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COMPETITIVENESS IN THE '90s

Doing Business in Mexico

COMPANY
CASE
STUDIES
FROM
B.C.

Canada

Competitiveness in the '90s

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Company Case Studies from B.C.
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Industry, Science and Technology Canada
British Columbia & Yukon

March, 1993
Disponible aussi en français

Competitiveness in the '90s

Foreword

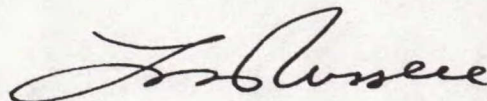
This is the ninth set of case studies undertaken by Industry, Science and Technology Canada, British Columbia, to look at the strategies employed by B.C. companies to make themselves more competitive in the marketplace. Others in the series have looked at Export to the U.S., Management of Technology, Management of Human Resources, Financing, Environment, Young Entrepreneurs, Quality in the Service Firm, and Commercialization of Science. Another set on First Nations' Business Alliances is planned.

This set of case studies looks at how B.C. companies have approached Mexico as part of their business plans. There has not yet been a stampede of B.C. firms towards Mexico; indeed, for small and medium sized companies there are real challenges to maintaining a credible presence in Mexican business. However, with the recent liberalization in Mexico and the advent of a freer environment for trade inside all of North America, increasing numbers of forward-thinking B.C. firms are looking at Mexico as a market, manufacturing site or base for potential expansion into other markets in the U.S. or Latin America. Barriers of small size may be overcome, for example, by alliances with locals.

What follows are the stories of five firms from the Lower Mainland of B.C., ranging in size from small to large. While not a scientific sample, they come from a cross-section of economic sectors in the province — bearings and power transmission, fire control, water treatment, and electronics for communications and consumer power applications. All have been involved in business with Mexico for some time, making it part of their larger international business plans. For other companies, a look at these stories can be quite useful.

In the end, these are quite personal stories. Many B.C. firms are small or medium-sized, and their key people — with their talents and limitations — wield great influence on the direction of the firm and its destiny. We are grateful to those interviewed for taking the time and trouble, in this challenging economic environment, to share their stories with us and for their insights into the ways British Columbian and Canadian companies can compete in the 1990s.

For their assistance in helping us locate these companies, we would also like to thank John Hansen of the Vancouver Board of Trade, Kenneth Morgan of Access Mexico, Elizabeth Gammell of the Canadian Embassy, and the staff of ISTC's International Trade Centre in Vancouver. Particular thanks go to Henri Pellicer of B.C. Trade Corporation for much advice and assistance. At the time of publication, Mr. Pellicer is helping found a British Columbia chapter of the Council of the Americas, an association of companies, organizations and individuals aiming at furthering trade with Latin America.



Lyle M. Russell
Executive Director
Industry, Science and Technology Canada
British Columbia & Yukon

February, 1993



B.C. Bearing Engineers Limited

B.C. Bearings is a successful international distributor of bearing and power transmission products. Founded in B.C. by Wendy McDonald in 1944, the \$60-million-plus company subsequently expanded into the U.S., and more recently, into Mexico. B.C. Bearings opened its first office in Mexico in 1990, and is about to open another, according to Scott MacPherson, who is Vice-President of both U.S. and Mexican operations.

A few years ago, starting up in Mexico was a long, bureaucratic process. Spurred by Mrs. McDonald's conviction that Mexico would soon join a greater North American free trade region, the company launched into Mexico in fall of 1989, but it wasn't until June of 1990 that it officially opened for business in Hermosillo, Mexico. At the time, Mexico was just starting to open up to foreign investment, and had recently dropped the requirement for foreign companies to have a Mexican partner. However, the process of incorporation wasn't easy, especially since B.C. Bearings was (and is) involved in a business the Mexican government had no official classification for. "We had to go to Mexico City, meet with government officials and come up with an arrangement where we would be allowed to incorporate," MacPherson notes, however, that the situation has since improved, and companies incorporating today won't face the same delays.

Local alliances crucial

Although B.C. Bearings' Mexican operation is wholly-owned by the B.C. firm, MacPherson stresses that it's important to deal with local suppliers as much as possible, form local alliances and hire Mexican people. "They're very nationalistic," he says. Projecting willingness to be a partner is essential. Emphasize the fact that you're a friendly, cooperative Canadian, and you'll get a good reception, says MacPherson. B.C. Bearings makes a point of sourcing parts from Mexican manufacturers whenever possible — it's not only good politics, but also avoids having to bring products in through customs, which can take days.

The office's first employee, a person from Hermosillo, was key to the initial success of the operation. He knew the lay of the land, spoke the language and knew the customer base. "You need a good Mexican national in your operation. It's important to find someone you can trust," says MacPherson. With the right person in place, B.C. Bearing's Mexican operation was making a profit within six months of starting up. The number of staff in Hermosillo has risen to eight.

B.C. Bearings is in the process of opening another office further south in Mexico. While the current office serves the local industrial market surrounding Hermosillo — car and cement manufacturers, food processors, mines and bottling plants — the new outlet will be located in an agricultural area and serve that market. The ultimate goal is to extend B.C. Bearings' operations all the way down the west coast.

Watch costs of doing business

Because Mexican salary levels are considerably lower than those in North America, one would assume the overall cost of doing business would be less. But according to MacPherson, there are some expenses to watch for. The costs of living, rent and property are high, and MacPherson expects salaries to start rising accordingly. Carrying costs for operating lines of credit are very high by Canadian standards: expect to pay more than double the interest rates you would face here.

Because of the NAFTA negotiations, land speculation is rampant in Mexico, and the asking price for raw industrial land is exorbitant. Foreigners may buy land provided it lies more than 50 kilometres from the coast. It recently took B.C. Bearings nine months to find some reasonably-priced land for a central warehouse. "The availability of office and warehouse space is poor," notes MacPherson, "which is why B.C. Bearings decided to build its own."

Another expense to factor in is the cost of collecting receivables. The company dedicates a full-time staff member to this purpose. It's common practice in Mexico for companies to send a staff member to pick up cheques from customers' premises at the time and on the date the customer specifies. "You have to stay on top of your customers for payment," says MacPherson.

Business climate improving

However, there are many positive aspects to doing business in Mexico. The market for many Canadian products is substantial, and growing. And your competition may not be there yet. B.C. Bearings originally started up in Mexico because it was doing about \$35,000 per month in business with Mexicans who were crossing the border to the Arizona operation to buy product. There was no other U.S. or Canadian-based distributor in Mexico. B.C. Bearings is still the only foreign distributor of its kind in the country.

"With the current Mexican government and the policies they've instituted, Mexico is becoming a very dynamic economy," MacPherson notes. "They're starting to get inflation under control, and it's become more of a stable market." He adds that where once one might have encountered officials who expected to receive tips in the course of doing business, today that corruption is gone. However, although the bureaucratic process in Mexico is improving, it still takes longer to get things done there than Canadians are used to.

In general, MacPherson advises that to do business in Mexico, you have to maintain contact. He himself travels there about every three months. "When you make a promise, you must follow through. You need a sense of focus on what you're trying to accomplish with your customers."

Overall, B.C. Bearings has found Mexico to offer excellent business opportunities. Proof? Already it is making a good profit in the country and has plans to expand.

Conair Aviation

In early 1992, Conair Aviation of Abbotsford, B.C. announced that it had been awarded a major contract by the government of Mexico to adapt and implement, through a transfer of technology, the "Initial Attack" system of forest fire control. "Initial Attack" has been developed over the years by the B.C. Ministry of Forests, in cooperation with B.C.'s innovative forest fire control industry.

Conair's activity in Mexico began in 1986 and 1987, when the company supplied helicopters for forest fire control. Convinced of the continuing need for its services in Mexico, the company joined a trade mission at the end of 1990 to identify contacts and opportunities, and locate a representative. Working with the Mexican authorities, it proceeded in 1991 to develop an overall forest fire control strategy for the country. Four Conair employees with different areas of expertise within the company undertook an extensive study of the three regions Mexico identified as forest fire control priorities. In 1992, this groundwork paid off — the company was awarded a \$2.6 million contract by the Mexican government's Secretaria de Agricultura y Recursos Hidraulicos (SARH).

"Our philosophy is to work closely with the customer, to focus on the customer's needs and priorities. We bring our expertise to customers through long-term relationships where we can continually refine and improve our service," says Robert Stitt, Conair marketing manager. This approach works well in Mexico, where ongoing service and relationships are key to doing business.

Personal contact important

Contacts and continuity being crucial, the use of an experienced agent who knows the Mexican side of the sector well can be a decided help. However, another factor Conair sought in their own agent was familiarity with North American business culture — the ability to understand what a foreign company wants and expects is something which not all Canadian companies find in their representatives, agents and distributors in Mexico.

However, even with a good agent on your side, things don't happen overnight in Mexico. "You have to be patient, and you have to persevere," says Stitt. "Be sensitive to the cultural differences between Mexican and Canadian people."

One of the characteristics of the Mexican culture is its hierarchical nature. Reluctant to make decisions that might be looked upon as treading on the turf of their superiors, people tend to do things by the book. For example, Conair aircraft controlling a forest fire may make several trips to a fire to drop retardant. In B.C., where Conair is well known for the quality of its fire control services, the stop at the airport for refilling the tanks takes about four minutes, and the plane is off again to the fire. At a Mexican airport, however, Conair found that its pilots were required to file a flight plan for each trip to the fire site. Stitt notes that better preparation by the Canadian side might have forestalled these difficulties, and time and patience can help resolve them. During its first year of operation, Conair learned a great deal about the improvements that could be made to provide a more efficient service, and is working together with SARH to improve the flight despatch situation.

B.C. expertise marketable

Early "by the book" hiccoughs aside, Stitt notes that Mexicans are very receptive to new ideas and seem to genuinely like working with fire control experts from B.C. to gain knowledge. Over the course of the contract, Conair trained some 293 Initial Attack ground crew members, as well as air attack officers, fire coordination centre personnel, and retardant base personnel.

The program was a good demonstration of Conair's expertise. The company first analyzed existing resources and future fire control requirements, then developed a program to improve prevention, preparedness and detection systems in each of the three priority regions identified by SARH, and developed fire coordination centres in each region and at SARH headquarters in Mexico City. They also provided aircraft, helitankers and fire retardant during the fire season and made recommendations for a follow-up forest fire management plan.

According to Stitt, the results of the program were very encouraging. There is now a more effective fire control capability in each region, a pool of better-trained crews, a more capable and motivated fire protection organization and an overall appreciation of the latest aerial and ground forest fire control technologies.

B.C. is a world leader in the development of forest fire control technologies. There are plenty of other areas of expertise, particularly in the forest industry, that B.C. could market successfully in Mexico. "I believe there is a lot of opportunity to introduce B.C. expertise in Mexico," says Stitt.

In Mexico, friendship and business mix

Before you can win contracts with the Mexican government, however, you must invest time, effort and money. A representative in Mexico is one good approach, and another good place to start is at the Canadian Embassy, says Stitt. Be prepared to convince the Embassy that you are a credible company and that your intentions are sincere. "They want to encourage long-term relationships. They want to see follow-up, which leads to successful programs."

Once you have established contacts in Mexico, you have to build the relationship. "You inevitably end up being friends with the people you're working with. Mexicans are no different from other nationalities; they want to know who they are doing business with. Personal relationships develop along with business relationships."

In the past, some people have characterized Mexico as a bureaucratic, difficult place to do business. The reality Conair has found is that much progress has been made as Mexico forges its way into the world marketplace and strengthens its ties with North America. Bureaucracy can still sometimes slow the pace of business, but the atmosphere is changing. Conair's long-term goals in Mexico are to continue to offer the fire control equipment and services it provided in 1992 and to expand these services into other areas of the country. It is counting on the fact that quality service which meets the customer's needs will pay off.

Diachem Industries Ltd.

Diachem Industries, a specialty chemical company serving the water treatment, pulp and paper, food and beverage and mining industries, has recently discovered that its services and expertise are in strong demand in Mexico.

Diachem was established in 1975, and now has 130 employees across Canada, with its head office in Vancouver. In late 1991, it established a new office in Mexico and Jack Rattee, head of the Mexico project, is excited about the opportunities the country has to offer.

Before establishing itself in Mexico, Diachem did an extensive market survey, calling on industry, government, banks and potential partners. It decided to found a company in Mexico (called Diaztech), and work in partnership with a Mexican firm, Cesco S.A., which provides Diaztech with crucial local market knowledge and contacts, and also manufactures some of Diachem's existing product line. In return, it gets access to Diachem expertise and half of the profits generated by the partnership.

"It's absolutely necessary to have local knowledge in Mexico," says Rattee. "It's also necessary to have a Canadian involved. We plan to send a Canadian there on assignment."

Land of opportunity

Diachem has identified huge market potential for its products in Mexico. According to Rattee, the country's strict water quality regulations have not been enforced in the past. But that's changing. Mexicans are keen on cleaning up their act, and opportunities abound for companies with the expertise to help them do it. "The marketplace is legislation-driven," says Rattee.

But don't expect to go down there once and do a deal. "You have to build a relationship. There are a lot more subtleties in doing business in Mexico than in the rest of North America. You have to realize it's a partnership. You can't go down there as their 'great saviour.' You need a genuine interest in doing business that will have lasting benefit to Mexico."

Rattee adds that it's also important to be aware of cultural differences. Canadians tend to be less judgmental in this respect than Americans in Mexico — so we may get a warmer reception. "There's an advantage we can exploit," says Rattee. "There's a huge friendly neighbour between us. Mexico and Canada could become effective counterbalances to the domination of the U.S."

Diachem could have chosen to set up a business in many foreign countries. It chose Mexico first because of its proximity and the fact that it is one of the most stable economies in Latin America. Most importantly, though, Mexico definitely needs the technology Diachem has to offer.

Building for the long term

Over the past year, the fledgling company, Diaztech, has been engaged mainly in market development. It has hired a specialized sales force, developed lab and manufacturing procedures and conducted a lot of trials in application of the technology. Hiring locally, it has supported this staff with business expertise from Canada. "Finding people wasn't easy," says Rattee, "and most of it was done through our partner company." Diaztech now has five permanent staff, plus some additional casual workers.

Once hired, Diaztech staff are trained by Diachem. "The people are really keen. They are interested in learning the technology and improving quality," Rattee notes. "Skilled people are not as abundant as in the rest of North America, but they are eminently trainable." Diachem is working to instill some of its culture into the Mexican company — the upcoming assignment of a Canadian there is something which Rattee feels he should have arranged sooner. "You have to be sensitive to the cultural differences, but you can't ignore what made you successful here."

Rattee is optimistic about the future of their Mexican operation. Things happen more slowly in Mexico. You have to adjust to the pace of doing business, and there is more bureaucracy to deal with. But, he adds, the situation appears to be improving. Mexico has a population of 85 million people, and over half are under 21 years old. There is a real desire among Mexicans to open up their economy and provide employment for their people, says Rattee. "In the long term, it's a great opportunity."

Relationships important

Until recently, unless you were a very large company, you had to have a Mexican component to your operation to set up a business there. This regulation has been relaxed, but for Diachem (and for many others) it still makes sense to team up with a Mexican firm. "We were established overnight because of our partner," says Rattee.

For those interested in establishing businesses and contacts in Mexico, Rattee highly recommends a trip to the Canadian Embassy in Mexico City. "They are an excellent source of support and knowledge. They have a good sense of the direction of the Mexican economy," he says.

Once you have a relationship or contact established, work to maintain it. According to Rattee, someone from his company will go down to Mexico every six weeks. "A lot of business there is built on relationships. You have to take the time to build relationships or your long-term prospects will not be good." Mexicans are sociable people, and view friendship and familiarity as important, even in business relationships. They like doing business over lunch. They don't like to be rushed. The quick deal is not available in Mexico, says Rattee. You have to be in it for the long term, or not at all.

Glenayre Electronics

Glenayre Electronics, a B.C.-founded multinational company that specializes in communications for people on the move, has been doing business in Mexico since the 1970s. In January of 1992, the company decided to establish an office in that country.

According to Russ Allen, vice president of international sales, Mexico has been important to the evolution of Glenayre. In the 1970s, the company made mobile phone terminals with its Mexican joint venture partner Industrias Unidas S.A. (IUSA), a large conglomerate of Mexican industrial companies. The country was the first big telecommunications customer Glenayre had, and part of the reason the company entered the telecommunications field.

With the advent of cellular phones in recent years, the mobile phone business tapered off, and Glenayre switched its emphasis, not only in Mexico but elsewhere in the world, to paging systems. The new Mexican office focuses on these; Glenayre is working with a large Mexican company which has a license for nationwide paging. Glenayre is supplying the equipment to do tests in Mexico City and lay out the proposed system. "This could lead to the contract to link most of the cities in Mexico in a common paging system," says Allen.

When in Rome...

Glenayre has considerable experience setting up offices in foreign countries. The company makes it a practice to hire local people and to be sensitive to local culture and customs. Its own people go there with an understanding that business is done differently. Mexicans like to start early, and to conduct business over breakfast and lunch. The afternoon is siesta time, but Mexicans will typically work until 7 or 8 pm. The pace of business is slower; decisions are made by individuals, not groups; and decisions are not made quickly. Hierarchy is important. "These are things you have to accept to do business there," says Allen.

Spanish is a real asset when doing business in Mexico. If you can't speak Spanish, bring a translator. Senior managers may speak English, but prefer to do business in their own language. Technical staff will probably speak Spanish only. Company literature, technical brochures and documentation should also be produced in the language of the customer. The product must similarly reflect the market needs. "That's one of Glenayre's strengths," says Allen. "Our equipment is very flexible, so we can easily tailor operations to meet local requirements."

Setting up shop

Speaking from a global perspective, Allen finds dealing with the Mexican bureaucracy no worse than in many other countries, and better than in some. "It's time-consuming, but not difficult to set up a company in Mexico." Consult a lawyer and accountant about legal requirements and tax considerations, he recommends. To move people in and out of Mexico is a simple matter. It's also easy to ship goods out, but more sticky to bring them in. This may become simpler if North American free trade is achieved. "We're a company that welcomes international trade. We see a relaxation of trade barriers as being good for our business," says Allen.

The company's views on operating costs are instructive. Labour costs aside, the cost of doing business in Mexico is not necessarily cheaper. The cost of living is high. Real estate and housing are expensive, as is car insurance, while food is cheaper, if locally grown. However, Glenayre has not done an overall comparative cost analysis.

"To succeed, we have to operate as a Mexican company and judge things in their context," argues Allen. "It's not relevant to use Canadian cost comparisons everywhere." To do business successfully in Mexico, or any other foreign country, Glenayre has simply found it best to become part of the local economy as much as is practical.

Long term growth expected

Glenayre has plans to expand its Mexican office, and to use it as a base to tap the Latin American market. The long-term goal is to grow the one-man office into a full-fledged sales, service, engineering and support organization. Mexico offers real opportunity. "The market is growing, and people recognize that a good telecommunications infrastructure is the first step to a higher standard of living," says Allen.

However, one factor may limit Glenayre's growth in the Latin American market. "We could add seven to 10 more sales people, but we need the technical and training support to back them up," Allen says, noting that for every sales person this amounts to two or three backup people. "It takes time in Mexico to find and train them — but they are crucial. When you're making sales in foreign countries, you have to be in a position to service the market. Don't make a sale if you can't provide the support, or you'll fall flat," warns Allen. "We are moving slowly into new markets like Mexico. We're looking for technical people to support the sales."

Questions to ask before you go...

Obviously, before establishing a foreign office, Allen suggests you ask whether you will be able to find local people with the skills you need to staff it. If not, you'll have to bring people in or train locals.

But even before you get to that question, ask this very important one: is there a market? Only someone right inside the marketplace can provide that feedback, and source opportunities for you. In past years, before stationing staff in Mexico, Glenayre only quoted on \$2 to \$3 million worth of Mexican business a year. Within the past year, it has quoted on \$15 million worth of business. Doing business from afar simply doesn't work in Mexico, Allen notes. You need someone to be there, and you need to build relationships with your customers.

Once the market has been scoped, you then have to determine if you can make money there. Countries in Europe, for example, may represent huge markets, but contain lots of your competition and are expensive places to do business. In Latin America, the market is growing and while there is competition, "the competitors are all in the same boat we are," says Allen. "They have to go in and establish themselves."

If, after asking the above questions, you decide you want to set up in a new country, make a plan and determine your break-even point. In Mexico, Glenayre expects to start making a profit almost immediately. Further, it plans to build on this office for the next two or three years and expand from there into South and Central America. But in the meantime, Allen says, "there's a lot of opportunity and a lot of work to do in Mexico!"

Statpower Technologies

For Burnaby-based Statpower Technologies, Mexico has served as an important part of its manufacturing strategy over the past two and a half years. Statpower develops and manufactures consumer power electronics for world markets. The company does about half of its manufacturing in Canada, 25 per cent in Mexico and the rest in Southeast Asia.

According to director of international manufacturing, Rob Heckenast, Statpower used to build all its products in Canada, but then less expensive clones and copies of its successful power inverter products began to appear on the marketplace. Faced with losing market share, Statpower had to reduce the cost of building its product. At the time, it looked at manufacturing in Europe, Asia, the U.S. and Mexico, and decided the latter was the best option.

Twin Plant free trade zone a plus

Statpower set up its manufacturing under the Maquiladoras (Twin Plant) program. Maquiladoras are in special free trade zones on the Mexican border where materials can be imported duty-free from their country of origin for manufacture in Mexico, and the resulting products can be brought back into their country, or sent to a third country. Heckenast estimates there are over 800 plus factories on the Mexican border, and there is a large labour force readily available. In 1990, Maquiladoras generated much-needed jobs and foreign exchange earnings of US \$3.6 billion for Mexico.

Statpower manufactures its products in the Maquiladoras area on consignment. It sources the required parts from Canada and elsewhere in the world and sends them to Mexico. While Statpower supplies technology and training and helps set up the production line, Mexico sells Statpower the labour. "It's a very flexible way of doing things," says Heckenast. "It gives us control. The downside is that we have to carry the inventory. And there has to be a great deal of interaction with our company and the subcontractor in charge of manufacturing."

Do your homework first

For products where the volume is high, and the product design is stable, manufacturing in Mexico makes sense. But do your homework first, suggests Heckenast. Products that are to be sent out of the country for manufacture go through several development cycles with testing and refining of small output runs, and with changes being made to the product along the way. Once the design is stable, then the company considers moving manufacturing to Mexico or the Orient. Meanwhile, Statpower continues to build its more complex and new products in Canada, where the company can closely monitor quality.

There are a number of factors to consider in a decision of this kind. First, is competition in the marketplace driving the cost of the product down? If so, a company may have to manufacture in a country where labour is cheaper than in Canada or lose market share. A similar consideration is whether the cost of labour is a large proportion of the product's end-value (20 per cent or more). As well, volume should be high and stable. "Don't manufacture in Mexico unless you plan to steadily employ 15 to 20 people or more," says Heckenast. Mexico has strong legislation to prevent abuse of cheap labour; for example you must pay Mexican workers three months' wages if you lay them off after the probation period is over.

The bottom line is that lower manufacturing costs must save you enough to make it worthwhile to manufacture in Mexico. There is the "hassle factor" to consider, says Heckenast. If you have to make changes to the product, or fly staff out to the operation often, these extra costs could eat up the gains you make. The best approach, he suggests, is to put considerable effort into the initial setup. The product should be straightforward to build. Its design should be stable. All documentation and communication should be explicit. When sending parts to manufacture on consignment, make sure all parts, and spares, are there to avoid holdups in the production line. "Every detail must be looked after. But if all the necessary information, training and materials are there, the Mexicans can build the product as well as we can. The quality is comparable to that in Canada," says Heckenast.

Expertise, infrastructure improving

Heckenast believes Mexico suffers unfairly from a low-productivity image. "I see young people eager to do a good job. They have motivation. They're eager to work." He cautions, however, that the hard-driving work ethic that we admire in North America won't go over well with the Mexicans. "People will put in a significant effort when something has to be done, but you can't drive them too hard."

He notes other limitations to operating in Mexico. Bureaucracy is one. Dealing with government is difficult because of the language barrier and poor communications infrastructure. "You need excellent inside contacts to make things happen. It can be very frustrating if you expect things to happen too fast," says Heckenast.

Another limitation is the technical expertise available in Mexico. While the country offers the full spectrum of manufacturing services from small, low-cost operations to top-quality programs using automated equipment, it still has a long way to go to match the sophistication of Asian manufacturing operations. Statpower is now looking at turnkey manufacturing in Asia — to be able to simply send designs and receive finished product back would be attractive. Mexico currently lacks the infrastructure to offer routine turnkey service, but that may change in the future. "Gradually, the economy and infrastructure will improve," predicts Heckenast. "Even in the last six months, there are services I can acquire now that I couldn't before."

In the meantime, Mexico continues to offer advantages for manufacturers. Labour rates are considerably cheaper than in North America, and the country's proximity to Canada and the huge U.S. market is a big plus. For Statpower, manufacturing in Mexico has been a key to success. Founded in 1988 with five people, the Canadian company now has over 30 employees, and growth rates of more than 50 per cent annually. "We couldn't have grown this fast without having some of our manufacturing done outside of Canada," says Heckenast. "We would have been squeezed out of the world market."

Conclusions

What can other British Columbia businesses learn from these success stories, should they wish to initiate a strategy for developing business with Mexico? Here are some of the lessons that might be drawn:

- take encouragement from these B.C. role models, who believe that B.C. companies have much expertise to offer to Mexico and have found opportunities there.
- some business niches may not yet be filled by your international competitors; watch for these, and play on Canadians' good reputation in Mexico to pursue them.
- take a long-term view: payback is unlikely to be quick.
- be aware that business in Mexico resembles business in Asia; visit frequently, do close follow-up and most importantly, nurture long-term personal relationships with colleagues, customers and suppliers — in Canada, friendship isn't essential to business relationships, but in Mexico, it is. For a small- or medium-sized company, the need to view Mexico as an investment which will take several years to pay off will be a severe challenge; an alliance with a local firm may help spread the risk and costs.
- project "partnership"; show real interest in helping Mexico develop business of lasting benefit. Dealing with local suppliers, forming local alliances and hiring Mexicans can help project this image.
- stay very close to local business conditions, post Canadian staff in Mexico, or select local agents carefully for: e.g. their "inside" knowledge, understanding of North American business culture, and trustworthiness. Build a strong relationship with any agent; communicate clearly and often; make frequent visits.
- be prepared for the hierarchical nature of business in Mexico, which can make lower-level staff refer all important decisions to superiors, or "go by the book". Understand the hierarchies of organizations you are dealing with, or hire someone who does.
- have a plan to deal with infrastructure (communications, transportation) which is not up to Canadian standards.
- as specialized skills can be scarce, consider training Mexican workers, who are generally willing and able to learn.
- learn some Spanish, and/or be prepared to use translation services in dealings with working levels.
- if manufacturing, make sure your product has reached a level of stability in design, is relatively simple to build and has very-well-documented manufacturing procedures. Verify that benefits of "cheaper" labour outweigh the hassle factor of operating outside Canada. Be aware of training costs, and of tough Mexican laws protecting workers from abuse.
- use the Canadian Embassy for initial contacts; visit the Embassy for knowledge and support.
- if establishing a Mexican office, factor travel, cost of living, land, collecting receivables, etc. into your business plans. Remember that Canadian cost comparisons may not be relevant if your Mexican business requires your presence there.
- adjust to the slower pace of doing business, and to a more bureaucratic approach. Things will take much longer than in Canada.

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- a technology-based company must deal with a shortage of technical backup staff in Mexico; locals may need training.
 - finally, don't write off Mexico as unimportant to your business until you know whether your competitors' Mexico-related strategies could affect your market share or growth potential in the U.S. Keep aware of the environment for your business sector in Mexico.

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