Strategic Alliances and Partnership: A way to gain access to new markets and opportunities
David Stout and Julie Beaucaire, Nelligan O’Brien Payne LLP

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One item that seems to be frequently missed in small and mid-sized business growth strategies is the concept of building your business through alliances – more commonly referred to as “strategic” alliances, and creating a “plan” to make the alliance or partnership actually happen.

Whether these collaborations are secured by carefully crafted legal agreements or a handshake over lunch, strategic alliances have proven to be a very successful way to access new markets, new clients or pursue a new idea, with the main objective being – what we all want – to increase profitability.

Some common questions we have been asked by entrepreneurs include:

- What is a strategic alliance and who might be involved?
- Can it benefit my business?
- What legal document do I need, if any?
- What are my risks?
- Where do I start?

It is our goal to briefly respond to these questions and hopefully, plant a few seeds or spawn a few ideas about potential strategic alliances for your business.

**What is a strategic alliance?**

In both the legal and marketing worlds, alliances come in many shapes and sizes. Terms commonly used are joint ventures, collaborations – formal and informal, partnering, and partnerships. You may also have heard the terms merger, acquisition, and outsourcing. Some feel that these are not true “strategic alliances” however it is really just semantics.

To simplify things, here is a definition we use:

- There is more than one person/company collaborating to achieve a result - ultimately to increase profitability (decrease expenses – increase revenues).
- There will most likely be a sharing of people, expertise, technology, property, markets or capital investment.
- It is aligned with the overall strategic direction of your business.
Here are some examples of strategic alliances:

**Vertical Alliances:** Vertical alliances are relationships between organizations in different industries. This is a type of alliance most commonly found in the service sector where collaboration of expertise can be coordinated to offer complete solutions to clients.

*Example:* Individuals from a civil engineering, project management, construction, landscaping and interior design firms all have different areas of expertise, yet together can deliver a complete building solution. None of the firms could bid on a job of this magnitude independently, but as a team they can combine their expertise for as long as necessary.

Typical matters to be considered in an agreement may include:
- Limiting liability – defining the scope of activities of the business
- Who is to have control and control over what?
- Who owns the intellectual property (IP)?
- Who owns the client?
- Who is the first point of contact/liaison with the client?
- How is the work invoiced?
- Arbitration/mediation provisions
- Ability to terminate/withdraw

**Horizontal Alliance:** Horizontal alliances include firms from the same industry. Alliances are usually used to achieve scale, to adjust for seasonal changes or handle niche areas of expertise.

*Example:* A communications consulting firm submits a proposal to create a communications plan for an organization that handles politically sensitive issues. The consulting firm decides to include a political advisor in its proposal.

Typical matters to be considered in an agreement include:
- Scope of relationship
- Financial contributions – how are related costs distributed
- Who is to have control and control over what?
- Who owns the intellectual property (IP)?

**Administrative Alliance:** Generally involves one organization entering into an agreement with another for the provision of administrative services, space or products. The main purpose is to share functions, increase operational efficiency and to reduce costs.

*Example:* sharing office space and a receptionist

Typical matters to be considered in an agreement may include:
- Who is the employer?
- Who manages workload flow?
- Confidentiality and privacy issues
- How are office supplies/furnishings shared?
- Leasing – who is the tenant?
**Joint Programming or Business Network Alliance:** Two or more organizations form an alliance/joint venture for the purpose of delivering a joint program. The two business entities are taking advantage of their different skills and abilities in an effective manner.

*Example:* A group of independent consultants come together to develop a management-training program. This may include individuals with expertise in different areas such as human resources, leadership and communications skills, and conflict resolution. These consultants will utilize their different skills to develop the program and may then market it by using their respective client/contacts list.

*Typical matters to be considered in an agreement may include:*

- Establish and define the nature, type and level of contributions
- Governance structure or decision-making process – there needs to be a mechanism for decision-making related to the joint program
- Intellectual Property – must clearly agree and define what intellectual property will be owned by one or both parties. For example – who owns the newly established program?

**Merger:** This involves the amalgamation or joining together of two or more organizations, which typically share similar objects, goals, principals and/or services/products. This collaboration typically results in the dissolution of one or both of the initial organization.

*Examples:* Two large organizations such as a financial institution or an insurance company may merge, which effectively eliminates a primary competitor. Or on a smaller scale, a group of consultants with different expertise merge to form one company. The individual companies are dissolved.

 REGARDLESS OF THE TYPE OF ALLIANCE, THE MOST IMPORTANT POINT IS TO CLEARLY UNDERSTAND YOUR DESIRED OBJECTIVES AND THE KIND OF BUSINESS RELATIONSHIP YOU WANT. ONCE THAT IS ESTABLISHED, THEN THE APPROPRIATE AGREEMENT, if necessary, CAN BE PREPARED.

**Can it benefit your business?** YES!!

- Cost sharing – reducing expenses such as marketing programs/overhead
- Enhanced reputation
- Bigger/different distribution channels
- Access to a larger/different customer base
- Competitive advantage
- Getting to market quicker
- Access to cross-border opportunities
- INCREASE PROFITABILITY
What legal document do you need, if any?

If two business owners informally agree to refer work to each other or bring their respective clients/customers together for a special marketing event, in most cases a legal agreement is not necessary.

However, for more complex alliances, it is important to know that there may be different legal obligations depending on what form of alliance you select, and the related agreement should be structured accordingly. These may include:

- tax implications
- how the business relationship is structured
- liability issues
- employment issues
- ownership of property, IP as well as real property
- governance issues
- dispute mechanism

If you do need a legal agreement it is extremely important to do your homework and have a clear understanding of what you want to achieve with your alliance prior to having the legal documents drafted.

It is also important when considering a more formal alliance to evaluate the risks. Each party should undertake a detailed program of what the legal community refers to as “due diligence” – basically checking out your potential co-venture. Suggested areas to consider are:

- Corporate records
- Financial records
- Insurance
- Corporate culture
- HR issues
- Property – real and personal
- Existing contracts

If the individual(s) involved in the business are unwilling to undergo due diligence - you should reconsider the alliance.

Where do I start?

Have a strategic planning session with your staff, business partners and advisors for possible ideas. Consider all areas of your business including: competition, business assets, human resources, financial, customer services and marketing strategies, production and supply chain, and your physical environment/location. Look for opportunities where strategic alliances could potentially be utilized.

Consider your existing network. Are there existing relationships/partnerships that could be nurtured to create a mutually-beneficial business alliance?

Consider new networks, groups, businesses and organizations that may be providing a “different” service/product to a similar target market. Investigate opportunities such as joint marketing initiatives, referrals, “packaging” groups of product.
Identify gaps in your business that are preventing you from growing. Can these gaps be eliminated through an alliance? If yes, create a list of potential partners and evaluate your best options.

Identify client/customer needs that are currently not being met. Can an alliance be developed to meet these needs?

Once you have your list of potential ideas, take it to the next step by developing a plan for your approach. This may include ranking opportunities for best value, developing the “pitch”, establishing a timeframe, and selecting the best person to represent your company.

And finally, executing the plan. Sounds like a tall order? It is, however in our experience strategic alliances – small or big – are powerful tools to achieving a competitive advantage and building your business.

David Stout
Partner and Business Law Lawyer
Nelligan O’Brien Payne

Julie Beaucaire
Marketing Director and Consultant
Nelligan O’Brien Payne