

Three Questions

'A Thorny Matter': Spatial Distance Secures Success in Co-operation among Small and Medium-sized Businesses

Mistrust and fear are the biggest obstacles on the way to co-operation. Many small and mid-size companies prefer trying their luck single-handed – a risky undertaking in view of world-wide trends towards outsourcing and the unrelenting merger fever of major businesses. For the selfsame reasons, Wolfgang and Stefan Kaiser, managing directors and quality managers of the heater producer Friedrich Freck Ltd, see co-operation among small and medium-sized companies as *the* chance of survival. Founders of a cross-border co-operation network and travelling lecturers on co-operation strategies, the two brothers have made a name for themselves by now. *Scope* editor Michael Stöcker has asked Stefan Kaiser about his recipes for success.

Scope: *In the light of increasingly global competition, you regard co-operation as a chance of survival for small and mid-size companies. However, most co-operative deals fail even before they have been made, so how come you are so optimistic?*

Kaiser: First of all, because of our own positive experience. By means of our co-operation network Eucopet, which has meanwhile been extended to the United States, we and our German, Irish and Italian partners have quickly developed from nobodies to heater manufacturers with a world-wide reputation. Compared with 1997, Eucopet's first year, Freck Ltd will double its turnover this year, and with a 45-strong staff, we are now on the threshold of becoming a medium-sized business. However, even if we set aside our own success, we have every reason to be optimistic; the time is simply ripe for co-operation. Global information networks, a Europe growing closer and closer together, world-wide interpenetration and concentration – in this situation, lone wolves are increasingly edged out. This insight has to mature in people's minds first. We were raised to work as lone wolves, prepared for a dog-eat-dog society that knows nothing but competition. Trying to break through these behaviour patterns with co-operation can only be a thorny matter. That is why failures have to be expected.

Scope: *In your manual Chance Kooperation, you say that mistrust and fear of breach of trust can be minimized to 'calculable risks'. What does that mean in concrete terms?*

Kaiser: Co-operation always bears a risk of failure. We, too, had to learn the hard way, and we did learn. For someone who reads the signs in the initial stage correctly and takes the appropriate measures, co-operation is a profitable investment. Concerning our own co-operation network, for example, we are aware of four risk factors: we are small companies with a maximum of 50 employees; we co-operate internationally, so we have to cope with various languages and cultures; in our co-operation, we focus on product development that provides quick return on investment – a very delicate subject; and – what is considered unthinkable by many – we are competitors in large parts of our product fields. This mixture promises maximal potential linked with high but calculable risks. The combination of features of a unique position on the one hand and overlaps on the other concerning both products and markets constitutes huge potential for growth; sharing the same know-how and using the same technologies holds considerable innovative potential; and similar structures and processes offer no less potential for synergy. At the same time, the risk that one of the partners will embark on a solo venture or take advantage of confidential information is limited. After all, a small company on its own hardly has the power to operate successfully in distant markets. The chance of extending one's market by means of the contacts existing within the co-operation network, on the other hand, is far more enticing.

Scope: *What basic rules should the co-operation parties observe and what cardinal error should they avoid by any means?*

Kaiser: First of all, rely on your gut feeling. In matters of co-operation, gut feeling is worth more than all rational evaluation criteria, for co-operation is above all a socio-emotional, not a technical, phenomenon. Second, the proof of the pudding is in the eating. Just have a go, have the courage to make an offer and wait for your potential co-operation partner's reaction. This is a quick way to find out with whom you are dealing. Besides, any co-operation needs a solid foundation of trust laid not by words but by deeds. Third, involve your employees as early as possible in the co-operation process. By initiating something, you will at best be the father, but never the maker, of its success. Fourth, see conflicts as a chance to deepen the co-operative relationships. With every conflict solved, the parties concerned are knit closer together and positive energies are released. Lastly, beware of forcing anything. If you fail to arouse your partner's enthusiasm for an idea,

you had better abandon it. Only authentic motivation and shared visions will make co-operation really successful.

A Practical Guide

In their manual *Chance Kooperation* (available in German only), a practical guide to co-operation among small and medium-sized companies, the Kaiser brothers tell their story of first encounters, careful advances and concrete co-operation. Their message is primarily directed to small and mid-size companies that want to keep pace in the race for concentration and in the shadow of the global players. Its quintessence: if cooperation works in the highly sensitive field of R&D, why not in other fields as well? The manual shows how to build up trust among competitors, how to overcome fears of an outflow of know-how and a theft of ideas, and even how to dare reveal one's treasures with an easy conscience when co-operating in the area of product development. Our recommendation!

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