



Don't D.I.Y.: Why You Should Leverage Strategic Partnerships to Close Operational Gaps

When you combine a strong product line with a high-demand market, managing company growth often requires help from strategic partners.

For Toronto-based Modu-Loc Fence Rentals LP, a provider of fencing for events and construction sites, an essential factor in achieving its growth goals has been the partnerships it has forged, says Clint Sharples, president and chief executive officer.

Modu-Loc was founded in 1995 by brothers Don and Darren Rintoul. Today the company has 175 permanent and 100 seasonal part-time employees in 17 locations across Canada.

Throughout this growth, Sharples says strategic partnerships – from financial institutions to distributors – have underpinned its expansion.

The majority of Modu-Loc's growth has taken place since 2005. At that point it only had two locations, both in Western Canada. "That's when financial partners came in and helped fund our next stage of growth into Eastern Canada," Sharples says.

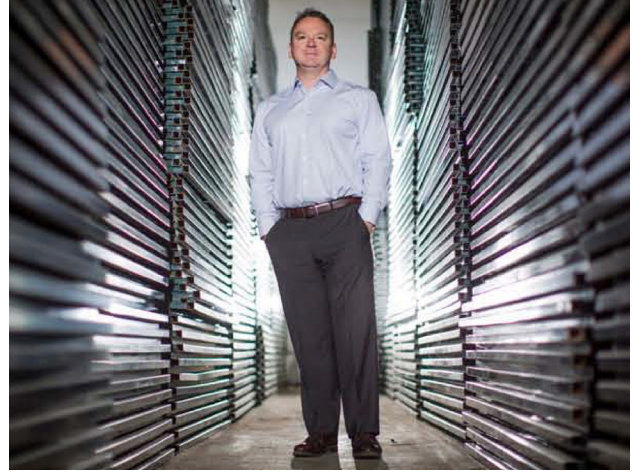
As a member of that financial partnership, he saw first-hand the growing customer demand for a company that provided top-notch service. "They were by far best-in-class in the country, particularly on the event side where service is of utmost importance."

The founders also forged a national partnership with CAT Rental Stores to complement the marketing and sales arm. "They've been a big partner for us since 2005," Sharples says. "We chose them because they were a top brand with representation across Canada."

The partnership quest continues as Modu-Loc set its sights on expansion in the United States in 2015. While this could include an extended partnership with CAT in the U.S., Sharples says, there are other businesses they are interested in working with. "In Texas, for example, we will be launching through partners I've known for 20 years. They may be unrelated businesses, but they have an infrastructure similar to ours. It's a matter of finding the right operational expertise."

Ted Mallett, vice-president and chief economist with Canadian Federation of Independent Business (CFIB) in Toronto, says strategic partnerships are becoming an increasingly popular option for business owners looking to expand. "The sector has grown tremendously through contracting out different functions, rather than trying to do everything by themselves."

Forming partnerships is something that comes naturally to small to mid-sized businesses, he says. "To a certain extent, they already have informal partnerships simply by working with other companies. They're used to working with many types of businesses that don't do what they do, but complement it."



Clint Sharples CEO of Modu-Loc, is seen here at the company's Mississauga, Ontario offices Friday. (Tim Fraser / Postmedia News May 30, 2014.)

He likens the process to leasing rather than buying. “What you’re doing is leasing someone else’s skills without the capital outlay needed to set up your own distribution or warehousing. It’s a lot more flexible.”

Mallett recommends businesses look to larger-scale partners that have broad representation in multiple jurisdictions. This avoids the need to find partners province-by-province as they grow. When entering partnerships, it’s also paramount to have clearly documented expectations and an exit clause.

Ultimately, partnerships are an ideal strategy for keeping the cost of expansion under control, Sharples says. “In a seasonal business like ours, you need to keep your costs as variable as possible. Partnerships are a cost-effective way to get products to customers.”

They also mean you don’t have to limit yourself to a geography or country, he adds. “The more people you know, the wider the network you can reach, especially when you’re expanding further away from home.”

CIBC Tips

What is a Strategic Partnership? When two (or more) businesses form an alliance with the goal of achieving their individual targets, by leveraging each other’s strengths and expertise. Normally this is a formal / contractual relationship; however you are not merging or forming a legal partnership.

When to consider it? As your business grows and increases in complexity, it’s important that your capability and infrastructure evolve to support it. In-house solutions, such as training programs, hiring staff or increasing operations require time and resources to develop and may not offer the flexibility needed for a seasonal business. A strategic partnership can be a viable alternative for a rapidly expanding business.

What’s in it for my business? In an era of specialization, strategic partnerships allow you to maintain focus on your company’s strengths and competitive advantage while adding support for your capability or operational gaps. When considering new geographic markets, products or customers that are unfamiliar to you, partners can offer valuable insights and lend credibility to your brand, enabling you to grow.

For more Small Business tips from CIBC, visit cibc.com/businessadvice



As seen in the Financial Post

Published June 16, 2014 in English.

This story was produced by Postmedia’s advertising department in collaboration with CIBC to promote awareness of this topic for commercial purposes. Postmedia’s editorial departments had no involvement in the creation of this content.