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How to Grow Your Business with a Strategic Partnership

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Strategic partnerships are quite common in several industries including manufacturing and distribution. These partnerships can come in many shapes and forms and can help you grow your business by accessing new markets, sharing resources and expertise that are beneficial to both parties.

Many business owners think that acquiring another similar or complementary business is the best and fastest way to grow. However, a strategic partnership is an excellent way to achieve objectives such as entering a new market or acquiring a certain technology.

Strategic partnerships have several advantages over acquisitions:

- A strategic partnership is much faster to negotiate and implement compared to acquiring another business.
- There is less risk that the management of the strategic partnership will depart (which quite often happens when a business is acquired). Generally, this means there is a more committed team in place.
- There is no need for the huge investment that typically accompanies an acquisition. If, for example, two strategic partners join forces to develop a certain product, technology, or geographic region, each partner contributes the human, financial, or other resources necessary to achieve the joint objective.

There are several types of strategic partnerships or alliances:

1. **Joint ventures**: joint ventures are between two or more businesses that create a new entity with the purpose of pursuing a specific opportunity. With this type of partnership all resources. Risks and any profits are shared equally.
2. **Marketing or distribution partnerships**: these types of partnerships involve two businesses working together to promote each other’s products or services or leveraging each other’s distribution channels. These partnerships allow the businesses to reach new markets or customers.
3. **Licensing agreements**: these partnerships allow one business to use the intellectual property (IP) (such as trademarks, patents or copyrights) of the other business in exchange for a royalty fee.
4. **Research and development (R&D) collaborations**: this type of partnership allows businesses to combine their resources and expertise for joint R&D projects which could lead to business improvement and innovation.

Because there are so many different types of strategic partnerships it is important to understand what your ultimate goal and objective is. For example, you own a manufacturing company and want to create a partnering arrangement with a marketing company to sell a new product line or a line of products. Or you own a marketing company with a product line you believe you can sell but need a company to manufacture the product. There are so many variables. You must have a very clear delineation of authorities and responsibilities and a clear understanding of expectations and process when you are pursuing a strategic partnership.

Benefits of a strategic partnership or alliance:

1. **Access to new markets**: a partnership can allow your business to expand into other geographical markets or target new customers. By partnering with a company that already has a presence in these areas you may be able to access their customer base and distribution channels.
2. **Cost-sharing**: pooling resources can lead to several efficiencies including cost savings. The partners can share the cost of research and development (R&D), marketing, manufacturing and distribution which can be beneficial for small to medium-sized businesses. Also, there are several cost savings when it comes to synergies between partners.
3. **Risk reduction**: sharing responsibilities with a partner can alleviate potential challenges and uncertainties.
4. **Diversification**: product and service offerings can be diversified by having a strategic partnership with another business in a related or complementary industry.

Before making the decision to pursue a strategic partnership or alliance you need to consider a few things:

1. **Set Objectives**: What do you want to achieve? Do you want to expand your customer base? Reduce costs? Enter a new market? You must have clear objectives defined from the start.
2. **Identify Potential Partners**: Do their goals and values align with yours? Are they in a similar or complementary market? Do they have the resources or products that your business lacks?
3. **Do your research prior to approaching a potential partner**: Do they have a good reputation? A good track record? How long have they been in business?
4. **Identify the benefits for both parties**: What do you bring to the table? What do they bring? How is this beneficial for everyone involved? A strategic partnership or alliance must benefit both parties.

Steps to help insure a successful partnership or alliance:

1. **Open communication**: maintain regular communication with your partners. Always address any issues immediately and work together to solve the conflict or problem.
2. **Trust**: build trust through open and honest communication. Always show respect for your partners ideas and contributions.
3. **Establish clear goals**: create milestones or goals and key performance indicators (KPIs) in order to measure the success of the strategic partnership. Use benchmarks for what objectives are to be achieved by certain dates. This will allow you to evaluate and determine if anything requires adjustment.
4. **Long-term vision**: you should not focus on any short-term gains that come from a strategic partnership instead work toward establishing and maintaining a sustainable and long-lasting partnership. Make sure your strategic goals are in line.
5. **Exit strategy**: make sure the partnership agreement has an exit strategy on how to dissolve the partnership if necessary. Have a good conflict resolution clause including mediation built into the agreement.

Bottom Line

Remember, not all strategic partnerships and alliances are successful, and you must be prepared for that. However, a well planned and executed plan to form a strategic partnership can lead to significant success, growth and expansion for both businesses.

About the Author

Dana Rennie, Vice President Marketing & Client Relations at Robbinex Inc.

Dana is responsible for the marketing of all current businesses for sale and diligently manages the research to generate new buyer prospects in Canada and worldwide. She is wholly involved in the selling, merger and acquisition and management buy-out discussions and activities.

With over 20 years experience in the financial and M&A sectors Dana re-joined the Robbinex team in June 2015 after spending 12 years as a Senior Manager of Marketing & Investor Relations for a Toronto-based investment fund company. Prior to that she worked for several merger and acquisition firms in both Canada and the U.S.