



PROFIT

promoting regional opportunities
for investment and trade

Partners & partnerships

FACTSHEET // JANUARY 2021

Partners & partnerships

1. Introduction

Most business relationships are not in any sense partnerships – but sometimes businesses set out to work in partnership, perhaps because each party can bring complementary skills and resources, and sometimes businesses find themselves collaborating more closely than would be typical of a traditional customer/ supplier relationship.

There are many types of partnerships and many reasons why you might want to establish one. Partners may help you to win contracts or to develop new product ideas or new service ideas or new ways to improve your productivity or to access to new markets or simply contribute knowledge and experience. But always remember that partnerships are mutual so you must be offering something in return.

This factsheet sets out some key pointers to consider if you are proactively looking for a partner or if you find an existing relationship becoming more of a partnership arrangement.

2. Why work with partners?

Effective partnerships can:

- Complement each other's strengths by sharing skills and knowledge especially where the businesses and people involved have different backgrounds and experiences
- Inspire new thinking – new partnerships can be very creative and it can be very enjoyable for the people involved to be able to work together
- Provide additional resources, through having a larger pool of people from who to draw, and give access to different networks
- Access larger and broader markets
- Provide venues or showrooms in different markets
- Work collaboratively to generate ideas or develop new products or develop new services or create content
- Provide different insights and perspectives to solve challenges
- Test market new products and services in each other's existing markets, perhaps before tackling a new market
- Enhance the profile and reputation of both partners

However, you need to be clear right from the beginning about the purpose of the partnership. Finding a good partner requires that you market your business in much the same way that you might market your business to potential customers.



Next steps

If you think that working in partnership is appropriate for your business as a way into internationalising your business, (a) write a paragraph on what you are seeking from a partnership, and (b) write a paragraph on what you would bring, by way of skills, resources and ideas, to a partnership.

Once you have prepared this, your PROFIT mentor will work with you to identify possible partners in your target country. You will have shared the note that you have prepared and you will have received back brief profiles of businesses that are keen at least to have a discussion, so you have already broken the ice. There will then need to be one, or more likely several, discussions and ideally an opportunity to meet to explore whether you want to agree to work together.

3. First discussions

It may be helpful to have a checklist to help with the first discussions.

Introduce yourself and your business. Explain, again, what you are seeking from a partnership and what you think you can offer. Ask the potential partner to do the same.

Be clear, too, about expectations. It is highly unlikely that a partner will suddenly deliver 100 new customers, so talk about the possible benefits that should accrue to both businesses if you work together.

You may decide, even at this early stage, that partnership with this business will not work. Better to say so now and not waste time. And often, even if it is not possible to form a partnership, some work or collaboration may arise as a result.

If you decide that you want to continue talking, be clear about key points of contact, next steps and who will do what. You may want to agree a regular schedule to talk to each other.

If nothing happens, or your prospective partner, will quickly lose your interest, so as well as agreeing next steps, you should agree an anticipated timetable. If things move slowly, do not worry, but do keep your prospective partner informed.

At some point – perhaps not in the first discussion – you will also want to discuss what happens if either business does not keep their end of the bargain.

One you get to the point where you have agreed to work together, then you will need a detailed plan, with agreed objectives, milestones and deliverables.

As is often said today, “no plan survives contact with the enemy”, so you will need to be flexible as you work together.

4. Establishing a partnership

Assuming that you get to the point of agreeing to work together, and you have agreed in outline on purpose, objectives, milestones etc, then you will need to agree who (which business and which people) will take responsibility for which activities. It may also be sensible at this stage to think about what might go wrong and to prepare contingency plans.

You will almost certainly want to have a written agreement.

In all likelihood, there will be widespread contact between both businesses, but you may also want to nominate lead managers to liaise on a regular basis.

Most partnerships fail because of lack of communication so ensure that you put in place a good communications process.

How will you avoid conflict with your partner?

How will each partner be described, if at all, in marketing materials?

5. Tips for effective partnership

5.1 Shared values

It is likely that you will together more effectively if you share values, so you may want to discuss this early. If one partner is willing to make corrupt payments and the other believes that a business should always observe ethical standards, then the partnership will quickly break down. Similarly, if one partner believes that the other is not pulling their weight, trouble will arise.

5.2 Look for complementary strengths

Businesses that each bring different and complementary strengths will be much more likely to develop a sustainable partnership than businesses with very similar strengths. Simply being in different markets may be enough of a difference, but you should consider whether that is really enough or whether you are each looking for something more.

5.3 Shared track record

A track record of working together before formalising a partnership arrangement may give an indication of how well you can work together. Is there scope to do a project together, without any long-term commitment, so that both parties can assess whether they really want a longer term partnership?

5.4 Define roles and responsibilities

It is important that both parties are clear about their roles and responsibilities so discuss and agree these early on. Informality might be okay, for example, during a project to test out collaboration, but is unlikely to be enough for a long-term partnership. Defining each business's responsibilities will help to eliminate disagreements later on. Depending on the nature of the partnership, this may also be helpful to employees and customers.

Review the partnership regularly especially if you feel some aspects are not working. If necessary, review the roles and responsibilities. If either party has staff changes, you may need to brief them on the partnership and how it works.

5.5 Business structure

You need to agree on the structure for the work together. Is it an informal arrangement or does it require some form of legal structure? How will decisions be taken? And by whom? Ultimately, you may decide to set up a joint venture vehicle, perhaps a limited liability partnership or a company. You will, however, want to explore the legal and tax implications.

5.6 Write it down

There may be no need for anything more than a handshake – though not too many businesses work like that. It may be that the partnership can be described and defined through a memorandum of understanding or a partnership agreement or a contract. It makes sense, however, to write everything into some form of agreement covering, inter alia, business structure, capital contribution, liabilities if something goes wrong, decision-making arrangements, dispute resolution and what happens if one business wants to exit the partnership.

5.7 Trust and honesty

For partnerships to work, the partners must trust each other and must feel comfortable sharing opinions and resolving disagreements. Be clear about what you want from the partnership. Never agree to something that you know you cannot deliver.

6. Joint venture agreements

If you get to the point where you want the partnership to become a joint venture, you should definitely have a formal agreement covering the objectives of the partnership and how it will operate, including:

- The legal structure of the JV. Will it be a separate commercial entity?
- The aims and objectives. What will be the trading principles and activities and is there a business plan in place?
- Terms preventing the JV partners from competing with the JV itself.
- Who will be responsible for the various management and control processes, including day-to-day running of the project and longer-term strategic decisions.
- The financial contributions to be made by each partner, including purchasing, expenses and any investment in joint training.
- Whether funding will need to be raised from external sources. If so, from where it will be raised, and who will borrow and guarantee it.
- How profits will be shared (as well as liabilities and losses).
- Whether any assets or employees will be transferred as part of the JV.
- Who will own any intellectual property rights created by the JV.
- Whether the parties will be free to carry on other business activities while engaged in the venture.
- How any disputes will be resolved and what happens if agreement cannot be reached in relation to major issues.
- How long the arrangement will last and whether one partner has the right to take over the entire project if the other wants to pull out.
- How to end the arrangement if either party wishes to terminate it early, and what the general exit strategy is.

7. Further information

Partnership agreements and joint venture agreements will be specific to the circumstances, so in the first instance, discuss further with your PROFIT mentor.

DISCLAIMER While all reasonable efforts have been made to ensure the accuracy of the information in this factsheet, the publisher makes no warranties that it is accurate or up-to-date and will be neither responsible for any errors or omissions nor any consequences of any errors or omissions. Professional advice should be sought where appropriate.

website

contact@profit-accelerator.com

email

PROFIT is an initiative of the Asian Development Bank, managed by a partnership of IMC Worldwide, ASSIST Asia & Bombay Chamber of Commerce & Industry.

