The Value of Coopetition

The Right Approach

by Steve Williams, THE RIGHT APPROACH CONSULTING LLC

As our industry continues to evolve and shape-shift, printed circuit board manufacturing continues to shrink through consolidations and attrition. Unfortunately, this trend will most likely continue, albeit at a slower pace than over the last decade. In what has truly become a global economy, partnering with world-class suppliers is mandatory, and excluding a sub-set of this dwindling supply base because they also happen to be in a crossover business will severely hinder this effort.

Coopetition

Although I cannot take credit for coining this buzz word that combines "cooperation" and "competition," I have embraced the concept and believe it is good for our industry (the term coopetition was coined by Ray Noorda, the founder of Novell). I have noticed a clear movement in our industry away from the arch-enemy mindset to a more collaborative methodology, in other words, complementary v. competitive relationships. The value proposition to the customer in this scenario is providing world-class technology and service at a competitive price; the "protect our trade secrets" mentality just won't work anymore. And if we are really being honest, there are not many trade secrets in our business any longer (if ever any existed).

Coopetition is not a new concept; the most visible example of everyday usage can be found in the realty industry. Frustrated at manually scouring competitive listings when they did not have a property that met the customer's needs, the industry banded together and formed the MLS (Multiple Listing Service). This allowed them to expand their services to customers and capture a portion of the market that they otherwise could not serve. Isn't that last statement what our business is all about?

Other examples are retail and fast food; most have figured out that they will attract more overall customers by geographically locating stores where their competition is

(i.e., malls). They realize that they cannot meet every customer need, but with a proximity to many competitors that collectively can, they will get more customers than they would receive at a discrete location. To paraphrase my high school classmate Andy Rooney, "Did ya ever notice there is a Burger King within a stone's throw from most McDonalds?"

Two Schools of Thought

Collaboration with suppliers, customers and firms producing complementary or even the same products can lead to expansion of the market and the formation of new business relationships. There is one school of thought that sees business strictly as competition, where doing business is like waging war and one can't win unless someone else loses. Another school sees business strictly as cooperative, utilizing teams and partnerships to succeed. But business really is both cooperation and competition: Coopetition. Figure 1 depicts a graphical representation of the "Coopetition Web" that defines this model.

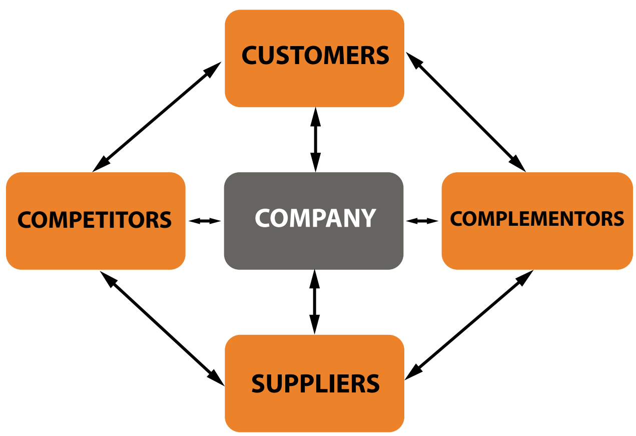

Figure 1: The coopetition web.

Blurred Lines

During a recent visit to another client, senior management stated that 35% of their revenue is derived from customers who are also competitors! That is truly a remarkable number, one that causes this supplier absolutely no concern or threat. I personally believe that the recent recession may have taught us a collective lesson, one that has a lot to do with this paradigm shift. A simple way to describe this relationship is to think of it as such: If a customer values your product/service more when combined with another's, this is coopetition. If a customer values your product/service less when combined with another's, this is competition.

Competitors are a key part of both our micro and macro economy. Competitors offer choices, bring new ideas and improvements to markets, help educate customers, and drive improvement within our own organizations. Every business must coexist with competitors, so the choice becomes whether to treat them as enemies or selectively as colleagues. At the end of the day, competitors have a single unifying goal—they all want more business. While debating this point, a friend recently told me, "There are only so many pieces of the pie to go around." I argued that you can always make more pies. Market share has an interesting way of redefining itself so that there is always enough pie for all.

The Hadco Example

In a prior life running global sourcing for a large contract manufacturer, my largest and best PCB supplier was Hadco. One day, Hadco was purchased by Sanmina, and word came down from on high that we had to move $20 million of business just because Sanmina was a competitor. This short-sighted thinking created more problems than it solved; but this was a different time in the industry. Refusing to use a world-class supplier was akin to throwing the proverbial baby out with the bath water.

Of course, prudence is the operative word. I am not suggesting throwing caution to the wind with an open-kimono naiveté, as there will always be the occasional predatory wolf and sheep situation. However, with a certain degree of trust and diligence in partnering with the right organization, strategic advantages can be attained on both sides. **PCB007**

Steve Williams is the president of The Right Approach Consulting LLC. To read past columns, or to contact Williams, click here.