Creating Effective Partnerships and Alliances

This article explains how to choose a business partner and guidelines for maintaining a successful affiliation.

Strategic alliances can help small businesses to efficiently leverage resources for mutual gain. It's important to define your goals for establishing a collaboration. Cast a wide net when brainstorming a list of potential partners and perform diligent research about your top pick. When meeting, clearly define mutual benefits that will help you achieve your goals for the partnership. Put the agreement in writing and have an attorney review it. Rigorous follow through and open communication are crucial for maintaining a successful venture.

Key Points

Forming a strategic alliance is similar to getting married: It's easy to do, but maintaining a satisfying relationship requires flexibility and commitment. Following certain guidelines when first establishing an affiliation and participating in ongoing communication are key to forming a fruitful collaboration.

What's in a Name?

There are many types of strategic alliances, but they all have a common goal -- to more efficiently leverage resources and expertise for mutual gain. Teaming up with other entities can be especially beneficial for small businesses because they have fewer resources and less name recognition than larger firms. Alliances can be used across many channels of a company, including marketing, distribution and supply chain management, technology, finance, and personnel.

It's important to develop a plan for forming a strategic alliance so that you are prepared to take advantage of opportunities when they arise or, even better, can take the lead in choosing a partner. When creating a plan, you should first identify your goals for establishing a partnership. For example, do you want to add prestige to your organization? Share resources to reduce expenses or gain exposure to a specific audience? Tap into talent or expertise that you may lack?

Scoping Out Potential Partners

Next, you'll want to identify potential organizations to approach. Decide which criteria are essential in a partner and which are desirable but not absolutely necessary. Remember to think in terms of both quantitative and qualitative issues (e.g., values).

For best results, think outside the box when devising a list of candidates. Narrow your list by ranking the possibilities according to how well each entity meets your desired goals. You're now ready to approach your top choice.

Do Your Homework

As a small business, you may need help getting a foot in the door, especially if your targeted partner is a well-established market leader. After determining the key decision makers, approach a mutual connection who may serve as a referral to set up a meeting.

When preparing for the meeting, identify others who may also benefit from your strategic alliance, such as nonprofit organizations or community groups. Find out as much as possible about the other company so you can clearly detail the mutual benefits of forming an alliance.

During the presentation, listen carefully so you can adequately address the other entity's needs and concerns. If your potential partner is agreeable, you're ready to negotiate terms.

Seal the Deal

Pooling resources can produce excellent results for businesses: Of the largest 2,000 U.S. and European companies, more than 20% of revenue is generated as the result of an alliance.[1] Yet more than 50% of such partnerships fail, according to the Association of Strategic Alliance Professionals. Follow these principles to encourage a productive venture.

- **Define and document what each entity will contribute** as well as expected benefits and results for each business. Agree on outcome measures and a mechanism for resolving potential conflicts up front. Senior management should be involved at this stage.
- **Agree upon the best structure for the deal.** Will an informal agreement be adequate or is a more complex legal structure necessary? Be sure to put the agreement in writing and have an attorney review the document to make sure each party is adequately protected.
- **Do not overcommit.** It's common to miscalculate the amount of resources and time needed. It's better to start with a small joint endeavor to see how the two groups work together.

- **Appoint a point person for each organization.** Make sure the delegates have the right skills for the job and thoroughly understand the expectations and outcome measures. Follow up with this person on a regular basis.
- **Keep the communication channels open.** Initiating a collaboration with a business that you trust and that has a similar culture will go a long way toward achieving this goal. Importantly, all personnel at each organization should be aware of the initiative and its objectives.
- **Be flexible.** Unexpected issues are bound to come up. To increase your chance of success, be open to change.

Finally, if the affiliation is a success, look for other ways to team up. An effective strategic alliance can boost productivity and help small companies grow quickly without breaking the bank along the way.

Points to Remember

1. Strategic alliances aim to more efficiently leverage resources and expertise for mutual gain.
2. Develop a plan that defines your goals for forming an alliance.
3. Cast a wide net when creating a list of potential partners and then approach the one that will best help you meet your objectives.
4. Perform adequate research about the favored candidate so you can emphasize the mutual benefits of collaborating.
5. Be sure to put the agreement in writing and have an attorney review the document.
6. Open communication and rigorous follow through are key to maintaining a successful venture.

Source/Disclaimer:

[1]*Source: Booz Allen Hamilton.*

Required Attribution