6 Rules of Engagement for a Strategic Partnership
What to look for and the #1 reason for failure

You're looking to grow your business. You've got your sales force and you're spending money on marketing. But wouldn't a strategic partnership help you leverage someone else's sales team? How do you do that? What are the issues to be aware of?

Strategic partnerships take many forms: cross-licensing, OEM, equity and non-equity alliances. Each have their own issues, risks and levels of complexity. In the tech industry the standard business development arrangement is an OEM. The reason is that this is the best way for bigger companies to fill technology gaps in their offerings and for smaller companies to bring their product to market.

OEM (pronounced as separate letters) is short for original equipment manufacturer. An OEM distribution partnership is when technology, products or components are purchased or licensed by a company and retailed under that purchasing company's brand name. While an OEM is similar to a VAR (value-added reseller), it refers specifically to the act of a company rebranding a product to its own name and offering its own warranty, support and licensing of the product. The term is really a misnomer because OEMs are not the original manufacturers; they are the *customizers* of the product.

Entering into OEM partnerships can be a great way for a small company with a solid product or cutting edge technology to gain access to a larger company's sales and distribution channels. And vice versa, it's a great way for a company with established sales channels but a limited or dying product line to quickly build a new revenue stream.

Teaming up with others, no matter what form it takes, adds complementary resources and capabilities, enabling participants to grow and expand more quickly and efficiently. Especially fast-growing companies rely heavily on alliances to extend their technical and operational resources. In the process, they save time and boost productivity by not having to develop their own, from scratch. They are thus freed to concentrate on innovation and their core business.

Many fast-growth technology companies use strategic partnership to benefit from more-established channels of distribution, marketing, or brand reputation of bigger, better-known players. However, more-traditional businesses tend to enter alliances for reasons such as geographic expansion, cost reduction, manufacturing, and other supply-chain synergies.

Quite frequently these strategic partners lead to something more valuable, like a strategic investment or an acquisition. Once the products are integrated and the sales teams are trained, and the product is selling in the marketplace, the OEMing company may find it makes sense to take more control of the technology and smaller company. Many companies use these relationships like incubators for acquisitions.

Rules of Engagement

The rules of engagement for creating a real, honest and forthright strategic alliance include:

1. the alignment of all the principals and key decision-makers;
2. laser-like identification of the opportunities;
3. the elimination of hidden or conflicting agendas;
4. the firm establishing of mutual trust and respect;

5. the delineation of clear goals, objectives and priorities;
6. and the definition of relentless staff members who will be held accountable for producing results

Lack of Executive Sponsorship

There are countless lists of reasons why alliances fail. However, aside from ensuring "sound strategic alignment" between the partners, most determinants of failure are less than strategic in nature.

Lack of executive sponsorship is the #1 reason strategic partnerships fail. With strategic partnerships, ***the key to effective executive sponsorship is visibility and accountability.*** Since failed partnerships can directly impact a business in a meaningful way, or even have adverse implications for the executive's own financial bonus or prestige, he has a strong incentive to consider the strategic alliance as important as his other primary responsibilities.

Bottom line, follow the money. Each party has to make money for the partnership to be successful. And the individuals in each party need to be accountable. If it's an OEM partnership, the sales team of the bigger company need to be properly incentivized to sell the product (they need training, too). It's not enough for the boss to say we're now selling this cool product. No, if there are no quotas, if there is no individual accountability, the partnership is bound to fail.

If you're wondering how you build a company that you can sell for a premium in a few years, **contact me** to discuss the Valuation Amplification Process.

I also invite you to download the **white paper** and learn the 5-step process on **How to Quickly Increase Your Valuation – A Proven 5 Step Process.** **http://www.therevenuegroup.net/free-offer.html**