satisfy emerging demands. It may also be more cost-effective to export some Canadian inputs and components for final processing and assembly in Mexico. In this way, partnering offers the possibility of using a position in Mexico as a source of international competitive advantage.

Partnering does require an investment of time and money to find a suitable partner or negotiate an agreement. Before making such an investment, and given the challenges involved in any relationship between companies, the Canadian firm should make sure that partnering makes sense given its situation and its strategy. A careful and detailed examination of reasons for entering an alliance represents good business sense; rushing into an alliance in the hope that a synergistic plan will somehow evolve does not.

Types of Partnership

The most common method of moving into the Mexican market is to enter into an agreement with an agent or distributor, although some companies do set up their own local sales office or corporation.

An agent acts on behalf of the foreign company and has the power to make binding agreements. Therefore, it is essential to find an agent who has no conflict of interest, and to identify the precise limits of the agent's powers and responsibilities.

A distributor, on the other hand, acts on its own account. They cannot bind the foreign supplier and exercise a great deal of discretion over how goods will be resold. They may take title to the goods, or handle them on consignment. Agreements may set out limits on prices, geographic areas covered and how competing products are to be handled. Agreements may also cover customer support and warranties.

To date, most of the activity of Canadian companies in Mexico has been confined to agencies, distributorships and local sales offices, often operating from the United States. But this is beginning to change. Partnering forms are beginning to emerge as Canadian companies become more familiar with doing business in Mexico.

The Challenges of Partnering

Firms deciding to enter partnerships should be aware that these arrangements can lead to certain problems.

The company may become overly dependent on an outside firm for certain functions. Some of its expertise may end up being transferred to a competitor or it may lose valued employees to a partner's firm. Conversely, a venture may end up inheriting problem employees of whom a partner wants to rid itself.

An excessive amount of management time may have to be spent managing the relationship, much as in a rocky marriage. The firm may have to deal with situations in which it has less than complete control in decision-making, for example, it may need to consult and arrive at consensus.

There may also be an imbalance of influence if a small firm is partnered with a larger company. The small firm may find itself overwhelmed with help that is sent in by the larger partner. Or, the needs of the larger partner may turn out to be inconsistent with the strategic goals of the smaller firm. Large firms may have problems coordinating daily operational activities with small firms that are more entrepreneurially focussed.

Joint venture

A joint venture is an independent business formed through the cooperation of two or more parent firms. Its basic characteristic is that it is a distinct corporate entity, separate from its parents. As such, it involves levels of organizational and managerial complexity that need careful consideration. The ownership split of a joint venture usually reflects the relative sizes and contributions of the partners.