

## CHAPTER 5. PARTNERING IN MEXICO

### THE PURPOSE OF PARTNERING

Most Canadian firms seeking to take advantage of opportunities in Mexico follow the route of direct exporting. Many have discovered that exporting usually benefits from the services of a local agent or distributor who is familiar both with the product and with the Mexican market for that product. A growing number of internationally active companies have gone beyond agency agreements, however. They are using various other forms of partnering, sometimes called strategic alliances, to complement and enhance their export efforts. Partnering internationally enables the firm to:

- leverage their unique strengths into new markets and diversified business activities;
- access new technologies and expertise;
- access larger capital resources;
- access new markets without creating complex structures that can be hard to manage;
- be more effective at responding to change; and
- share the high costs and risks of business.

The forms of partnering vary from participating in a joint venture to an exchange of products through a cross-licensing agreement. What they share in common is that they can provide a firm with the technology, capital or market access it needs in order to enter foreign markets, that it might not be able to afford or achieve on its own. Even small firms can compete in Mexico by linking with partners. The linkages formed are limited only by the company's ability to manage its relationships.

A Mexican partner can complement a company's capabilities, and provide the expertise, insights and contacts that can make the difference between success and failure. In this way, partnering improves the Canadian company's responsiveness and flexibility, as well as enhancing its chances for success in the Mexican marketplace.

In an economy that is changing as quickly as Mexico's, a successful export drive will not in itself assure the Canadian firm of a long-term position. For the firm that thinks beyond the immediate sale, an ongoing relationship with a Mexican partner and a local presence can provide a window from which to follow market trends and