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Key Partnerships

Key Partnerships: Definition

The Key Partnerships Building Block describes the network of suppliers and partners that make the business model.

Companies forge partnerships for many reasons, and partnerships are becoming **a cornerstone** of many business models.

We can distinguish between four different types of partnerships

- **Strategic alliances** between non-competitors
- **Coopetition**: strategic partnerships between competitors
- **Joint ventures** to develop new businesses
- **Buyer-supplier** relationships to assure reliable supplies

Key questions

- Who are our Key Partners?
- Who are our key suppliers?
- Which Key Resources are we acquiring from partners?
- Which Key Activities do partners perform?

It can be useful to distinguish between three motivations for creating partnerships.

Motivations for creating partnerships (1/2)

Element	Description
Optimization and economy of scale	The most basic form of partnership or buyer-supplier relationship is designed to optimize the allocation of resources and activities. It is illogical for a company to own all resources or perform every activity by itself. Optimization and economy of scale partnerships are usually formed to reduce costs, and often involve outsourcing or sharing infrastructure.
Reduction of risk and uncertainty	Partnerships can help reduce risk in a competitive environment characterized by uncertainty. It is not unusual for competitors to form a strategic alliance in one area while competing in another. Blu-ray, for example, is an optical disc format jointly developed by a group of the world’s leading consumer electronics, personal computer, and media manufacturers. The group cooperated to bring Blu-ray technology to market, yet individual members compete in selling their own Blu-ray products.

Motivations for creating partnerships (2/2)

Element	Description
Acquisition of particular resources and activities	Few companies own all the resources or perform all the activities described by their business models. Rather, they extend their own capabilities by relying on other firms to furnish particular resources or perform certain activities. Such partnerships can be motivated by needs to acquire knowledge, licenses, or access to customers. A mobile phone manufacturer, for example, may license an operating system for its handsets rather than developing one in-house. An insurer may choose to rely on independent brokers to sell its policies rather than develop its own sales force.