

The Advantages of Collaboration

Strategic partnerships can help small manufacturers and wholesalers improve internal operations and increase external sales opportunities.

In spring 2007, the United States Army and the United States Marine Corps announced that they were having a problem. Their General Mechanics Tool Kit (GMTK) — which military repairmen use in the field to service both armored and conventional vehicles, including tanks — was not holding up to the extreme conditions of overseas military operations and environments. They needed a better, stronger GMTK, so they sought bids from companies that could deliver one.

Among the companies that submitted bids was Armstrong Tools, a division of Washington, D.C.-based Danaher Corporation that manufactures hand tools such as ratchets, hammers, wrenches and screwdrivers. In order to secure the contract, Armstrong knew it needed more than tools. It also needed solutions for transporting and protecting them.

To do that, Armstrong recruited two partners: Torrance, Calif.-based Pelican Products, charged with developing a mobile tool case for storage and transport, and Georgetown, Mass.-based UFP Technologies, which would design custom-fitting foam trays in which to secure the tools inside their case.

“Together, we’re three circles of specific expertise,” says Lyndon Faulkner, CEO of Pelican Products. “By working together in collaboration, we knew we could bring a product to market that was really best-in-class.”

The military agreed, which is why the U.S. Army and Marines eventually awarded Armstrong, Pelican and UFP a five-year, \$125 million defense contract for 96,000 combat-ready GMTKs.

Collaboration as customer service

For small businesses in any industry, it’s instinctual to be insular. Because competition is so intense, it’s natural to be guarded, protective of your intellectual property and possessive of your customer base.

In the wholesale and manufacturing industries, however, things are changing in the face of new customer demands, according to Matt Croson, vice president of member services for the Packaging Machinery Manufacturers Institute (PMMI), an Arlington, Va.-based trade association. Because their customers are demanding it, he says, small businesses that were once focused on keeping other companies out are beginning to see the value of inviting them in.

“There is no question that in the ’80s and ’90s, our member companies were known for one piece of equipment that their father or mother created,” Croson says. Over time, however, big

companies that needed to cut costs laid off many of their engineering teams. Therefore, they needed more engineering expertise from their suppliers, Croson says. As a result, the industry now takes a complete, collaborative approach to systems.

To answer customers' calls for turnkey solutions, some small wholesalers and manufacturers have pursued acquisitions. Others, meanwhile, have started selling to fellow suppliers. A third group, however, is pursuing informal partnerships with companies that complement their offerings.

"It's all about small and medium-sized companies working together so they look bigger, have a complete system, and can demonstrate value to the end user who ultimately buys from all of them," Croson says.

External value, internal benefits

Partnerships that deliver external value to customers also deliver internal benefits to suppliers, says Brad Heath, CEO of VirTex Assembly, an Austin, Texas-based electronic manufacturing service provider. Upon starting the company in 1999, he partnered with other manufacturers in order to share resources and revenues. As a result, he's reduced overhead, tapped into other companies' strengths and gained entry into new markets.

"As a small company, you can't do everything," Heath says. "We can't prepare circuit boards and plastics and sheet metal, so we find strategic partners to do what we can't."

For companies like Heath's, the internal benefits of collaboration are many, Croson says. "There's a benchmarking benefit and an ability to do some best practices information sharing," he says. "There's a chance to get outside of yourself and rely on others you trust to deliver information on other parts of their business."

Ultimately, the benefits of increased sales are substantial, and small companies can realize them by banding together to solicit business from larger companies, who often require collaboration from their smaller vendors. "Small companies can achieve increased sales, deliver more value to customers and lower some costs by working closely with other small companies," Croson says. "Large packaging machinery end users — companies like Coca-Cola, General Mills and Pfizer — need complete packaging machinery systems. By working together, small machinery builders with complementary lines can sell those companies on the complete turnkey system."

Making collaboration count

Despite the benefits, small manufacturers and wholesalers must approach collaborative opportunities with caution. To minimize risks and maximize rewards, here are some tips to consider:

- **Keep it simple.** Collaborative partnerships aren't legal relationships, Heath says. They're strategic ones. "If you have to rely on a contract to do this, it's probably not a good fit."
- **Speak up.** Collaboration requires communication, Croson says, who suggests having a verbal conversation up front about the terms of your partnership. "Be honest about what you're looking for and what you're trying to accomplish."
- **Seek value.** The best partnerships, Faulkner says, are the ones where everyone has something to contribute. "Make sure there's value in each of the component companies," he says, adding that value isn't limited to specific products. It can also be expertise in

marketing, sales or technology.

Finally, Croson advises, be patient. “You can’t just go blindly into a relationship,” he says. “You have to develop trust. It will take some time and effort, but ultimately, you will find a great deal of value in it.”

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