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More minority-owned auto suppliers turn to alliances

Increased sales, new services often sought for joint ventures.

By Jacqueline Mitchell
Special to The Detroit News

Minority-owned auto suppliers who want to stay competitive and grow are pursuing strategic alliances or joint ventures with other minority-owned companies to compete for larger automotive contracts.

While some minority suppliers recognize the need to do business differently to stay competitive, the practice is still not embraced by many minority-owned businesses. Increasingly, minority business owners recognize that if they don't change, they will be eliminated in the marketplace.

"Minorities need to step out of their comfort zone and look at creative ways to create synergy with other companies," said Glenn Stafford, owner of VAS Consulting, a Farmington Hills, Mich.-based firm that helps major suppliers increase spending with minority-controlled suppliers and works with minority suppliers in growing their business.

"Ninety five percent of minority suppliers are small or doing less than \$30 million in an-

nual sales," Stafford said. "But to grow and compete in the competitive auto market, suppliers must have revenues of several hundred million dollars to leverage volume. They need to look at how to achieve low-cost content without killing the content."

Historically, minority-owned businesses have struggled to raise capital needed to expand services and product offerings. One typical solution was to pursue a joint venture with a major supplier. The larger company often takes a 49 percent or less ownership position in the minority-owned business. But those opportunities are rare, leaving the vast majority of minority-owned business without viable avenues for growth.

Slowly but steadily, women and minority business owners are warming to the idea that to become more competitive may mean joining forces with another woman or minority-owned company and sharing some control.

"The only way to get major contracts is to be open to forming joint ventures or alliances," said Vickie Lewis, president of VMX International, a Detroit environmental and waste management consulting firm that is minority-owned. "We want to



David Guralnick / The Detroit News

Vickie Lewis, president and CEO of VMX International, which is inside Detroit's Fisher Building, says her company is seeking to partner with other environmental companies.

grow our business, so we are actively seeking to partner with other environmental companies to go after the larger contracts. Together, we can do twice the amount of business."

Lewis says her 3-year-old company, with limited resources, can't compete with larger companies for bigger contracts. With revenues of around \$1 million a year, she does not have the capital to expand the services VMX offers.

Lewis is not alone.

Sequoia Group, a Native

American-owned company based in Clinton Township, is hammering out the details of an alliance with another minority-owned company. Craig Walworth, Sequoia's vice president of sales and marketing, said it's a good opportunity to grow the company's sales of about \$25 million a year.

"We started discussions a year ago with another minority-owned company to form a strategic alliance and we are still working things out," Walworth said. "We've always felt that it is

sometimes better to partner up with people so that we can do what we do best and align ourselves with someone who does what they do best."

The idea of forging alliances is still one that some minority-owned businesses are not rushing to embrace. Many minority-owned suppliers are family-owned or founded by one person. It is tough to give up some independence or share some of the decision-making with another entity. Thus, minority-owned suppliers say, many are more likely to continue to trudge forward alone to maintain independence instead of considering alliances to grow business.

Joint ventures are not without risk. Minority-owned business owners caution that it takes time to find the right partner and work a deal that is going to benefit all parties.

"Obviously, this is a very entrepreneurial group," said Gary Gonzalez, founder and owner of Gonzalez Design, a family of companies offering engineering, manufacturing and production services to the auto industry. "They want to go it alone because they have been successful to a point and that's why they are where they are."

Gonzalez is one owner who

believes that the competitive realities of the industry will make it difficult for small companies to compete in the future if they continue with that line of thinking.

"We are trying to go after larger contracts and we've been exploring doing some things with other Hispanic businesses," said Gonzalez, who is part of a successful alliance involving owners Frank Venegas of the Ideal Group and Facundo Bravo of Uni-Boring Co. They joined forces with a fourth partner to purchase an old warehouse in the Empowerment Zone in Detroit in the late 1990s. Today, the manufacturing operations supply the auto industry and employ several hundred workers from Southwest Detroit.

"When you look at the way (automakers) are bundling contracts into larger packages, that only pushes a larger number of minority-owned businesses into the second or third tier," Gonzalez said. "This is not a problem, but if you want to remain as a first Tier, then you have to partner with another company or gather resources to land the larger contracts."

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