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Strategic partnerships provide cost-effective way to keep up with the pace

GUEST COLUMN

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In today's marketplace, it is tougher and tougher to stay competitive. Everyone is getting better at an ever-quickening pace, and you have to keep improving your business just to stay even. More and more companies are turning to strategic partnerships to improve business performance.

Strategic partnerships can take many forms. They can include acquisition, alliance, joint venture or outsourcing. They can be between two companies or a group of companies. But they all create a relationship for the purpose of adding measurable value to your organization.

Many partnerships are driven by the increasing rate of change in business markets and practices. As new technology enables new business methods, companies partner rather than pioneer new applications. As globalization becomes a more common method of growth, they align with geographic experts rather than re-create the wheel. As industries converge and new competitors are identified, they find ways to share the opportunities for mutual benefit. Partnerships are necessary to achieve business goals that can't be accomplished independently.

Although the reasons for forming a strategic partnership are endless, the relationships generally are conceived for the following reasons?

• To add market-based value, driving revenue. By pooling resources, companies can expand their product offers, increase geography or reach new customers. This is often the case when one competitor buys another to access the customer list while eliminating duplicative functions.

• To add competency-based value, increasing efficiencies. Developing shared or interdependent systems allows companies to add crucial functions without adding expertise such as distribution or IT. Often these services can be out-sourced, and agreements are formed with companies that are proficient in providing these services and that have economy of scale, offering the service at less cost than a company would pay to develop it internally.

• To add information-based value, increasing effectiveness. Many businesses have common customers but sell them different products or services. Sharing data or research with others who are not directly competitive can be cost-effective for all users. The application of better data, obtained at lower costs, to product or service enhancements can increase both the top line and the bottom line.

Even the best partnerships are not perfect. Once you decide you can benefit fom a partnership, keep in mind several key factors to ensure it works well.

• Clearly define your goals. Before you ever consider a partner, know where your business is going and what it will take to get you there. Figure out what your gaps are between what your business can do today and what it will need to do. Look for partners that can help you close the gaps faster or cheaper than you can yourself.

• Set parameters. Unless you are negotiating a merger, most partnerships are for specific purposes—each contributes something distinctive. Contain the relationship to that purpose. You may lose more than you gain if you allow the partnership to spill over into unintended parts of your business.

• Specify the communication process. Like any relationship, communication is paramount to its health. You may have one gatekeeper or a team or an open-door policy. Be sure every employee involved clearly understands the relationship's parameters. Define what is "shareable" information and what is proprietary.

• Ensure you are partnership-ready. Success depends as much on how companies work together as on the benefits they provide each other. Both organizations have distinct cultures, traits and systems. Paying attention to the human aspects of the partnership will determine whether maximum value is derived from the partnership. If these are not addressed upfront, they can derail partnerships.

• Set up a learning process. If the partner does something differently or better than you do, you have an opportunity to learn. Taking the time to learn from your partner assures that you not only realize the short-term value of the immediate partnership but also long-term value that will outlive the partnership.

• Realize when it is time to dissolve. Our tendency is to keep going until something forces us to change. The average life of an alliance is about seven years—it is not intended to last forever. If you entered into the partnership as a result of strategic assessment of the future, that same kind of assessment will be the process by which you determine when it is time to move on. Have you acquired the ability to perform the task yourself for the same cost? Have you assimilated the data into your development systems? Is there a new technology that supersedes your partner's?

In today's fast-paced, pressure-packed business environments, few companies will not benefit from a strategic partnership. The key to a successful partnership is to let the business need drive the pursuit and identification of a partner, define the nature of the relationship and determine when it is time to move on.

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