

# A GUIDE TO COLLABORATING WITH OTHER BUSINESSES TO HELP YOU COMPETE

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## Introduction

Your business can collaborate in a variety of ways with others to tackle new opportunities, win new customers and increase your profits. You can do this by co-operating with others in mutually beneficial ways over the use of ideas and technology, by developing new products, or by sharing know-how, marketing expertise or spare production capacity.

This can involve both formal and informal approaches. You could, for example, have a formal partnership with another business to create a joint venture to exploit a business opportunity. At the other end of the scale, you might simply decide to share, informally, information about the easiest ways to deal with common problems.

There are many aspects to reaping the benefits that business collaboration can bring. This guide suggests some of the approaches you could take.

## Benefits of collaboration

A great many benefits can be derived from business-to-business collaboration. The following are just a sample:

- You will be able to achieve goals that would not be possible if you acted alone.
- By pooling resources, you would have a greater chance of winning larger contracts.
- If you were able to reach a new market only by over-committing yourself, by combining with another company you would be able to do this without putting your business at risk.
- You could share know-how to develop new ideas, products, processes or services.
- Joint marketing campaigns could be undertaken.
- Market intelligence could be shared.
- Spare production capacity could be put to fresh uses, either temporarily or more permanently through a partnership agreement.
- Technology that would be prohibitively expensive to develop by yourself could become more feasible under a joint undertaking.
- Solutions to problems can often be found more easily when more minds are brought to bear on issues.

## How to find useful contacts in other businesses

There are a number of ways of finding collaborators or useful contacts with whom you can network for supportive purposes, or build partnerships to develop joint projects. The most obvious way of extending your range of contacts is to take part in networking events organised by your local Chamber of Commerce and the Federation of Small Business. Business clubs also host events, while trade associations are an invaluable source of useful contacts within whatever sector you may be operating.

If you establish your business in managed workspace premises or an incubator unit, you will have ample opportunity to interact and collaborate with other businesses there. These firms are likely to be at similar stages of development to yourself, and will have needs or problems like your own for which solutions can be found through co-operation.

Organisations like Business Link (England), Business Eye (Wales), Business Gateway (Scotland) and Invest Northern Ireland, have schemes for bringing firms together for collaborative purposes. Local and regional development agencies increasingly have initiatives for drawing businesses into sectoral clusters, which are aimed at exploiting their collaborative potential.

## Formal partnerships

These should be created with clear objectives from the outset. Before entering into any binding arrangement, make a thorough check of the intended contributions and capabilities of the business with which you intend to collaborate. A credit check, for instance, by one of the organisations specialising in this (like Experian, Dunn & Bradstreet or Equifax) would be useful and reassuring. Once a good level of trust and understanding is established, you will be in a position to draft a written agreement, and this should be done after taking legal advice.

The written plan should cover such things as the joint goals you are seeking to achieve, what financial contributions you would each be making, your joint and individual responsibilities, and how revenues and profits would be shared out. Other factors in the written agreement could include a time limit on the undertaking and, if the partnership were to dissolve on a negative footing, how to end it. Provision should also be made for intellectual property rights if, for example, a joint product development is being undertaken, as this would result in the shared ownership of a patent or copyright.

The following example shows how one kind of formal partnership could arise and develop.

A company designing a new and highly specialised device for use in cars had a problem over finding an affordable way of producing prototypes of its product's components for testing purposes. At a business networking event the owner of the firm was chatting about the problem to an acquaintance from an engineering company, which had recently invested in some new equipment that could be able to produce the required prototypes. They decided to collaborate to see if they could find a solution to the problem.

A very successful solution was found, and the arrangement was so beneficial to both businesses that they decided to collaborate further. The potential of the process they had developed was so great that they formed a successful joint venture to carry out product prototyping for other kinds of manufacturers.

## Informal co-operation

This form of collaboration will involve you in much looser arrangements that would not normally involve any written and legally binding agreement. As with any other kind of relationship, however, trust is essential. As with a formal partnership, you should always be clear about how much information you are prepared to share with your collaborators. The greater the level of trust, the more willing you will be to share knowledge and resources for mutually beneficial ends.

A second example shows how collaboration over training can be beneficial.

At a skills seminar a group of business owners, operating in different non-competitive fields, complained that they could not afford a certain kind of advanced IT training for their employees. Later they got their heads together and agreed that if they could carry out the training by sharing the costs, they would be able to get involved in other types of profitable business activities. They decide to collaborate informally on this, hosting different elements of the training at each others' premises. The result was gains all round for the businesses and their employees.

## Working together

These are a few important principles of successful co-operation:

- Maintain an open working relationship with your collaborators and avoid treating them like rivals.
- Give ample time to strategy, planning, promotion, implementation, and back-up such as after-sales care.
- Give employees adequate time to get to know the counterparts they will be working with in the other business. If possible, joint training should be given to both sets of employees to inform them of the goals of the project.
- Keep employees informed of progress so that they can feel part of any success.

## Hints and tips

- Do sufficient research about your collaborator. It is vital that you find out as much as possible about your potential partner business or collaborator. Disputes can arise if you are not fully aware of the way the other business works and its objectives for the partnership.
- Try to avoid personality clashes between managers. These can be especially disruptive to your business if the clash impinges on your style and working methods.
- Other kinds of disputes to avoid: one party feeling that it is doing most of the work and is carrying the other; one side takes a disproportionate share of the profits; there is a mismatch between the collaborators in terms of their respective goals; and wrangles over intellectual property rights on jointly developed products, processes or other types of materials.

## Further information

BIF 121 A Guide to the Benefits of Networking With Other Businesses  
BIF 240 Developing Joint Ventures  
BIF 253 Managing Business Contacts

'Challenges Between Competition and Collaboration: The Future of the European Manufacturing Industry'  
Peter Sachsenmeier (Editor)  
2003  
Springer Verlag

'Business Networking: Shaping Collaboration Between Enterprises'  
Hubert Osterle, Elgar Fleisch and Rainer Alt  
2000  
Springer-Verlag

Events organised by the local Chambers of Commerce provide opportunities for networking and getting to know potential collaborators. Details of your local Chamber can be found via the website.

Chambers of Commerce  
Tel: (020) 7654 5800  
Website: [www.chamberonline.co.uk](http://www.chamberonline.co.uk)

The Federation of Small Businesses organises events and facilitates contacts between members for networking.

Federation of Small Businesses  
Tel: (01253) 336000  
Website: [www.fsb.org.uk](http://www.fsb.org.uk)

Business Link (England)  
Tel: 0845 600 9006  
Website: [www.businesslink.org](http://www.businesslink.org)

Business Eye (Wales)  
Tel: 0845 796 9798  
Website: [www.busesseye.org.uk](http://www.busesseye.org.uk)

Business Gateway (Scotland)  
Tel: 0845 609 6611  
Website: [www.bgateway.com](http://www.bgateway.com)

Invest Northern Ireland  
Tel: (028) 9023 9090  
Website: [www.investni.com](http://www.investni.com)

For information on the benefits offered by clusters, go to:  
Website: [www.dti.gov.uk/clusters/](http://www.dti.gov.uk/clusters/)

**CONTACT-**

**for further information.**

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