STRATEGIC PARTNERSHIPS:
INS AND OUTS

What is it – exactly? A strategic partnership (also strategic alliance, strategic channel alliance) is a relationship between two commercial enterprises, usually formalized by one or more business contracts. This kind of relationship allows organizations to grow by accessing new markets and technologies while reducing their expenses and mitigating risks. A strategic partnership will usually fall short of a legal partnership entity, agency, or corporate affiliate relationship.

Challenging? Absolutely. Worth the effort? Creating a strategic partnership can certainly be a daunting proposition for small business owners. In this day of bundled contracts, shrinking supplier lists, and increasingly complex distribution channels, strategic partnerships can be the best way to expand capacity, scale your business and get on the radar of multi-national corporate procurement, or build market share for a new brand.

You know the difficulty is finding a good match. Where do you even start? The first step is always about why? Why are you interested in a strategic partnership? Keeping your goals in clear site will help you define the partnership and grow your business in the direction you want.

Your ideal strategic partner will probably have a similar target audience to yours, similar values and similar long-term objectives. Usually the best potential strategic partner is a supplier, a company in a complimentary area of specialization, or ... a competitor. Emerging companies frequently develop strategic partnerships with larger, more established brands or with offshore companies who need an entry point into your market.

Look at the possibilities based on your goals. Make a short list of companies that can help take you to the next step based on your true vision for your company.

Next you have to have a good handle on your own strengths and challenges from a procurement or partnership perspective. Do you have the equipment you – or a strategic partner – would need? The depth of talent? The financial backing? The project management history? The distribution channels? What would make your company stronger and create the growth outcomes you want? What do you have to offer to the partnership?

Be sure everyone is clear on what each partner is able to contribute to the partnership, the goals and extent of the partnership, and the logistics. Make sure you maintain control of your company, your brand, your future. Give significant consideration before you get into a partnership that requires exclusivity and/or limits your growth options.

Once the negotiations are completed, the terms of the partnership should be clearly stated in a written, legally-executed contract. If the structure is a separate entity with shared ownership it is a joint-equity venture and, in addition to each party's roles and responsibilities, ownership of intellectual property, etc. ... the percentage of ownership should be spelled out in a joint-venture agreement.

Make sure both parties view the strategic partnership as a long-term strategy. Partnerships based purely on transactional value, rather than creating a better product/service for the intended customers, are starting off with the wrong emphasis. You have to give your strategic partnerships the same resources, commitment, and care that you would any worthy enterprise. Treat your strategic partnership more like your own business and less like a deal ... and demand the same from your partner.

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