

Joint Ventures

Joint ventures are excellent opportunities to market your products or services to a wider audience. You can establish more contracts, get more leads, and increase your customer base using this business structure. Producers typically are experts in producing products or services but these same producers may lack sufficient and efficient marketing tactics or techniques. Therefore, in spite of a useful and productive product or service, they are unable to generate revenue from the sale of a product or service. If the producer can find an efficient marketer, both could gain from sharing each other's expertise.

Joint ventures can be adopted for a trial period of a few weeks or months and should be continued only if they work to the advantage of both parties. A joint venture essentially matches the skills and expertise of two different individuals or businesses and, in the process, generates benefits for both parties. There is no legislation that specifically regulates joint ventures in Ontario, and there is no precise legal definition or status for a joint venture.

For example, Pacific Northern Gas Ltd. and Kitimat LNG Inc. are participating in a joint venture to build a \$1.2 billion natural gas pipeline in northern British Columbia. The joint-venture partners are confident that they can overcome their biggest challenge—to find a long-term supply of natural gas to feed the pipeline. Part of this partnership agreement will be to build a pipeline system that will connect to a liquefied natural gas receiving terminal on the coast of northern British Columbia.

International Franchises

Franchises are also a way to achieve an international presence by authorizing a group or an individual to sell its goods or services. The franchisee (the one who buys the rights) pays for being able to ride on the success of the franchiser (the one who sells the rights). For example, when the Richmond, British Columbia- based company Boston Pizza expanded into the United States it was able to quickly set up franchises across North America supplying franchisees with real estate, construction, start-up procedures, fixtures, operating systems, signage, equipment marketing programs, training, and menus, because it had that developed the concept in Canada. In fact, the only change was made for the U.S. market was a modification of the name to Boston's, The Gourmet Pizza. The name change was designed to communicate the superior product offering this wasn't just any pizza, it was "gourmet pizza" with a crust, seasonings, and flavours unlike any other.

Strategic Alliances

Strategic alliances are agreements between businesses in which each business commits resources to achieve a common set of objectives. Typically, a strategic alliance is used to help co develop, co-produce, and co-market the products or services of the two businesses. Businesses may form strategic alliances with a wide variety of players: customers, suppliers, competitors, universities, or divisions of government. This type of agreement can help businesses improve competitive positioning gain entry to new markets, supplement critical skills, and share the risk or cost of major development projects. While partners in the alliance, each business remains separate and entirely independent of the other partner. An example of a "made-in-Canada" strategic alliance involves the Canadian Broadcasting Corporation (CBC). CBC-Radio Canada has developed alliances with other media businesses such as the *Toronto Star*, the *National Post*, *Maclean's Magazine* and *La Presse*. Combined efforts have resulted in joint coverage of major stories like health care and education. Another example of a strategic alliance which reaches beyond the borders of Canada, between the Citizens Bank of Canada and Amnesty International. These two players have partnered together to help raise money for campaigns to protect fundamental human rights around the world. When people use their Amnesty International Visa card, Citizens Bank donates 10 cents to Amnesty International.

Businesses from the United States considering a strategic alliance find that Canadian businesses have a lot to offer. Canadian businesses have world-class technologies, are export- oriented, operate in a similar culture, and operate under government regulations that are not a disadvantage when compared to other countries.

Mergers

If the strategic alliance is successful, the two businesses may agree to a merger. A merger occurs when two or more companies join together, either because one has purchased a controlling interest in the other(s) or because the companies have combined their interests. A merger can help both companies strengthen their operations, enter new markets, and acquire new technologies, resources, and skills. If a smaller company merges with a larger one, the small company may also gain access to more capital or to a larger sales force. Companies will tend to consider a merger if that partnership allows them to increase market share, become a more efficient operation, or gain a competitive advantage. One of Canada's most famous merger attempts occurred in the Canadian banking system. In 1998, the Bank and the Bank of Montreal announced a \$40 billion proposal to merge. Within a few months, Canadian Imperial Bank of Commerce (CIBC) and the Toronto Dominion Bank (TD Bank) announced a \$47 billion proposal to merge. But the federal government of Canada ultimately turned down the mergers because they wanted the banking system to remain as competitive as possible and, in the process, protect the interest of the public. The concern of the public was that too few banks could place too much power in the hands of not enough people!

In 2004, Molson, a Canadian brewery, announced a merger with an American brewery, Adolph Coors. Shareholders approved the \$4.5 billion deal in 2005.

Offshoring

Offshoring is the relocation of some of a company's operations to another country. Typically, the new location takes advantage of much lower labour costs. For example, many Canadian manufacturing companies have moved to China and Mexico. In fact, few manufacturing companies remain in Canada. But more recently other factors have influenced companies' decisions to move offshore. For example, proximity to large, emerging buyer markets (such as China and India) and access to growing pools of skilled labour with low wages entice companies to consider moving elsewhere. Would it make sense for a Canadian manufacturer like Research In Motion (RIM) (manufacturers of the Blackberry) to set up an offshore branch in Japan or China? If RIM could reduce their costs of production and if the Asian market represented one of their major customers, it may make sense to establish an offshore operation. Other technology manufacturers, such as IBM and Hewlett-Packard, have already set up shop overseas. They are taking advantage of employees in India and China who have relatively high education levels but work for low pay relative to Canadian wages.

However, offshoring presents a public relations risk if it eliminates jobs in a company's home country. Firms must carefully weigh all the risks of offshoring before making a move. For example, if an offshore country's political climate is uncertain, or if the currency of that country is unstable, an offshore move could prove more costly than beneficial. Trade barriers could also be a stumbling block in a move, a topic that will be discussed more fully in Chapter 4 on International Business.

Multinational Corporations

A multinational corporation is a business enterprise that conducts business in several different countries. These corporations operate as if there aren't any borders, so the global marketplace becomes their place of business. Why do they do business in this fashion? In the long run, it could save money. A multinational corporation could have its corporate headquarters located in Canada, its raw material sources in South Africa, its production plant in Germany, and some of its retail stores in Japan. The reason for doing this is to take advantage of what each country has to offer. In the process of doing business, these corporations observe national regulations, rules, and policies in the countries in which they operate. However, many multinationals are powerful enough to pressure governments to give in to their demands. The most common threat is to close offices and lay off thousands of workers and take the employment elsewhere.

When a multinational corporation invests in another country, that country can benefit in several ways. Extra jobs, new technology, and training are the positive benefits of the arrival of a multinational corporation. However, there could also be a downside to the arrival. Some multinational corporations have been known to take advantage of the fact that workers in the new country will work for less money. This cheap labour helps keep costs of production lower but it does not benefit the citizens of those countries. See Chapter 4 for more information on International Businesses.