Ranking foreign billionaire fortunes

Name/country/*industry*	Page
Over $10 billion	
Mori, Taikichiro and family/Japan/*property development*	164
Tsutsumi, Yoshiaki/Japan/*land, railroads, resorts*	164
Over $5 billion	
Albrecht brothers/Germany/*supermarkets*	203
Haniel family/Germany/*trading, wholesaling*	208
Haub, Erivan/Germany/*supermarkets*	202
Irving, Kenneth Colin and sons/Canada/*oil distrib, paper, land*	160
Rausing, Hans and Gad/Sweden/*liquids packaging*	198
Sainsbury, David and family/U.K./*supermarkets*	193
Shin Kyuk-ho (a.k.a. Shigemitsu, Takeo)/Korea/*candy, real estate*	181
Thomson, Kenneth Roy/Canada/*publishing, retailing*	158
Over $2 billion	
Agnelli family/Italy/*autos, etc.*	192
Al-Rajhi family/Saudi Arabia/*money changing/banking*	218
Azcarraga Milmo, Emilio/Mexico/*TV, bullrings*	150
Beisheim, Otto/Germany/*retailing, TV*	206
Benetton family/Italy/*apparel retailing*	192
Berlusconi, Silvio/Italy/*media, retailing*	192
Bettencourt, Liliane/France/*cosmetics*	190
Bin Mahfouz family/Saudi Arabia/*banking, investments*	218
Birla family/India/*cement, aluminum, autos, chemicals*	186
Brenninkmeyer family/Netherlands/*retailing*	198
Bronfman, Charles/Canada/*liquor, investments*	158
Chung Ju-yung and family/Korea/*heavy industry*	181
Escobar Gaviria, Pablo/Colombia/*cocaine*	156
Fentener Van Vlissingen family/Netherlands/*oil, gas, retail, invest*	198
Ferrero family/Italy/*candy*	192
Finck, August and Wilhelm von/Germany/*banking, real estate*	210
Flick, Friedrich Karl Jr./Germany/*heavy industry*	208
Garza-Sada family/Mexico/*beer, steel, banking*	151
Grundig, Chantal/Germany/*electronics*	208
Haindl family/Germany/*paper*	206
Hariri, Rafik B./Lebanon/*construction, investments*	221
Hayashibara family/Japan/*pharmaceuticals, real estate*	169
Henkel family/Germany/*consumer products, chemicals*	206
Herz family/Germany/*coffee, cigarettes*	203
Hoffmann family/Switzerland/*pharmaceuticals*	198

Name/country/*industry*	Page
Hsu family/Taiwan/*textiles, cement, department stores*	180
Ito, Masatoshi/Japan/*retailing*	172
Itoyama, Eitaro/Japan/*real estate*	169
Iwasaki, Yohachiro and family/Japan/*logging, property, resorts, etc.*	169
Jameel, Abdul Latif/Saudi Arabia/*auto distribution, real estate*	218
Kadoorie family/Hong Kong/*utilities, hotels*	177
Kamprad, Ingvar/Sweden/*furniture retailing*	198
Kanjanapas family/Thailand/*real estate*	184
Kipp, Karl Heinz/Germany/*variety stores, real estate*	210
Koc, Vehbi/Turkey/*conglomerate*	220
Kwok family/Hong Kong/*real estate*	177
Lee Shau-kee/Hong Kong/*real estate*	176
Li Ka-shing/Hong Kong/*real estate, ports, industry*	176
Liem Sioe Liong/Indonesia/*finance, trade, manufacturing*	184
Mann family/Germany/*retailing*	210
Merck family/Germany/*pharmaceuticals, chemicals*	206
Mohn, Reinhard/Germany/*publishing*	208
Mulliez family/France/*hypermarkets*	190
Murata, Junichi/Japan/*fax, industrial machinery*	169
Nakajima, Kenkichi/Japan/*pachinko machines*	173
Ochoa family/Colombia/*cocaine*	156
Oetker family/Germany/*food, brewing*	203
Ohga, Tetsuo/Japan/*publishing*	172
Oppenheim family, von/Germany/*banking*	208
Otani family/Japan/*hotels*	169
Otsuka family/Japan/*pharmaceuticals*	173
Otto family/Germany/*mail order, real estate*	206
Packer, Kerry/Australia/*media, investments*	186
Pao family/Hong Kong/*shipping, property development*	176
Perez Companc family/Argentina/*constr, shipping, telecom*	152
Quandt, Johanna, Suzanne and Stefan/Germany/*autos, industry*	202
Schickedanz, Grete and family/Germany/*mail order*	203
Schmidt-Ruthenbeck/Germany/*retailing*	208
Schörghuber, Josef/Germany/*construction, real estate, beer*	210
Seydoux/Schlumberger family/France/*textiles, media, oil services*	187
Shino, Rinji/Japan/*real estate, leisure*	169
Siemens family, von/Germany/*electrical machinery*	206
Slim Helu, Carlos/Mexico/*conglomerator*	151
Swire brothers/Hong Kong/*trading, airline, real estate*	177
Takei, Yasuo and family/Japan/*moneylending*	169

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BIG COMPANY SMALL COMPANY

The New American Partnership

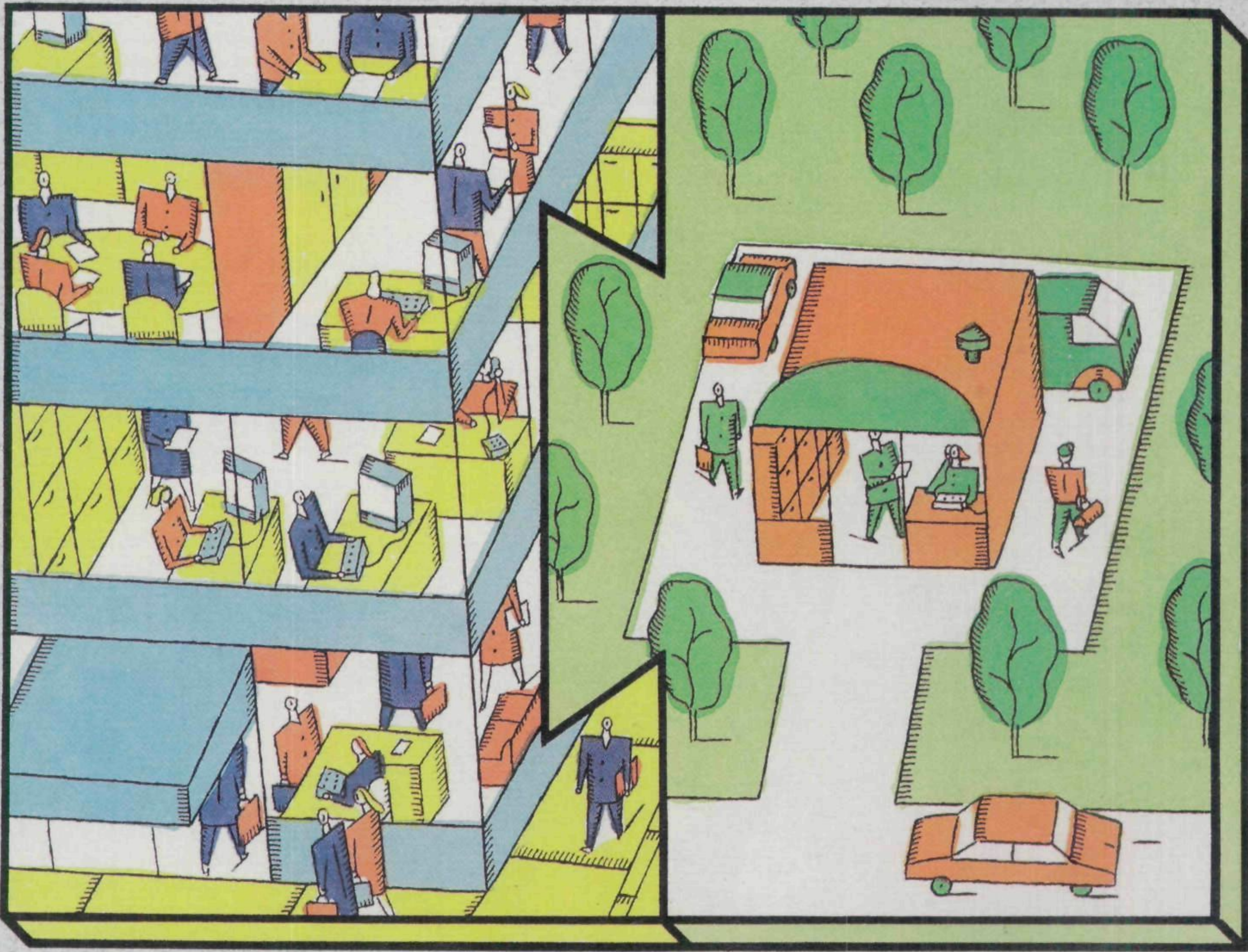


Illustration by Philippe Weisbecker

PARTNERSHIPS BETWEEN LARGE AND SMALL COMPANIES HAVE COME OF AGE. ALL TYPES OF BUSINESSES — TECHNOLOGY, SERVICE, RETAIL AND DISTRIBUTION — ARE CLIMBING ON THE PARTNERSHIP BANDWAGON IN THE BELIEF THAT SUCCEEDING IN TODAY'S COMPLEX GLOBAL ECONOMY REQUIRES A TEAM APPROACH. LARGE COMPANIES LOOK TO SMALL COMPANIES FOR INNOVATIVE PRODUCTS AND SERVICES, WHILE SMALL COMPANIES SEEK FROM LARGER ONES FINANCIAL RESOURCES AND DISTRIBUTION DEPTH. THE MATCHUPS DON'T ALWAYS WORK OUT, BUT INCREASINGLY, LARGE AND SMALL COMPANIES ARE DISCOVERING THAT TWO PLUS TWO EQUALS FIVE.

BY DAVID E. GUMPERT

The New World of Partnerships

Go back in history and you find a recurring theme over many centuries: Little guys and big guys don't get along. Beginning with David and Goliath and continuing to the early days of the rivalry between Apple and IBM, the story is much the same. The small guys have despised the big guys, and the big guys have tried to crush the small.

In today's new business climate, the theme is changing. The little guys and big guys of business have discovered each other. Perhaps the most dramatic example has been the transformation of Apple and IBM from arch rivals into partners.

These discoveries have led to formal big company/small company partnerships that go under an assortment of names — strategic alliances, joint ventures, R&D contracts, licensing arrangements, marketing agreements, cross-border partnerships and outsourcing. Whatever the terminology, the underlying theme is the same: Executives of both small and large companies are realizing that the whole is greater than the sum of its parts, and by combining their respective strengths, they can often accomplish much more.

Accelerating Trend

"Historically, big companies just acquired small companies or had a vendor relationship," says Robert Mast, a vice president of Venture Economics, a Newark, N.J., firm that tracks strategic alliances. "During the last few years, strategic alliances have become an accepted component of doing business."

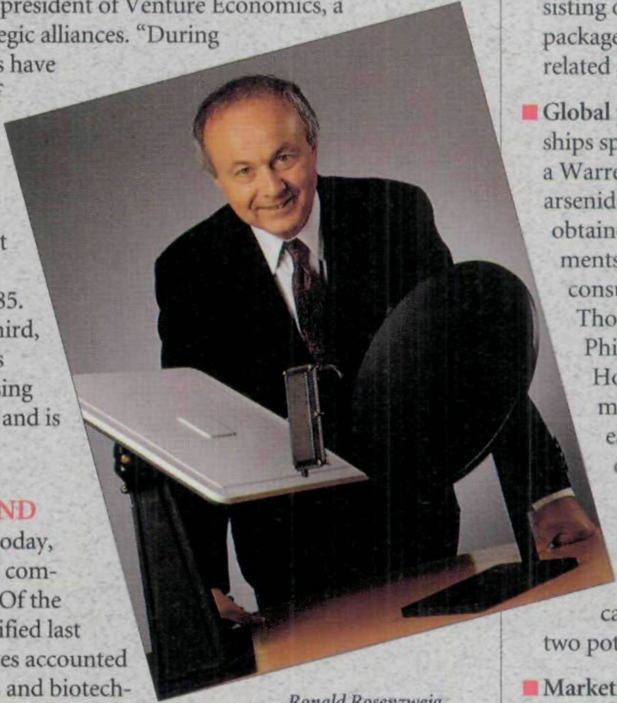
While no one knows exactly how many formal large company/small company agreements have been arranged in recent years, Venture Economics has tracked more than 13,000 since 1985. Of those, 5,034, or well over one-third, were arranged during 1991. Mast is convinced the number has been rising significantly over the last few years and is likely to accelerate.

Technology and Beyond

Everywhere in the business world today, partnerships have sprung up, most commonly in the world of technology. Of the alliances Venture Economics identified last year, computer software and services accounted for 13%, communications for 10% and biotechnology for 8%. The five corporations most active in negotiating alliances were all technology companies: IBM (136), AT&T (77), Hewlett-Packard (65), Digital Equipment Corp. (63) and Sun Microsystems (45).

But partnerships aren't limited to the technology sector. Companies in manufacturing, consumer products, publishing, transportation, food and retailing have all become involved in partnerships of one sort or another.

Whatever the industry, partnerships span the horizon in terms of the depth and type of commitment involved. Here are several of the most common approaches:



Ronald Rosenzweig, President of Anadigics Inc., a developer of gallium arsenide-based integrated circuits, obtained major investment commitments from Thomson CSF of France and Philips Electronics N.V. of Holland.

Michael Gaffney ©1992

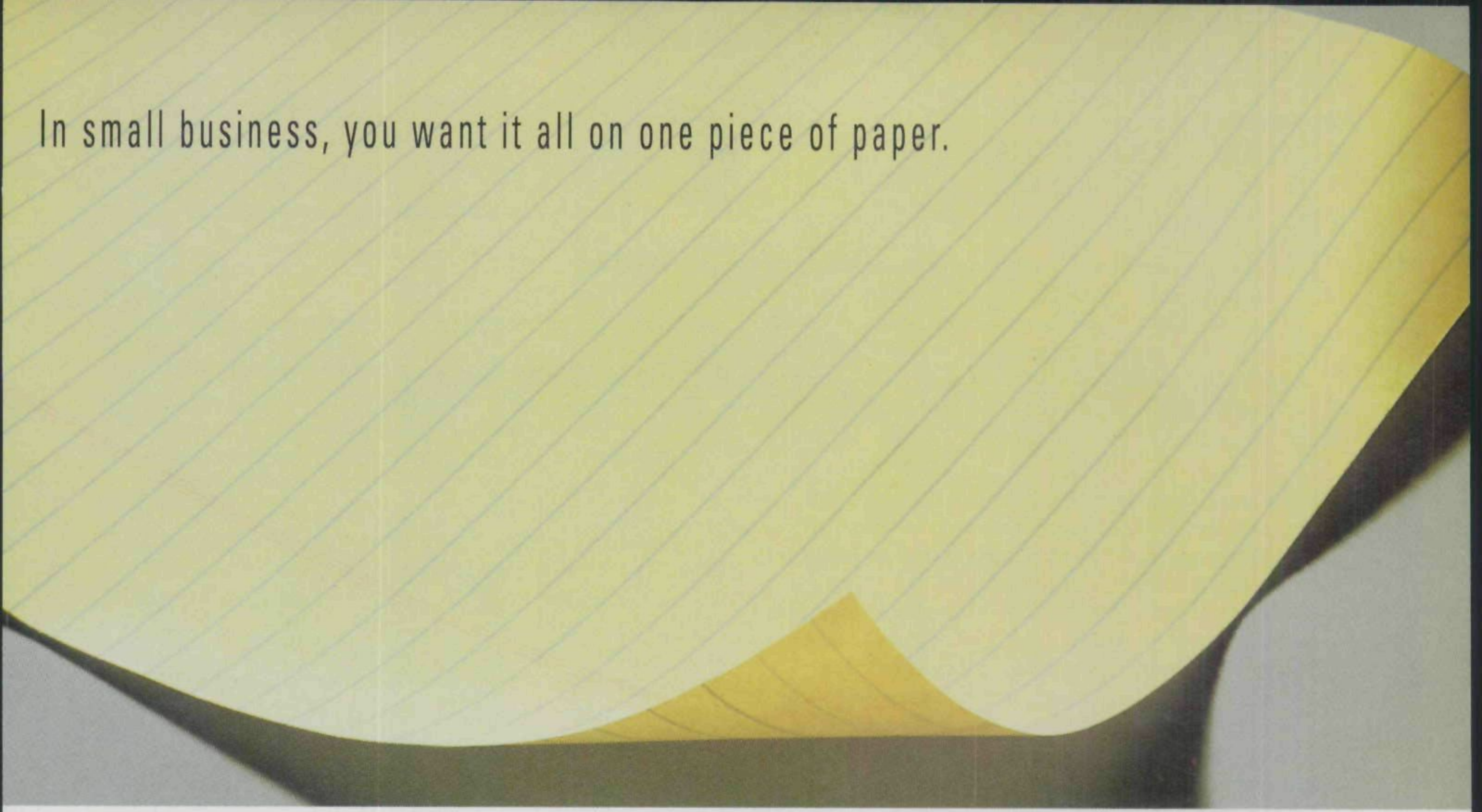
- **Technology-transfer partnerships.** Partnerships between technology companies most commonly enable the companies to gain from each other's technology. For example, a computer hardware company can offer the software of its partner in some of the computer systems it sells. The software company in turn may gain an inside track for developing software for new computer models being introduced by the hardware company.

- **Investment partnerships.** Some involve major financial and equity commitments, like the one in which United Parcel Service of America acquired 9.5% of Mail Boxes Etc. of San Diego, a smaller firm, for $11.3 million. UPS immediately obtained special access to a retail system consisting of 1,300 Mail Boxes stores for package pickups, drop-offs and related services.

- **Global partnerships.** Some partnerships span the globe. Anadigics Inc., a Warren, N.J., developer of gallium arsenide-based integrated circuits, obtained major investment commitments from two large European consumer products companies — Thomson CSF of France and Philips Electronics N.V. of Holland. In exchange for investments exceeding $1 million each, the European companies obtained stock in Anadigics and access to its cutting-edge integrated circuits.

  Anadigics, in return, gained not only much-needed cash, but also an inside track to two potentially significant customers.

- **Marketing partnerships.** These arrangements may entail little or no cash changing hands, but provide new marketing opportunities for the companies involved. Fast-growing CareerTrack Inc. of Boulder, Colo., has arranged to show its self-help and training videos on some American Airlines flights, thereby gaining exposure to high-powered executives, while American obtains free entertainment.



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FOR SMALL BUSINESS

■ **Supplier partnerships.** A few partnerships are simply very close customer-vendor relationships. National Steel Corp. of Pittsburgh outsources its mail-room sorting and handling to much smaller Ameriscribe Corp. of New York. Ameriscribe specializes in handling such tasks more cost-effectively than large corporations can themselves.

The Downside

The newly discovered common ground between small and large companies doesn't mean that everyone who negotiates a partnership can expect to live happily ever after. About two-thirds of all alliances end in failure.

"The real definition of success is whether an investment — whatever it is — returns at least the cost of capital or higher," says Thomas Doorley, a partner with Braxton Associates, a strategic planning arm of Deloitte & Touche, and co-author of *Teaming Up for the 90s*, a book about international joint ventures and strategic alliances. "Typically, the return should be at least 10%. From our analysis of 475 transactions, it looks like one in three return the cost of capital or higher."

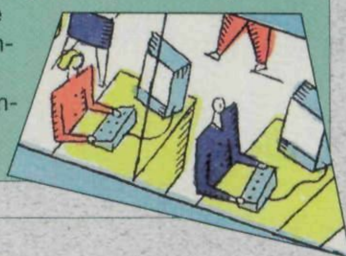
Doorley suggests that executives who want to make partnerships work "should do as the winners do." We're just beginning to learn their approaches for success. In the new American partnerships, as in other areas of business, there is no sense re-inventing the wheel.

How Technology Drives Partnerships

Why have big company/small company partnerships come on so strong so quickly?

One of the underlying forces driving the move to partnerships appears to be technology. Partner companies that are geographically distant can easily stay in close contact using faxes, voice mail and computer networks. Engineering plans from Japan can be transmitted to be ready for designers arriving for work in the U.S. the same day. Laboratory results can be analyzed and discussed.

The technological connection works best with some planning, though. As much as possible, computer systems should be matched so that modems can be easily used and data change hands with a minimum of disruption. Voice mail equipment should be up to the requirements of large groups and easy accessing. By making the most of technological connections, partner companies can enhance the communications process.



What's in It for Me?

The Small Company Perspective

Fleet Call Inc. is a small company with a big idea.

Though its fiscal 1991 sales were $53.9 million, it expects to spend about $450 million to serve 600,000 customers with an alternative cellular communications network it will build in New York, Chicago, Los Angeles, San Francisco, Houston and Dallas over the next few years.

Where will Fleet Call get that kind of money? It decided last year to seek $300 million of it in a partnership with a major corporation for one very important reason, says Brian McAuley, president: "The banks have dried up as sources of revenue, and junk bonds are out of favor."

Fleet Call identified six corporations as potential partners. Four made formal proposals, and Fleet Call eventually selected Motorola. Not only was the giant electronics concern willing to come up with most of the $300 million Fleet Call sought, but also it arranged for Northern Telecom to put up the remainder as part of its role as a supplier. In addition, says McAuley, "We decided that Motorola had the technology, the capacity and the help in marketing via a direct sales force and dealer network."

The whole deal took two months to negotiate. As an added benefit, Fleet Call negotiated another $36 million in investment from Matsushita, the Japanese company, which will also become an equipment supplier.

Money, and More

Fleet Call's experience is the stuff of which current small company dreams are made. With a credit crunch making financing difficult for many small companies to obtain, the vision of a large corporation supplying needed funds for a major project is very appealing. In addition, other benefits usually accrue to a small company hooked up with a major corporation: marketplace credibility, research assistance, marketing expertise and distribution outlets.

You don't have to explain this to Dennis Yablonsky, president of the Carnegie Group Inc., a Pittsburgh software company with more than $15 million in annual sales. The company has eight strategic alliances or joint ventures with such companies as Boeing, Digital Equipment, Ford Motor, Texas Instruments and US West.

The company has raised cash, and, says Yablonsky, "We get a much better deal than a venture capital firm would offer." In addition, "Relationships with blue-chip partners make us more credible in our other markets." The partner-

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Brian McAuley, (right) president and CEO of Fleet Call Inc., compares a new, lighter-weight, longer-life battery for portable phones with Stan DeCosmo, (left) vice president at Motorola.

ships also "gave us a backlog — the blue chip companies committed to doing work with us provide a revenue stream."

Eager Partners

Executives of small companies are increasingly finding large companies eager to do business. Fleet Call's experience in getting four major corporations to submit proposals isn't unusual. Steven Snyder, chief operating officer of Software Partner/32 Inc., a small Topsfield, Mass., provider of specialized software for corporate data centers, says representatives of half a dozen large computer hardware companies have approached him since late last year. "They have come to realize that their hardware is pretty much the same," he says. "Customers can't differentiate among their products without the software solution."

Executives of smaller companies who approach large companies for services often find them eager to do more. When Ruth Owades began a business to sell cut flowers by direct mail in 1988, she approached Federal Express about handling deliveries. She was surprised when the giant corporation agreed to special rates, and to plug the new San Francisco-based company, Calyx & Corolla, into its computer system. The arrangement gives Calyx & Corolla a competitive edge by enabling the company to provide exact-day delivery. "Other direct-mail services say they'll ship as soon as possible, but don't guarantee a date," Owades notes.

Like Marriage

Small company executives are right to be interested in the many goodies large corporations can hand out. But small companies need to be careful as well. "Some small company executives are so happy to get the money and legitimacy that they often don't think past the first 100 days of a partnership," says Bernard Tenenbaum, a professor of entrepreneurial studies at Fairleigh Dickinson University.

Tenenbaum and others caution that, just as in real-life marriages, it's much easier to get into a partnership than it is to get out. Life after the papers are signed can be full of unpleasant surprises. Just ask Richard Worth, founder of R.W. Frookies, a small East Hampton, N.Y., maker of health-oriented cookies. In 1990, he negotiated an alliance with a large Belgian trading organization. The Belgian group would gain entrée into the food business, and Frookies would gain distribution in Europe.

Unfortunately, the Belgian group made some errors, according to Worth. Despite his urging the Belgian group to begin with small orders, it pushed cookies onto retailers' shelves in large quantities. Thus, even though the retailers did well compared with Frookies' previous sales figures, they were often disappointed because sales were typically only 50% or 60% of the quantity they had ordered. The Belgian group also didn't provide the kind of day-to-day supervision of distributors that Worth felt was necessary. Worth subsequently ended the alliance.

Ruth Owades, of San Francisco-based Calyx & Corolla, made a successful alliance with Federal Express.

The real message here, say experts, is that executives of smaller companies should go into potential alliances with their eyes wide open. "Alliances can be great, but you pay a price," says Tenenbaum. "It's the same as when you obtain venture capital or a bank loan. You have to give something in order to get something."

Making Customer-Supplier Relationships More Rewarding

If you can help your customers improve their sales, chances are you will help yourself.

AT&T is finding that philosophy especially appropriate as it expands efforts to deepen relationships with users of its 800 service. For example, the company has recently done joint advertising and directory promotions with some of its customers in the gift, floral and home furnishings industries. "Developing specific 800 directories stimulates the use of these services," says Cedric Smith, AT&T's director of 800 services marketing. "That creates a win-win situation."

Specifically, through their relationship with 800-FLOWERS, a Long Island, N.Y.-based marketer of flowers, AT&T managers have gained important insights into the flower and gift industries. One such insight: Less than 10% of all florists have 800 numbers. Information like this helps AT&T develop and improve programs for small-business customers.

One unexpected benefit from this relationship is that AT&T and its employees can now gain access to a special service, offered by 800-FLOWERS, to purchase flowers at a discount. And 800-FLOWERS has tapped into AT&T's telemarketing division for help during peak periods.


SAVANNAH COTTON EXCHANGE

What's in It for Me?

The Big Company Perspective

Why would a company as huge and independently successful as IBM — with a long tradition of going it alone — aggressively seek out long-term relationships with young small companies?

For a simple reason, says Jack Kuehler, president of IBM: "Our customers were demanding services and products faster than we could provide them. Not even a company with IBM's resources can afford to go it alone."

Beginning with development of the personal computer in 1981, when it entered into partnerships with Intel, Microsoft, Computerland and others, IBM has become involved with dozens of small companies. "The list is a long one," says Kuehler. "It covers everything from joint development ventures to equity investments to product licensing."

From IBM's viewpoint, "We enter new markets faster by forming alliances with companies that already have a significant presence in markets where we do not," says Kuehler. "We avoid having to spend the time and effort duplicating the work of people who are already specialists in a particular area."

Large corporations in certain fast-growing industries like technology and pharmaceuticals seem to be racing to see who can put together the most effective alliances the most quickly. Says Jordan Lewis, a Washington, D.C., consultant and author of *Partnerships for Profit: Structuring and Managing Strategic Alliances*: "The winning advantage comes from an organization's ability to learn and apply new skills ahead of its opponents." Along with IBM and Compaq, Apple, Digital Equipment, Sun Microsystems and Hewlett-Packard have been extremely aggressive in putting alliances together.

No wonder, then, that other large companies are joining in, from the U.S. and other countries as well. Lewis points to Kubota, Japan's long-established producer of agricultural machinery. During the 1980s, Kubota established alliances with a number of small Silicon Valley designers of computer chips and software. By 1988, Kubota had shipped its first mini-supercomputer, one of the most advanced in the world. "The point is that strategic alliances hold vast potential for reshaping firms and industries," says Lewis.

International Differences

According to Venture Economics, about two-thirds of the partnerships it recorded last year involved foreign companies. About one-third were foreign companies in partnership with American companies, and one-third were foreign companies in partnership with other foreign companies.

Other evidence suggests that Germany has found the partnership experience most natural. A 1991 *Harvard Business Review* survey found that German companies "regularly excel at the practice of partnering, with the Americans coming in a close second, and the Japanese a distant third." While 44% of German respondents to a survey always or often involve suppliers in new-product design, 38% of Americans do and only 20% of Japanese do.

Do As the Winners Do

As partnerships of one sort or another become the norm, what criteria should executives of large and small companies use to evaluate such activity? Experts offer the following suggestions:

1. **Evaluate potential partners carefully.** Consider as many candidates as possible. Sometimes the most obvious choice isn't the best one. It is also advisable to do what is known as "due diligence" on any company being seriously considered as a partner. This means investigating its financial and business practices. Ask its other partners how things have worked out.

2. **Assess possible benefits critically.** A partnership should enable each party to make or save money. It may be that a small company's technologically advanced new product will enable a large company to reap additional revenues by quickly adding to its product line.

3. **Balance the partnership.** Neither party in a partnership should be overly dependent on the other. Inequality most commonly occurs in vendor-supplier relationships in which a small company relies on a large one for too high a percentage of its revenues.

4. **Manage the partnership effectively.** Ideally, each company in a partnership does what it is best at with its existing management. The main exception is a joint venture, which requires a new management structure to oversee the venture and clear understandings about how the structure will operate.

5. **Strive for open and honest communication.** This is often the toughest challenge for managers accustomed to wariness in their dealings with suppliers, customers and other outsiders. Partners need to be open about sharing ideas for getting things accomplished, as well as concerns about possible problems. Moreover, there need to be designated individuals responsible for handling regular communication between the partners.

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Outsourcing Gains

In an increasing number of cases, the benefits of partnerships are measured in money saved rather than increased sales, mostly via outsourcing. One of the most popular areas for corporate outsourcing involves information systems—payroll, accounting, database management and other information management tasks. No one knows for sure exactly how much outsourcing is occurring, but according to Cathleen Benko, a consultant for Deloitte & Touche in San Francisco, a minimum of $5 billion worth is taking place each year.

Corporations are increasingly attracted to the idea, in large measure because computer technology is changing so rapidly. The icing on the cake, though, is usually the savings, says Benko. First, there is out-of-pocket savings of between 15% and 40%. Beyond that, a company's balance sheet changes: "You take all of those information assets and turn them into expenses, which can be deducted," she says.

No Guarantees

Just because a company is large and has a lot of resources doesn't mean that its partnerships will automatically succeed. "Experience seems to indicate that the closer one can get to the operating unit as the sponsor of a partnership, the more successful the outcome is likely to be," says Zenas Block, clinical professor of management at New York University's Stern School of Business and an expert on corporate joint ventures.

The Challenge: Meshing Different Cultures

Executives of small companies and of large companies have traditionally been on different wavelengths. Small-company officials are typically action-oriented, impatient to make decisions and eager to see them implemented. Corporate executives are typically more analytical. They are concerned with carefully assessing situations and, once they form an opinion, with mobilizing support from within the organization.

"Everyone needs to recognize and deal with cultural differences between the small company's entrepreneurial culture and the big company's institutional culture," says Gabor Garai, a lawyer with the New York-based firm of Milgrim Thomajan & Lee. Garai, who specializes in arranging strategic alliances, points out that a well-structured alliance "enables each party to maintain its culture and keep its own identity."

Decision-making Issues

Because of cultural issues, the partnership structure that is seemingly most obvious may not be the one that works best. Take the case of a joint venture between a small company and a large one. An equal division of ownership, 50-50, would seem to make the most sense, right?

That's what Robert Vukovich thought, too, when his small company, Roberts Pharmaceutical Corp. of Eatontown, N.J., established a joint venture with a large Austrian pharmaceutical company in 1987. His company had a product that needed further development, and the Austrian company put in $3 million of funding.

The joint venture, based in the U.S., has made important progress in developing a new drug for treating cancer and in that respect has been "very rewarding," says Vukovich. But because of the differences between his company's and the Austrian company's approach to making decisions, Vukovich says: "I have mixed feelings about a joint venture with 50-50 ownership. The reason is that you have a standoff about decision making. You wind up with compromises, which is not necessarily the way to go. One side or the other should have majority ownership so there is clear decision making."

Yablonsky of the Carnegie Group preaches tolerance when it comes to cultural issues. In describing his company's partnership with US West, the Denver-based regional telephone company, he observes: "We know our people will think that US West managers are slow to make decisions. We know their managers will complain that our people make decisions with too little data. But we don't allow badmouthing. They've gained an appreciation of what it's like to work in a small entrepreneurial company, and we've learned to respect their power of scale and their need for thoroughly researched decisions. The result: We like each other."

Networking for Partnerships

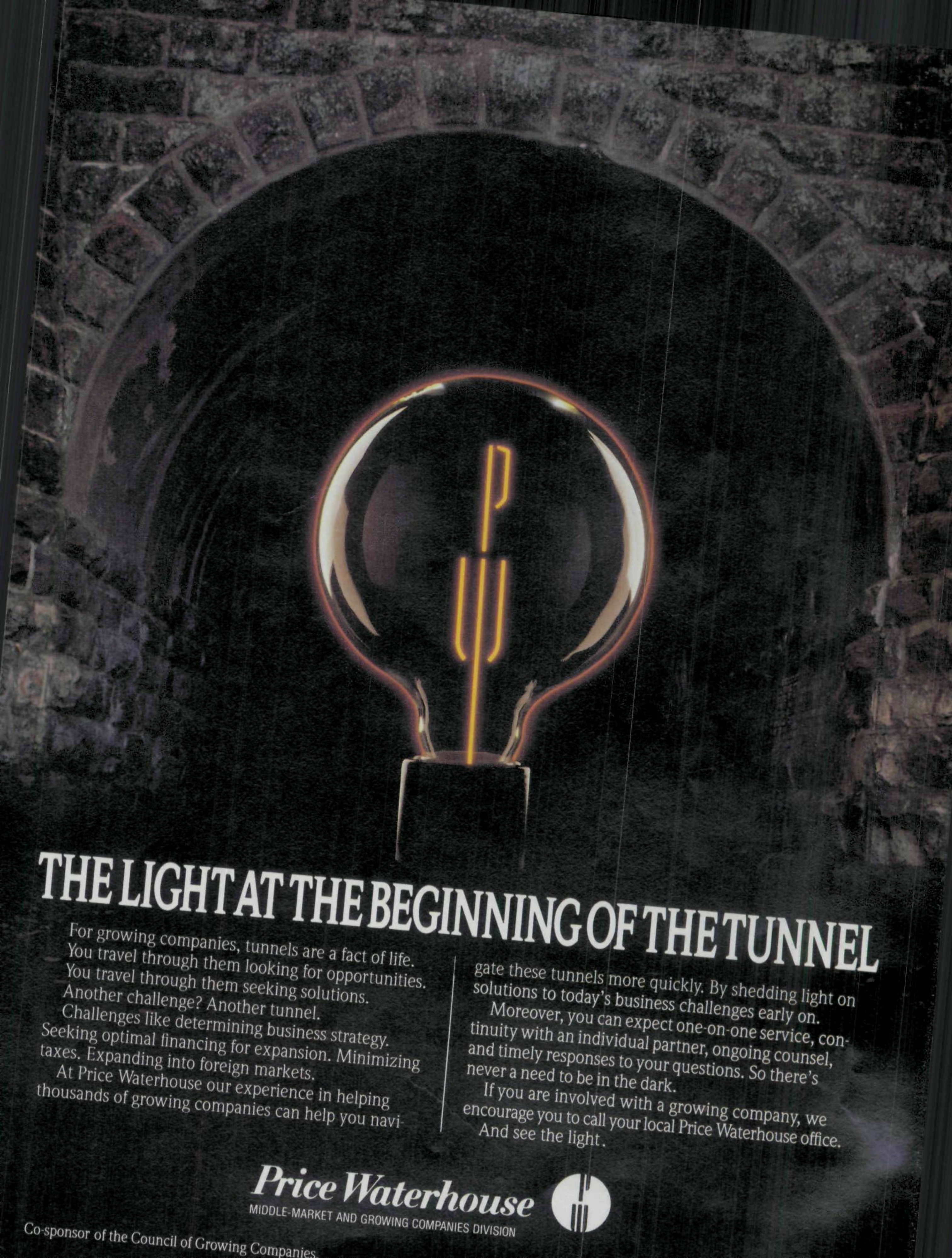
How large can a partnership get?

The Council of Growing Companies, a national business, education and networking organization sponsored by IBM and Price Waterhouse, likes to see itself as a harbinger in the big company/small company partnership arena.

With 14 chapters and 1,200 members around the country, "The Council is a perfect example of small company/big company partnerships," says Mark Reffner, a senior manager with Price Waterhouse and a national coordinator of the Council. "The leaders of growing companies have joined with IBM and Price Waterhouse to achieve the objectives they find most vital to their continued success." The Council's key objectives include sharing information, promoting the importance of entrepreneurial growth in the economy and providing a vehicle for linking public and private sector leaders.

The Council of Growing Companies includes CEOs with companies of 25 or more employees and/or at least $3 million of annual revenue. Several member companies have negotiated partnerships with large corporations.

For further information, write to Mark Reffner, The Council of Growing Companies, 1251 Avenue of the Americas, 34th Floor, New York, N.Y. 10020.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Two Views of a Partnership

Shown above in NYNEX's Cambridge office are Fluent, Inc. Chairman Dave Nelson (left) and NYNEX Vice President, Research and Development, Tom Super (right). NYNEX Executive Director Nathan Felde is seen on the video monitor from the company's White Plains lab, via the NYNEX Shuttle video link, which uses Fluent hardware and software.

Strategic alliances are often compared to marriage, where, it is said, opposites attract. If so, then the marriage, between NYNEX, the large telephone company serving the Northeast, and Fluent Inc., an upstart Framingham, Mass., developer of multimedia software, should continue to thrive.

For NYNEX, it was almost love at first sight. A venture capital firm that had invested in Fluent in 1989 alerted Reid Jecmen, NYNEX's director of technology investments, to the new company. "We had been looking for investment opportunities in multimedia beginning back in 1987," he recalls. "We looked at a lot of things, but none seemed to change the state of affairs of the industry."

Then Fluent walked through the door. "Their planned product development represented a significant advance over any available technology," Jecmen says. "It makes video messaging and video data as easy to work with as electronic mail."

The appeal of a partnership lay in the fact that, according to Jecmen, "We have expertise in communications networks and application areas. We don't have any expertise to deal with the innards of the computer, as Fluent does." Together with several venture capital firms, NYNEX invested an amount it won't disclose in exchange for just under 5% of Fluent.

From Fluent's perspective, says Richard Meise, president, the partnership was attractive for a different reason: "It's always nice to get investment funds." Of nearly $13 million in investment funds the company has raised, more than half has come from a handful of corporate partners including NYNEX, Intel and Olivetti.

There is more to the relationship for Fluent than money, however. NYNEX has expertise that enables Fluent to apply its software to large user networks. NYNEX also has facilities where the technology has been tested since last fall, when Fluent began delivering it. In addition, NYNEX has many customers — for the time when Fluent's product becomes commercially feasible.

For now, the two companies interact well. Small groups of engineers and technicians from each company visit the other monthly to exchange progress reports and monitor technology development.

"There is technology transfer and education in both directions," says Jecmen. "We share a vision of what the overall system should be. The collaboration has been productive for both of us."

Meise agrees: "We learn a lot by staying on top of their technology."

As for any downside, Meise sees only one issue: "We as a small company can move faster in the decision making process than they can." So far, the issue hasn't appreciably slowed the technology development effort. "We have an 18-month technology lead. By sharing, we'll keep it that way."

Capitalizing on Experience: The Creativity Factor

During the late 1970s and early 1980s, a handful of major corporations established venture groups to invest in smaller companies. The idea was less to form a true partnership than it was to gain a toehold in a small company with the long-term goal of eventually acquiring the company and making it a subsidiary of the corporation. Not surprisingly, executives of small companies didn't take well to being treated as future corporate employees, and most of these programs failed.

Many of today's partnerships have learned from the mistakes of those pioneering programs. Many corporations have sworn off the acquisition objective—at least as an initial goal—choosing instead to focus on sharing technology, market information and other key knowledge. As a consequence, corporate executives have become more creative, and demanding, in establishing criteria for getting involved with smaller companies.

Apple Loan Program

Some large companies with extensive experience in arranging partnerships try to build on their expertise in new ways. Apple Computer has quietly established a program to make loans of $100,000 to $1 million available to small companies selling software and hardware for use on Apple's computers.

Such companies often have difficulty obtaining bank loans. "We are a lender that understands the business they are in," says an Apple official. Apple requires submission of a business plan, and officials carefully screen applicants for creditworthiness.

During the last two years Apple has made millions in loans to well over 40 small companies. "We have written off only $20,000 worth of loans," the official says. "That's a much better record than most banks."

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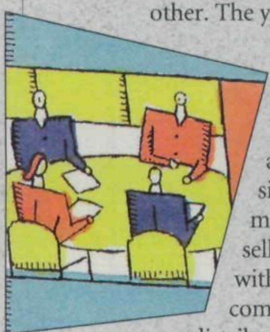
Unlikely Matches

Digital Equipment is even using expertise gained from arranging its own alliances to assist other companies in forming partnerships. It has established the International Business Development Services group to put small and large companies from around the world into partnerships.

"Our people represent a tremendous reservoir of information, capabilities, resources, contacts and knowledge about what it takes to be successful in a global economy," says Ahmed Asfour, a manager of the group. Digital executives based in nearly 200 countries have been tapped to aid in the company's consulting efforts.

According to Asfour, the best partnerships often occur between companies that aren't so obviously suited to each other. The year-old group already boasts a handful of successful alliances. In one case, the Digital group put a large American bank seeking information-related products together in a partnership with a German software company. In another situation, it partnered a large Austrian medical instruments company seeking to sell a new product in the American market with a small New York industrial laboratory company trying to become more active in distribution.



The company also sponsors a national networking organization of technology entrepreneurs, known as the Technology Executive Roundtable (TER). During the last three years, about a dozen alliances have grown out of relationships established by companies involved in TER — both with Digital and with other companies, estimates Joan Jacobs, Digital's program manager for the organization.

Additional Parties

Even universities are getting involved in negotiating partnerships. The American Graduate School of International Management, known as Thunderbird, is in the process of building a business office park on an 80-acre tract of its campus in Glendale, Ariz., with the express purpose of creating big company/small company partnerships. Already a major Asian publisher has committed itself to establishing a business office on campus.

"These partnerships will give businesses access to our high-quality students, our global research efforts, and a flow of information in many languages," says Roy Herberger, Thunderbird's president. "Our students will gain access to valuable real-world experiences, hopefully leading eventually to important career opportunities."

Other universities, like Northeastern University's College of Business Administration, have been actively recruiting businesses of all sizes to share resources. Northeastern has recruited 140 companies to be members of its "Associates Program," under which the companies provide revenues to support teaching and research and gain access to published research, faculty articles and special seminars.

Looking Ahead: Exploring New Opportunities

The move toward partnerships between small and large companies is no fad or flash in the pan, experts agree. Rather, it is part of a long-term re-making of business as we know it.

As partnerships increasingly become the norm, experts see a number of changes on the horizon:

- **More complex partnerships.** Alliances can be expected to grow larger and more complex in scope. For companies like IBM, Digital Equipment, Apple, General Motors and others with dozens of alliances scattered throughout the organization, simply managing them all is a significant challenge. Increasing numbers of smaller companies are finding themselves with half a dozen or more alliances — a similar challenge in scope.
- **More international partnerships.** Increasingly, partnerships know no geographic boundaries. Large companies in Europe and Japan seek out small companies in the U.S. as partners. The reverse is happening with greater regularity by American companies in Europe and Latin America.
- **More cooperation at all levels of business.** The alliance of IBM and Apple is only the most visible sign of cooperation among companies that had been antagonists. Increasingly, the lines of traditional relationships among businesses are blurring.

The Best Networking

Big company/small company partnerships might indeed be viewed as the ultimate form of networking. When they operate as planned, partnerships enable companies to share critical information, technical data, sales contacts and endless other sorts of knowledge. Such knowledge in turn enables companies to react more quickly to changes in the marketplace and to improve product or service quality.

The intense kind of networking that is an inherent part of the partnership process serves another function as well: It prevents companies from becoming too set in their ways. By being constantly exposed to the workings of other management styles, large and small companies alike are more inclined to question their own practices and incorporate fresh new ideas picked up from partners.

In the long run, then, companies that are able to make partnerships work multiply their opportunities for success many times over. ◆

David E. Gumpert is author of three recent books, *How to Really Create a Successful Business Plan, How to Really Start Your Own Business* and *How to Really Create a Successful Marketing Plan* (Inc. Publishing). He is also president of David E. Gumpert Communications Inc., a marketing communications firm in Needham, Mass.

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