



Partner Due Diligence

No matter how simple the alliance being contemplated, companies should pay attention to adequately evaluating their potential partners' capabilities and suitability for the arrangement. Making partnership decisions based on superficial similarities or apparent compatibilities has frequently been a fatal mistake. Don't rush into a deal simply because the partner meets your minimum technical requirements.

Potential partners should be assessed with implementation in mind. First of all you should be looking at a partner who has what you don't have and vice versa. Having identical strengths is not a good basis for a partnership. You should also be looking for technical complementarity and strategic and cultural fit. Hence, your due diligence should involve taking a close look at the potential partner's technical, financial and managerial capabilities and organizational complementarity. The right partner is one who brings the resources required to make the venture a success and who is similar enough in terms of organization and outlook to make the arrangement work.

In the ideal business environment, only company-specific factors would need to be evaluated in the screening process. However, particularly when searching for a partner in a foreign market, there are numerous political, economic, legal and cultural factors related to the specific market that need to be carefully assessed

before a deal should be signed. These include:

- the attitude of the foreign country toward investment, its treatment of intellectual property and its political stability
- prospects of expropriation
- the relationship between the potential partner and the host government or domestic political groups
- local currency stability
- restrictions on capital repatriation and remittances
- the bureaucratic and regulatory environment
- prevalence of corruption
- labour unrest

It is extremely important in foreign markets, particularly in developing country markets, to understand the broader socio-political environment in which the partner operates.

Successful partnerships benefit both parties. Don't assume, however, that your partner is as diligent in its due diligence as you are. Try to look at your own company and, if necessary, its broader environment from the perspective of your partner — do you provide a good fit for it?

In vetting a potential partner, there are four broad areas that merit particularly close attention.

• The Partner's Agenda

While it may be extremely difficult to get at some of the hidden agendas that potential partners bring to the table, it is important