainly for ventures that are expected to have a relatively long lifetime.

The advantage of joint ventures is that they give the Canadian company immediate access to an established market. They can also be very responsive to customer needs, since products can be more readily adapted close to the source. Joint ventures also make it possible to use low-cost Mexican value added, while maintaining the technological advantages of the Canadian-made components.

The main disadvantage of this form of partnership is that it takes a great deal of time and resources to manage. The partners must synchronize their business styles to some extent, and develop effective communication links. Another potential problem is the need to protect intellectual property.

A joint venture can require a year or more to set up. It is not only a matter of matching Canadian technology with the Mexican need, but also reconciling corporate cultures. Canadians who have succeeded at this task invariably say it took longer than they expected.