Scaling your business in a strategic partnership

A strategic partnership is a relationship between businesses with common missions. Although partnerships can have many objectives and levels of formality depending upon the nature of the agreement, the overall goal of the strategic partnership is to share resources in a way that encourages growth for partners.

A strategic partnership can help you to grow your business by offering your customers additional products or services. You can increase the range of products you offer by partnering with a product-development company and partnership with a maintenance company brings a wider range of after-sales services to your customers. This provides you a greater competitive advantage and also gives an additional source of revenue. There are five types of strategic partnerships :

- **Horizontal Partnership**

Businesses in the same area come together to elevate their market position.

- **Vertical Partnership (or Channel Partnership)**

Vertical Partnership allows businesses to minimize risk in their supply chain and get low prices in exchange for a long-term commitment.

- **Intersectional Partnership**

Businesses from all areas agree to share their knowledge.

- **Joint Venture**

Two or more businesses form a new company that has its own legal entity.

- **Equity Partnership**

A company acquires a minor equity stake in another business in exchange for capital investment.

Strategic alliances are further classified according to purposes.

- **Development Partnership**

In a standard cycle, a company launches a new service or product every year. Research for the improvement in a product requires time, investment, and if needed, some specialized equipment. Research and Development (R&D) is full of risks but potentially beneficial undertaking unpredictable results.

To conserve resources and reduce the risks associated with R&D, businesses opt to partner with other businesses concerned with the same objectives.

The main objective of this partnership is :

- Product Development
- Obtaining Capital (financial or human)
- Accessing new technology
- Increasing sales to existing markets.

For example, a computer manufacturer partners with a fashion designer to build a laptop and matching case. They create a team of workers from both companies to design and sell the product. The computer manufactures computers and the designer creates the bag, and they distribute the revenue generated based on their cost structure.

- **Strategic Sales Partnership**

Strategic Sales Partnership is an extremely beneficial sales growth strategy. It exists between the manufacturers and the businesses that agree to resell goods and services. It is different from a referral partnership in a way that a reselling partner receives payments in exchange for their referrals.

For example, if a software company has developed a completely new product, but is overloaded with customer service calls it cannot handle. The software company partners with a telemarketing firm that can provide a service for a greatly reduced fee, then get a substantial commission for selling the software. It maximizes their sales revenue.

Identify the right “biz-dev” (business development) person who can understand long-term business growth from markets, customers, and relationships.

As you move through the process, cover all sides of the partnership including making sure your interests are aligned, i.e., each party must contribute in all areas. You have a higher chance of success when the partnership is balanced.