## Tips on Negotiating in Mexico

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Who is on the team will depend to some extent on the relative size of the two companies. The smaller the company, the more likely it is that the president will take a personal position in the negotiations. Despite differences in size, it is important to match position for position on the respective teams.

In Mexico, the involvement of top management from both companies is seen as signaling genuine commitment. In Mexico's traditional and hierarchical decision-making process, it is usually the owner who calls the shots. Therefore, negotiating with the proprietor takes on more importance. Where the owner or a top senior executive is not involved, negotiations can be slow and cumbersome. The Canadian representatives may find themselves giving up too much to intermediaries to convince them to send in the top people. The last card should be saved for the final session with the owner — thereby making the final concession only to that individual.

It is a good idea to include people who will actually be involved in the management of the partnership. It is an opportunity for them to get to know their future colleagues and to help shape and fully understand the structure of the partnership. But such staff are better introduced after the controversial issues have been hammered out, saving them from a conflict of interest between the interest of the parent firm and their desire to nurture a harmonious working relationship with the other side.

MOUs can be as short as a single paragraph, or they can be as long as ten pages, but they are important because they help to introduce clarity early in negotiations. They can be used to define confidentiality, minimizing the risk of loss of proprietary information during negotiations. They also provide an opportunity for the partners to agree not to enter into negotiations of the same nature with other firms.

3. The legal framework establishes the partnership structure and methods of capitalization and control. It defines the rights and responsibilities of each partner regarding the use and support of technology, licensing and marketing, i.e. protection of the business objectives and competitive positions of both sides.

## What to Negotiate

The following issues need to be considered in negotiating a complex partnering arrangement such as a joint venture.

- Ownership structure and the valuation of equity contributions.
- Control issues. Method of selection of management and the board of directors. Decision-making on the future course of the joint venture and expansion into new businesses.
- Division of royalties if a partner markets a product or products based on the technology developed by the partnership.
- Policy on the retention and/or distribution of earnings. Procedures for raising or contributing additional capital later on.
- Staffing procedures. Will the joint venture rely on its own staff, or on service contracts from the partners, for financial, management or technical services?
- Exit of a partner: define the boundaries.
- Dissolution or liquidation of the partnership. Ownership of the joint venture's technology, customer lists, trademarks, brand names and other assets.

The items on this list are likely to be dealt with at the level of general principles in the early stages of negotiations. As the negotiations proceed, however, they should be addressed in increasing detail.