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SMART ANSWERS

By Karen E. Klein

Partnering to Pack a Punch

A partner can give your business that extra edge to beat the competition. Just keep the initial agreement friendly and straightforward

Q: I'd love to know how entrepreneurs set up partnerships with other businesses to better reach and serve their customers, or out-market bigger competitors. Any thoughts? -- K.A., Sausalito, Calif.

A: Several entrepreneurs who have engineered successful partnerships weighed in on your question. Here are their main points:

- **Look for partnerships with businesses that complement your own, even if at first they may appear to be your competitors.** "The key is to pick the right partner, and everything else will fall into place," says Jacques Stambouli of ViaTrading.com. "Don't choose a direct competitor, but don't choose someone whose business interests are too far removed from yours."

Tom Petro, president and CEO of Fox Chase Bank in Hatboro, Pa., agrees. "It helps if there are natural market synergies between partners. I've had success expanding our product line by partnering with a firm that offers complementary products and services but whose market focus is on customers much larger than we typically serve," he says. "They gain added volume without the associated marketing and sales costs of going down-market. We benefit by gaining product depth, without product development capital investment."

- **Make sure there are compelling, mutually understood economic and strategic benefits for both partners.** "The alliance has to be structured in such a way to ensure that it's both financially meaningful and an important strategic business focus of both partners. If the alliance is more important to one partner than the other, or more financially rewarding for one than the other, the partner with less skin in the game won't be vested in making a contribution towards generating results," says Petro.

Ian Tailyour, who owns Glentruan Ltd., a British-American furniture manufacturing company based in Ho Chi Minh City, Vietnam, has partnered to good ends with another foreign-owned furniture manufacturer based in Vietnam. "Together, we have combined materials that have resulted in a high-end, unique...product getting to market. We're able to share our customers, who highly appreciate the combination of materials, thus giving our customers a competitive edge in their markets with new designs, as well as [enabling them to] consolidate container shipments," he says.

- **Don't overlook suppliers and vendors when you're making strategic alliances.** Tailyour partnered with his company's key hardwood supplier to attend a trade show in Dubai last month. "They were showing raw materials, and we were showing their raw materials processed into premium high-end products. Working together, the show was a success for both of us," he says.

- **Structure partnerships to suit the specifics of the relationship.** Roger Curtis, president & CEO of Sitcur.com, an e-business consultancy, works with a network of other small- and medium-sized companies to obtain leads and meet customer requirements in areas beyond his company's capability. When he's partnering with businesses that have 40 to 500 employees, Curtis makes sure a formal partnership agreement -- usually written by the larger company -- is in place. "We become a channel partner, or authorized reseller of their products. Becoming a specialist in these products affords us a profit margin for sales, consulting revenues, and -- perhaps most importantly -- a good source of leads for future sales."

When he's partnering with a smaller business, Curtis says the arrangement is more ad hoc and often impromptu. "Small firms working together can be more flexible and less expensive than a larger competitor, which often helps us win a sale," he notes.

- **Know your prospective partner like you know your own firm.** If you'll be presenting a unified front to customers and competitors, you need to be sure that your partners have the same business ethics, background, and values that you do. "Do your homework and meet with representatives of the company. Interview references, run a credit report, and learn about their history and reputation," Curtis says. "It's important to know that the other firm will deliver reliably and professionally for your customers."

Tailyour says the keys to working partnerships are trust, respect, and transparency, plus formulating strategies that both sides can adhere to, with flexibility. "These partnerships have allowed us to tap into new markets, access additional customers, create new products, and maintain a highly competitive edge," he says. "The only downside is that at times there are too many cooks in the kitchen. But we always keep it friendly and straightforward. As long as we're on the same page, the kitchen becomes a fusion of productivity and success."

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