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Leveraging Partnerships for Successful Startup Exits

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Since the late 2010s, corporations started scaling back their Research & Development (R&D) budgets.

Rather than relying on in-house innovation, they shifted their innovation focus to acquiring other companies.

THE SHIFTING LANDSCAPE OF CORPORATE INNOVATION

Traditionally, large corporations earmarked hefty budgets for their R&D departments.

These companies employed large teams that generated new intellectual property and developed new products and services.

Due to budgetary pressures and low ROI on internal R&D efforts, many large companies are allocating fewer resources to in-house R&D.

Instead, they turn to acquisitions as their primary source of innovation.

Recent data shows a remarkable increase in the number of acquisitions across industries. Companies discovered that partnering with smaller, agile companies is a cheaper and more efficient way to encourage innovation.

This trend poses a unique opportunity for smaller companies and startups to improve their odds of a successful exit.

HOW COMPANIES FIND ACQUISITIONS

Here's a simple process to help your company start thinking about risk objectively and allocate resources and attention to the scenarios that really matter.

Corporations are by their nature risk-averse. They will research and make lists of companies with special technology that meets their needs.

But, seldom, does an acquisition emerge from out of the blue.

- Acquirers want to know the leadership well
- They need to understand and test the quality of the product or service
- And eliminate any risks that would otherwise impact the success of the acquisition.

STRATEGIC PARTNERSHIPS AS THE KEY TO ACQUISITION

How can smaller companies leverage this acquisition-driven innovation trend to their advantage?

The answer lies in strategic partnerships.

Just remember that strategic partnerships are complex activities that require the skills and experience to execute properly

FOUR KEY ACTIONS FOR YOUR STARTUP TO IMPROVE THE ODDS FOR AN ACQUISTION

1. Develop Novel Technology

The first step on this path is to invest in building novel technology. To gain the attention of potential acquirers, you need to stand out. Your technology should have a special benefit that big companies would want to buy.

Acquirers are often drawn to unique intellectual property (IP), which is highly valuable. Having valuable patents and trademarks protects your innovations and makes your company attractive for acquisition.

2. Use Capital Wisely

Strategic partnerships demand efficient use of capital and a well-thought-out game plan. Smaller companies must operate frugally while planning for sustainable growth. It's essential to allocate resources judiciously and keep an eye on long-term objectives.

When trying to attract buyers, it's important to show that you are careful with money and have a clear plan for growth. They'll see a company with a clear strategy, ready to scale with precision.

3) Build Relationships with Potential Acquirers

The third step is the most critical. Smaller companies should find industry partners and build strong relationships with them. These relationships serve as bridges that can lead to acquisition.

By understanding the needs and strategies of potential acquirers, you can tailor your offerings and align them with their goals. This level of alignment can be the tipping point that transforms a casual relationship into a potential exit.

4) Build Long-Lasting Partnerships

Building these relationships is not a one-off task; it's an ongoing effort.

Smaller companies should treat these relationships as gold.

Building open and respectful relationships with potential acquirers is crucial, even if a sale is uncertain. By building these relationships, you can make sure your company stays on their radar.

IN CONCLUSION

We are in an era where corporations are reimagining innovation and startups are rewriting the rules of business.

The potential for smaller companies to be acquired is higher than ever before.

Small businesses can join the innovation trend by investing in technology, managing capital wisely, and building relationships with potential buyers.

By following this path, you can position your company for acquisition. This ensures that your innovative ideas find a home in the corporate world. You will form strong relationships that benefit your business, no matter what happens.

Remember, the path to a successful exit is paved with innovative ideas and forged through enduring partnerships.

Since 2014, Flywheel Advisors generates revenue momentum for companies that offer unique solutions to hard-to-crack buyers in specialized industries.

We specialize in:
1) building new sources of revenue from new indirect sales channels and partnerships, and
2) helping companies with multiuse technologies to capture market opportunities while conserving capital.

We support our clients in a variety of ways depending on their needs, Advisor, Consultant, or Fractional Executive.

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