



*Cooperation means: getting 'Smart' in creating win-win situations.*

This is the second article in a series of three on the issue of cooperation. In the first article (CBI News Bulletin 298) we discussed the necessity of cooperation, the process of cooperation, triggers that may lead to cooperation and the pros and cons of cooperation. In this second article we will look at the objectives of cooperation and different forms of cooperation.

**Specific, Measurable, Achievable, Realistic and Timed objectives can make or break cooperation**

# Get 'SMART' before you start

*By Chris Goes*

If you've made up your mind to start a cooperation as a solution for your question, having weighed the pros and cons and studied the obstacles, the first step is to formulate a set of objectives. And those objectives will mark the road to success if they're, in a word, SMART – or to put it more elaborately: Specific, Measurable, Achievable, Realistic and Timed. Your objectives are usually closely linked to the idea that triggered you into considering cooperation. Here are some examples.

## **'UNITED WE STAND'**

If what triggered you to think about cooperation is the awareness that you can't realize new ideas on your own, especially if you have limited influence in your branch, your objectives may include these:

- x% cost reduction in x years time by sharing costs or achieving lower transport or raw material costs;
- Increased processing efficiency: x% more products with x% less employees within x years.

- In total x% export turnover growth in x years time with product group X to France (+x%), Germany (+x%), The Netherlands (+ x%), Denmark (+x%).
- Specific changes in government behaviour as a result of your cooperation (lobbying): negotiations to become member of WTO within x years time, lowering export barriers (fees) within x years, registration of product in International Property Rights within x years.

#### 'TWO KNOW MORE THAN ONE'

If you were triggered by the idea of complementary knowledge, you can formulate as objectives the specific experience or skills you want to acquire, such as:

- Use your partner's export experience to raise the number of employees within your company able to make international deals by enabling them to learn English, familiarize themselves with customs administration, international transport et cetera with a timetable;
- Raise your turnover with x% by exchanging specific production and sales knowledge with your partner within x years;
- Use your partner's knowledge to enable your own staff to acquire quality certification (ISO standards) for your products within a timeframe.

#### 'WE NEED THAT TECHNOLOGY'

If your trigger towards cooperation is a need to stay in touch with technological developments, you might formulate and define objectives like these:

- Acquire specific techniques your company needs to access the export market within a specified period of time;
- Develop a specific new product with your partner (product development), with a time planning and investment plan and description of development process.

#### 'OUR CONSUMERS ARE CHANGING'

If certain changes in consumer behaviour are the driving force behind your desire to cooperate, as a result of the ageing of the European population, for instance, you might arrive at these objectives:

- Acquire an x% market share in this target group in a specific European country within x years;
- Jointly develop a range of specified products aimed specifically at ageing people within a specified period of time to specified markets.

#### OBJECTIVES ARE ESSENTIAL

Obviously, you could formulate many other cooperation objectives, depending on what triggered you in the first place and on the cooperation form you're thinking of. But what matters, is that you need to formulate SMART objectives. The most important reason is that it forces you – as well as your potential partner(s) – to be absolutely clear about your expectations. No less than half of all cooperation ventures fail, largely because participants neglect to formulate clear goals and find out too late that they're heading in different directions. Transparency in this area will also increase trust, which you'll need to succeed. It also

### SMART means to be Specific, Measurable, Achievable, Realistic and Timed

makes it much easier for you to evaluate the venture from time to time.

#### SMART OBJECTIVES

To become successful in a cooperation, objectives should be as SMART as possible. Specific – what activities or subjects of cooperation for which market and with which products.

Measurable – how to measure the results of the objectives with what targets (money, market share, number of products, etc.) with the use of administrative aids which are easy accessible in you organization and regular reports about the progress.

Achievable – who can be involved (participants) and what is in it that will stimulate the participants to achieve the objectives.

Realistic – where do the objectives come from and are they able to be realized.

Timed – when must objectives be realised – with a timeframe of planned activities

Although it is not always possible to get all the objectives SMART at the start of a cooperation, it is advisable to make them SMART in the course of the cooperation process. The aim of making the objectives SMART is to create transparency for all participants in the cooperation in order to prevent disappointments.

#### COOPERATION CRITERIA

Before you start looking for partners, consider some of the following criteria and decide which ones appeal to you most or will serve your purpose most effectively.

##### • Dimension

This is an important criterion for cooperation. It says something about the kind

of organization you wish to cooperate with. There are three possibilities:

The first dimension is vertical cooperation. This occurs most between companies in the same industry sector, for example between supplier and producer. The purpose of vertical cooperation is to optimize value addition between companies and to minimize costs throughout the whole process from raw material to end product. Vertical cooperation can be very fruitful if the various links in the chain differ enough to add value to each other's work.

The second dimension is horizontal cooperation. This usually occurs between comparable companies. It can be very difficult as exchanging information can undermine trust, especially if both partners are targeting the same customers.

Combining knowledge also reduces value addition. Another risk of horizontal cooperation is the formation of a cartel. Success depends on the size of the companies and their rivalry. Horizontal cooperation can be effective, however, for instance if partners combine supplies to lower costs. The third dimension is diagonal cooperation. This involves companies joining efforts with companies in other industries or branches. The advantage here lies in combining varied skills. For instance, a producer of leather bags might cooperate with an exporter of office supplies that already has contacts with a European retailer.

##### • Duration

Another criterion to consider is the intended duration of cooperation. Are you aiming for long lasting or occasional cooperation? Sometimes cooperation is only effective if it is very short and occasionally, but sometimes success only comes after a long time of cooperation. This can be the case when your focus is on product development.

##### • Level

Cooperation can exist on different levels: strategic (combining core competences) or operational (exchanging labour, for example). Strategic cooperation can be attractive if you're in a hurry to develop strong new products or markets. It is usually a long-term affair. Operational cooperation can be short and occasional, for instance exchanging labour at peak production periods, as well as long lasting, as in the case of structural labour exchanges.

- **Character**

Another important criterion is the character of cooperation: either formal, with procedures and contracts, or casual, built on mutual trust. The advantage of contracts is that they force partners to get to know each other's intentions.

- **Geographic reach**

The geographic reach of your cooperation is another key factor: do you intend to cooperate locally with partners in your own region, or internationally? Local cooperation is often informal, while international cooperation tends to be more formal and based on written agreements and contracts. One reason for this is that international cooperation involves differences of culture and language and questions can arise as to each other's expectations.

- **Intensity and numbers**

The intensity of a cooperation venture can be low or high, as can the number of partners involved. Depending on your objectives, you can define both the intensity and number of partners.

#### FORMS OF COOPERATION

The choices you make in all the areas mentioned above will in most cases lead you to one of the various standard forms of cooperation:

- **Networks**

There are basically two types of network:

- Small networks with few partners but with large investment in time and money;
- Large networks with many partners with low investment in time and money

In between there are several other networks, depending on the number of partners and the amount of time and money. The amount of money and time you invest in a network depend on its scale and character. Some networks are informal and casual, while others have rigorous admittance rules.

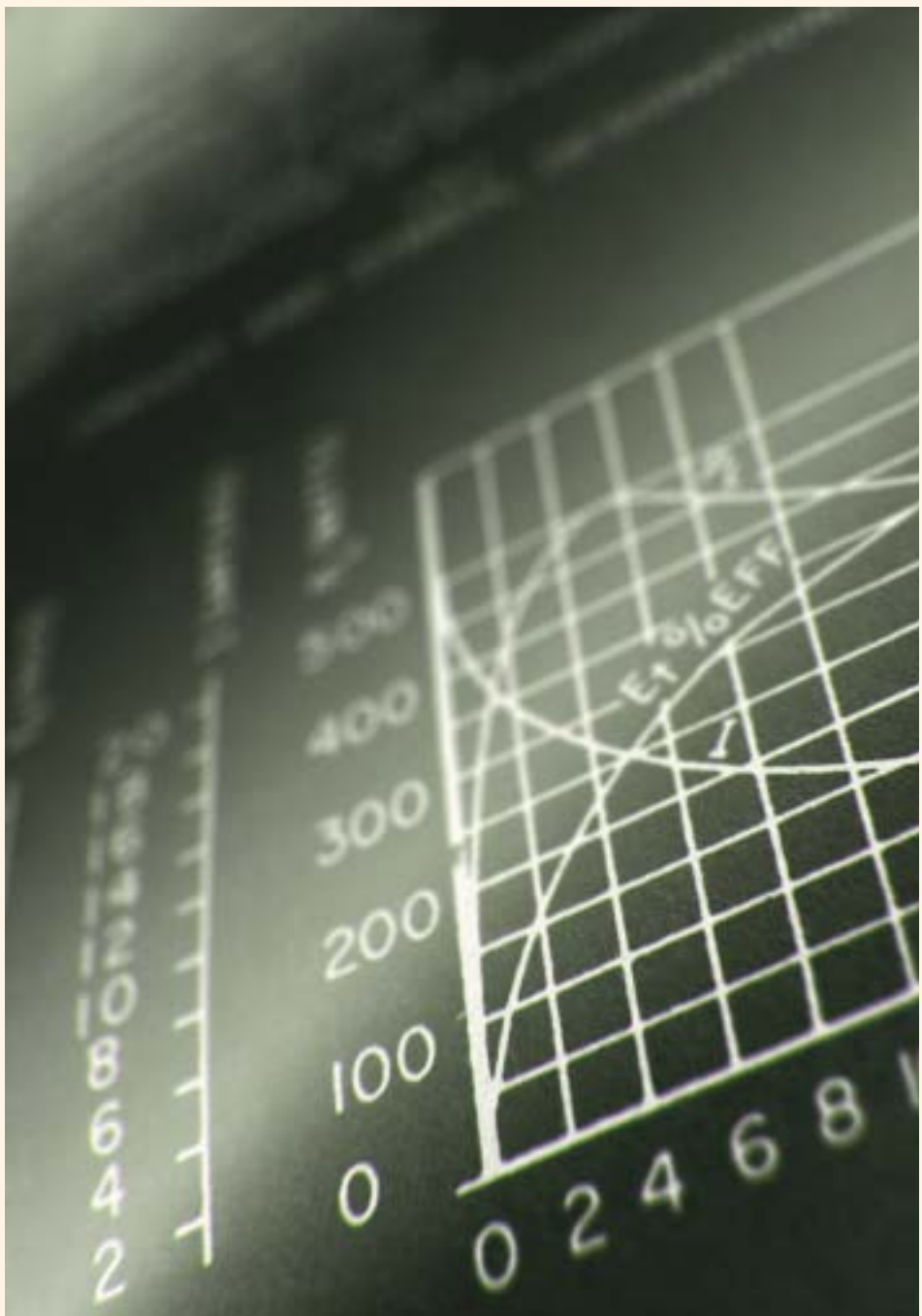
- **Co-makership**

Co-makership – also called co-development, extended enterprise, early supplier involvement or collaborative manufacturing – is usually very intensive, resulting in a tight, long-term relationship. It is based on mutual trust and occurs most in industrial sectors as a means of strengthening product research and product development. Co-makership is usually horizontal, long-lasting and for-

mal, especially when it is capital-intensive. In terms of geographic reach it can be local as well as international, depending on the objective.

An example can be found in the automo-

buy-out, so there is a lot of formality about contracts and procedures. The number of partner companies is obviously very limited. Examples abound in the energy sector, where, for instance, a large



tive sector where two or more car manufacturers develop together the basic module of one of the models, together with the types of engines.

- **Spin-offs**

A spin-off is a new enterprise launched by employees of a supportive mother company; this form of cooperation is usually very tight in the beginning. Most spin-offs involve long lasting relationships and are strategic and horizontal in dimension. They're usually based on a

oil company for strategic reasons might push off emerging BIO-energy activities into a new, independent company with its own employees, staff, buildings et cetera.

- **Franchising**

This increasingly popular form of cooperation has to do with exploiting successful marketing concepts and working with contracts. It occurs most in the retail business and in the services sector and is therefore horizontal. Franchising nor-

mally involves many partners and large investments of time and money. Based on contracts, it is formal in character. It is usually a combination of strategic and operational cooperation for a long period of time (as agreed in the contract). Most franchise chains are national, but there are a few large international ones, such as the McDonalds fast food chain, in which rigorous demands are laid down for menu composition, furnishing, colours, location and so on.

- **Purchasing and sales organizations**

This specific type of cooperation enables partners to reduce costs by buying or selling together on the basis of contracts. The number of partners can be extensive. The amount of time and money to be invested can also be considerable, as the organization usually hires a joint purchaser or sales force, and also has to make administrative and logistical arrangements. Most purchasing organizations are horizontal, formal and operationally oriented. Examples can be found in the office equipment and stationery sector, or in fashion and furniture retailing, where many independent retailers have started buying and sales organizations that take care of assembling day-to-day sales and buy in bulk against more favourable prices than the individual members can achieve themselves. The buyer or sales organization can offer a variety of services, including a central warehouse and logistic support.

- **Branch associations**

Branch associations exist in many branches, mostly with the aim of creating mutual understanding and representation, quality standards, purchasing advantages, mutual foreign exposure et cetera. Participating companies are members and pay a membership fee. The board of an association consists of a representation of the (most important) companies in the branch. The number of partners is usually high (more than ten), whereas the required investment of time and money tends to be moderate, depending on the professionalism of the association. Large associations often have their own staff and members can benefit from their efforts. Small associations, especially in the beginning, are often built on volunteer work supplied by the participating companies. In the early stages of their development, branch associations tend to be casual, but the bigger they grow, the more formal they become. Membership tends to be long-term and

cooperation can be strategic as well as operational.

#### LOOKING FOR PARTNERS

After having formulated your objectives and decided on the best form of cooperation, its intensity and the number of partners you want, you can start to look for partners. This phase is certainly as important as the decision to start cooperation in the first place.

If you're aiming for horizontal cooperation, for instance because you want to try to lower export tariffs and you want to establish a more or less "neutral" party like a branch association to develop lobby activities, you most likely already know numerous companies from trade shows or other meetings. In talking with colleagues in the branch, you can put forward the idea that triggered you and see how people react.

The CBI helps Central American farmers turn plant growing into a team sport

## Call it cross-pollination

A good example of horizontal cooperation is what is currently happening in the pot plants material sector in Central America, where producers have discovered the strength of teamwork – and formed several winning teams.

Until November 2002, most Central American growers of young pot plant material, ornamental plants and foliage were doing their jobs alone. They knew virtually nothing about their colleagues and only a little more about markets and (cost-) prices. Now, many of these individual growers are discovering that in order to compete on the world market they will have to work together, organizing production and quality systems, gathering market information, sharing logistics and developing joint exports to other parts of the world.

Not surprisingly, supporting and strengthening grower associations is one of the objectives of the CBI's export development programme for young pot plant material, ornamental plants and foliage. A strong association can help participants to reach important objectives: more market power, better market information and, above all, more profitable export opportunities. These associations are horizontal and

Vertical cooperation usually follows from an existing low-key relationship with a supplier or vendor with whom you wish to develop a closer relationship. In most cases you already know your local suppliers and can identify a partner from among them. You can also find partners through consultants, accountants, banks and branch associations.

It is advisable to appoint an independent third party to assist you and your potential partner in setting up the cooperation and arranging the first contacts and meetings.

*In the third article of this series we'll look at the way in which you can measure the results of a cooperation venture and at the role that trust plays in the process. We'll also look at the main functions of a branch association (which is a frequent form of cooperation) and consider some of its success factors.*

long lasting on both strategic and operation levels.

#### AN INTERREGIONAL PLATFORM

As part of this CBI programme, five members of each of the boards of growers' associations in Costa Rica, El Salvador, Guatemala and Honduras were invited to the Netherlands in November 2002 for a seminar. At the end of the seminar, the participants created an interregional platform. The platform has four members, one from each country, and will coordinate future promotion activities, inform members on developments in their own countries and help them with inspection, customs, and logistical problems. The platform is a giant step towards boosting regional exports. Next year the platform, with the CBI's assistance, will organize training and promotional activities. So the seminar turned a group of individuals into a team bristling with new ideas and opportunities for improving individual and group performance. The platform is an international, horizontal and strategically oriented network with only a few participants but a high investment level. It's a prime example of what the right kind of cooperation between the right partners can lead to.

