

Can Forming Business Alliances and Strategic Partnerships Save Communities?

by Cathy Harris, Syndicated Columnist

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Are you a solo business owner and your business has grown to include one or more employees and you're looking for ways to expand your reach without generating a lot of debt? Well the answer to your dilemma could very well be it's time to form "business alliances" or "strategic partnerships" with other businesses.

Your company may have started out as a solo business and you still want it to remain that way, but you need to see the value in making connections and joining forces. Most businesses go out of business within the first 5 years. A reason for this is because many business owners never find ways to build or grow their businesses, therefore, they go out of business.

With the current state of business today, small businesses need to always be strategic and "think outside the box." A "business alliance" is an agreement between businesses, usually motivated by cost reduction and improved service for the customer.

A "strategic partnership" is a formal alliance between two commercial enterprises, usually formalized by one or more business contracts, but falls short of forming a legal partnership, or agency, or corporate affiliate relationship. In big business - alliances are often bound by a single agreement with risk and opportunity share for all parties involved.

In many cases, alliances between companies can involve two or more categories or types of alliances:

- A "sales alliance" occurs when two companies agree to go to market together to sell complementary products and services.
- A "solution-specific alliance" occurs when two companies agree to jointly develop and sell a specific marketplace solution.
- A "geographic-specific alliance" is developed when two companies agree to jointly market or co-brand their products and services in a specific geographic region.
- An "investment alliance" occurs when two companies agree to joint their funds for mutual investment.
- A "joint venture alliance" occurs when two or more companies agree to undertake economic activity together.
- Joining forces with another company can allow your business to finance certain services or production functions by sharing expertise, assets, expenses and risk without necessarily incurring cash debt.

Many business alliances and strategic partnerships may offer great opportunities for financing some advertising and distribution expenses so it just makes sense to join forces.

A business alliance or strategic partnership can be an arrangement between two companies that combine resources to gain additional business. They can be formed when one company alone cannot fill the gap in serving the needs of the marketplace.

It involves two companies that pool together expertise and resources to enter new markets, share financial risks and get products and services to the market faster.

Some alliances or strategic partnerships are formal written agreements -- others are informal as a handshake. With the internet, some alliances are entered into after several email exchanges, even without the physical meeting of the parties concerned.

Whatever their structure, one goal prevails -- these alliances or partnerships are opportunities for small businesses to accomplish things that would otherwise take much more money or staff time.

Typically two companies form a strategic partnership when each possesses one or more business assets that will help the other, but that it does not wish to develop internally.

One common strategic partnership involves one company providing engineering, manufacturing or product development services, partnering with a smaller, entrepreneurial firm or inventor to create a specialized new product.

Typically, the larger firm supplies capital, and the necessary product development, marketing, manufacturing, and distribution capabilities, while the smaller firm supplies specialized technical or creative expertise.

Another common strategic partnership involves a supplier/manufacturer partnering with a distributor or wholesale consumer. Rather than approach the transactions between the companies as a simple link in the product or service supply chain, the two companies form a closer relationship where they mutually participate in advertising, marketing, branding, product development, and other business functions.

An example includes an automotive manufacturer may form strategic partnerships with its parts suppliers or a music distributor with record labels. For small businesses, these alliances often consist of simple bartering with customers, suppliers and even competitors. There are several other groups you can partner with. Employees can leave their companies and form a partnership with their employers if they see potential partnership opportunities.

Many entrepreneurs can partner with their customers if they are selling a substantial amount of product to one company. It also makes sense to join forces with other companies such as trade associations, local community organizations, etc. Even at times it might be best to partner with a competitor. You can work hand-in-hand with a competitor over contracts that may be too large for you to handle by yourself.

Remember as you consider forming business alliances and strategic partnerships - always try to partner with groups that can add value to your business, not just money. To clear the air, it always best to put any type of agreement in writing. Always make sure these businesses are on the same page as your business and that they operate with integrity.

Cathy Harris is the author of the business books *"How To Take Control of Your Own Life: A Self-Help Guide to Starting Your Own Business"* and *"The New CEO: 185 Easy-To-Set Up Businesses for Youth And Adult Entrepreneurs"* and 26 other books. She is also known as *"The Ethical Black Business Coach"* . She is available for Business Seminars, Workshops and Consultations and can be reached through her empowerment and publishing company, Angels Press, P.O. 19282, Austin, TX 78760, Phone: (512) 909-7365, Website: <http://www.angelspress.com>, Email: info@angelspress.com.

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