



What You Need to Know about Strategic Partnering for SBIR/STTR Companies

From the perspective of the small company, the motivation seems both simple and obvious – the need for funding. However, whether an entrepreneur is simply chasing dollars or views alliances more strategically, he or she might be surprised that large corporations are even more interested in partnerships. One Booz Allen survey of 2,000 firms identified six reasons why big companies partner, including:

- Accelerating growth
- Accessing critical capabilities
- Entering new markets
- Building critical mass
- Accelerating R&D
- Reducing costs or capacity

Two or three of these goals can be pursued through partnerships with small technology companies. Big company–small company alliances might be most common...and most successful...in the pharmaceutical industry. Large pharma companies may have many actively-managed alliances underway at any point in time. Revenue derived from alliance-related products and enabling patents from these partnerships can be significant.

As they struggle to build sophisticated products and get them to market faster, even large corporations are challenged by today's accelerating pace of technological change. In response they must concentrate on their core competencies and on those areas where they can add significant value. As a result, other capabilities, including innovative technology and expertise, must be sought outside the organization. These market realities present opportunities to SBIR-stage companies that are able to position themselves correctly with a well-matched corporation.

Types of Strategic Alliances

Strategic alliances adapt to a variety of purposes. Franchising/licensing agreements and R&D partnerships are generally the foundation for relationships between corporations and small technology companies. These two types of alliances can be sources of operating capital for early-stage companies, especially when up-front payments are involved.

However, partnerships with large corporations can have benefits more valuable than cash. For example, credibility can accrue to an unknown tech company that partners with a well-known corporation, and that exposure often leads to inquiries from other market players. In addition, with an established market presence, a corporate partner can offer critical market intelligence and open doors to influential prospective customers. Operational expertise available within a corporation can also help smaller partners navigate the rough patches in product development or outsourcing with fewer spills.

Finding Your Strategic Partner

The process of finding the right strategic partner is actually similar to finding the right customer for your product. Both involve identifying and understanding a *problem*. Finding the right customers means identifying and solving a problem *they* have. Finding the right strategic partner means identifying and solving a problem *you* have, such as access to funding, critical resources to accelerate R&D, or manufacturing expertise.

Identifying prospective partners will be easier if you first define concrete screening criteria, such as size, location, market focus, and track record. A good rule of thumb for an early-stage company is to identify more than one prospect, but less than 10, unless you're willing to make a substantial time commitment to the process. The best matches are between partners with common interests but complementary skills. This situation gives the small company the chance to make a unique, and not easily replaced, contribution to the relationship.

Many corporations have "intake" departments that might be named business development, in-licensing, new initiatives, and so on. If your prospect has no designated front door, the marketing department is a good place to start.

Dealing with large companies can be a slow process but after an initial expression of interest, the pace will allow you to do the necessary due diligence before your selection. Both sides can benefit from a measured approach, especially if it is combined with a smaller "test" project to assess compatibility and mutual trust.

No matter how well it seems to be going, leave the rose-colored glasses at home. The reality is the majority of large company/small company alliances are unsuccessful, so be sure to have a contingency plan in place.