

Key partners

Focal points

I: The importance of partnership for business and economy

Mankind require a multitude of different goods to maintain not only their standard of living but also their very existence. None of these goods are available in nature in a form immediately suitable for use, which is why the efforts of our entire civilization, from the era of the birth of Homo Sapiens to the present day, have been directed towards overcoming this deficit. The entire set of activities aimed at creating goods for consumption is collectively referred to as the economy. Once, in the distant past, it might have been possible for a person to take care of their own needs – by obtaining food and water, even by creating elementary tools. The gradual accumulation of knowledge and experience leads to the creation of increasingly complex goods, the creation of which is beyond the capabilities of a single individual, whether in terms of knowledge, experience, or the extraction of necessary resources. This ultimately leads to the division and specialization of labor, which in turn necessitates the need for partnership.

Partnership is required not only at the stage of creating the goods and the raw materials needed for their production but also at the stage of their distribution and consumption. A well-planned and established partnership network becomes a cornerstone for the success of every business.

II: Specific types of partnerships

1. Partners – suppliers

The realization of any business idea, whether it's related to the production of a product or the provision of a service, inevitably encounters the problem of securing the necessary resources:

- *Subject of labour*

raw materials, materials, energy

- *Means of labour*

properties, machines, facilities, and equipment

- *Human resources*

In their own business plan, entrepreneurs must pay serious attention to planning this aspect of their activity, as potential oversights have the potential to lead to significant losses for their company, loss of competitiveness, and ultimately bankruptcy. The entrepreneur should carefully assess and select their network of partners - suppliers, by:

- Compiling a list of partners - suppliers for each main type of resource needed, always emphasizing the provision of several alternatives for the most critical ones;
- Considering their own planned production capacity based on the developed business plan, to forecast the necessary volumes of resources needed on a weekly, monthly, and annual basis. Meeting the planned capacity will require

rhythmic deliveries, which may not be within the power of a single separate supplier, respectively, there may be a need to select a group of suppliers

- Researching the market for leading manufacturers-suppliers with whom to seek partnership in organizing the supply of resources, as well as the technologies used. Often in industrial practice, the same resource could be produced in different ways, using different technologies. The latter has an influence both on the price and on the quality of the delivered.

For example (1): You are an European company planning to make significant investments in textile manufacturing machines. There are numerous alternative suppliers from Europe and China. Chinese suppliers offer cheaper alternatives, but there are many questions regarding the reliable commissioning and setting up of the machines, as well as the quality of the workmanship. European companies are in the higher price range, but due to their geographical proximity, they offer more adequate services for repair, maintenance, and setup, delivery of spare parts, etc.

- Exploring methods, timelines, and costs of delivery, the presence of legal restrictions and geopolitical uncertainty that can delay and endanger supply chains.

For example (2): The blocking of trade routes through the Suez Canal as a result of the escalation of conflicts in the Middle East creates enormous tension on international goods traffic, 80 % of which is carried out by sea. This leads to losses due to delivery delays, increased transportation costs, etc.

For example (3): As a result of a political decision, a group of countries imposes an embargo on the movement of goods and resources originating from a third country. In the absence of adequate alternatives, this could spell the end for your business.

- Investigating other specifics related to the delivery of resources, such as the presence of seasonality in their production.

For example (4): In some industries, especially in agricultural products, there is seasonality in the harvest. Accordingly, a good entrepreneur should plan a stocking policy to ensure all necessary resources until the next harvest. Stocking, however, leads to problems and costs associated with storage and preservation.

- Environmental considerations.

Deliveries from distant destinations always lead to an increase in the carbon footprint of your own production. At the same time, there is the issue of the types of transport packaging and the materials they are made of, given the need for their collection and utilization. The technology used for extraction and production of resources also matters. More archaic extraction technologies can be cheaper in many aspects but come at the cost of a significant impact on the biosphere.

2. Partners in marketing, distribution, and realization

Our clients, as well as everyone along the chain who helps the product from our business idea reach them, are important partners. Many of the considerations in selecting

suppliers are also valid for partners - clients, and yet in their business plan, entrepreneurs should also pay due attention to the following additional aspects:

- Assess which distribution/sales channels will be key - retail or wholesale through a network of distributors;
- Characteristics of potential customers, size, purchasing power, preferred method of delivery, and consumption. This will further refine the overall advertising and marketing policy;
- Assess your own planned production capacity against the degree of saturation of the global market.

For example (5): You plan to create a huge plantation of oil-bearing roses in Bulgaria, capable of producing a phenomenal 150 tons of rose oil. At the same time, the entire global industry processing this type of oil processes less, despite the presence of other producers.

- Investigating legal bans and restrictions on distribution, including content, age restrictions, used technologies, and packaging content;
- Aligning the shelf life of products with the necessary delivery time and the usual delay in turnover between wholesale and retail;
- Selection of appropriate policies for payment, returns, and warranty service

3. Financial partnerships

Financial partnerships are key to any modern business. As mentioned, creating consumer goods today is a complex and costly process that involves combining various technologies and resources. Currently, it is much less common for investment intentions to be financed entirely through personal savings. It is much more likely that the entrepreneur will need to rely on traditional loans or other financing instruments such as operational and financial leasing, trade credits with deferred payment, and others. Key financial partners include:

- Commercial banks - Investment and working capital loans
- Leasing companies - Financial and operational leasing
- Insurance companies
- Financial intermediaries – Risk hedging, futures operations, etc
- Companies for high-risk investments in startups
- Public funds for financing targeted investments.

4. Partnerships for the exchange of specialists and labor

The provision of labor services is a rapidly growing segment over the last decades, with partnerships encompassing both the provision of agricultural and seasonal workers, as well as specialists in medical care, engineering specialists, administrators, etc.

5. Partnerships in scientific research and development activities

A key partnership for any innovative business. Scientific research and development activities are extremely expensive endeavors, requiring large investments without a guarantee of positive future results. For this reason, in the modern economy,

partnerships prevail, where several companies combine their efforts in a financial and intellectual trust with the aim of creating, designing, and introducing a new product or service to the market. For example, these partnerships played a key role in the rapid development and creation of COVID vaccines. They are also strongly present in sectors such as mechanical engineering, automotive manufacturing, aircraft construction, space technologies, and more.

III: Defining “Key” for partners

Key partners for any business are those who:

- Due to the specifics of the business, have no alternative to be replaced, or if there is one, it is too limiting for the scope and goals of the business.

For example (6): You produce a product for which there are only one or two customers worldwide, or you need a rare raw material that is produced by only a few units globally. If the supplier or customer ceases operations, it will lead to our own bankruptcy.

- There are alternative partners, but relationships with them lead to a decrease in business efficiency due to long delivery and/or payment terms, political and legislative restrictions, insufficient production capacity, etc.

For example (7): You are an entrepreneur who manufactures aluminum products and needs supplies of raw metal for this purpose. You have been supplied by China, which is a leader in the industry with a 60% global market share. The next possible alternative is Russia, which, however, is under international economic sanctions and is not a good alternative.

- Long-standing and traditional partnerships

The influence of traditions should not be underestimated when it comes to business, especially when these traditions are part of the business's own image.