

Startups should seek quality—not quantity—in partnerships, study finds

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When partnering with larger companies, startups with a small number of carefully chosen alliances will reap the most benefits, according to new research from the University at Buffalo School of Management.

Forthcoming in *Organization Science*, the study found that by aligning with established companies, a young firm gains valuable access to additional resources and markets. However, as a startup adds more outside partners, eventually the firm's internal capability will weaken and

the cost of maintaining its [alliances](#) will exceed any remaining [benefits](#).

"Partnerships offer many mutual benefits; established companies can tap into a startup's cutting-edge technologies and innovative potential, while young firms acquire knowledge and status from experienced partners," says study co-author Ramin Vandaie, PhD, assistant professor of operations management and strategy in the UB School of Management.

"But more is not necessarily better," he adds. "We found the benefits of alliances with larger companies do not increase proportionally with the number of partners, but instead start to level off and turn negative as more partnerships are formed."

The study examined 150 independent film production studios and tracked their partnerships with major studios and performance from 1990 to 2010. Vandaie says the data can be applied to many industries, particularly creative fields like publishing or advertising, as well as professional services like accounting or law firms.

In addition, the research revealed that highly specialized firms experience greater benefits from interfirm alliances than more generalist competitors.

For example, in its early years, the Weinstein Co. focused on a limited number of genres that were distributed through deals with major studios. With that strategy, the company found and sustained critical and commercial success and has since grown into a "mini-major" that produces and distributes a wide range of films.

"Small, specialized firms that have the opportunity to align with larger [firms](#) should put their expansion plans on hold to gain the full benefits of those partnerships," Vandaie recommends. "Later, they can use their newly developed capabilities as a basis for growth and a more reliable

path to expansion."

Provided by University at Buffalo

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