



SMALL ENTERPRISES PARTNERING WITH LARGER MULTINATIONAL BUSINESSES – Steps, Requirements and Benefits

INITIAL CONSIDERATIONS

Before small and medium sized enterprises seek to partner with multinational companies, they need to take some initial steps.

Firstly, SMEs must develop a growth and export strategy. Then see whether a partnership with a multinational fits those plans, including whether it is ready and able to scale its operations in light of the potential demand.

Secondly, determine which kind of large businesses or multinational companies that the SME should partner or work with. Some useful questions to ask include: Are customers of that multinational consistent with the SME's own targeted segmented customers? Will their branding complement or build on each other?

Thirdly, the SME must target the right multinational, including researching its requirements or standards for partnerships. Can the SME meet those demands? If not, then the SME must implement policies and changes in operations in order to meet them.

TYPICAL REQUIREMENTS

So what do multinationals require from the partners, especially suppliers?

We looked at websites of multinationals from different industries and economies that provide guidance notes for potential partners.

There are some commonalities, including on issues relating to:



(i) Workplace Practises

They expect fundamental labour rights to be upheld, including no 'forced labour' and 'under-age' hiring, as well as high level standards in workplace safety.



(ii) Financial management and proper record keeping

That the SME partner adheres to ethical business practices, and has transparent accounting systems and appropriate governance arrangements in place.



(iii) Marketing disciplines

Certain multinationals demand a responsible marketing policy, including for example not advertising to children. And that support of worthwhile causes (e.g. education of children) should not be used for promotion purposes.



(iv) Product quality and safety

That the SME has a quality assurance system in place, including protocols for safe handling and preparations (especially for food-related products). Processes and standards must pass auditing and align with expectations.



(v) Environmental sustainability

Multinationals are demanding more and more that business partners take account of their production and logistics processes so as to reduce their impact on the planet, including by reducing harmful emissions.



(vi) Technology and systems compatibility

So that supply chain processes are as efficient and responsive as possible, including in relation to real-time information sharing, multinationals require that SME partners have up-to-date digital systems that connect with theirs.



(vii) Cyber-security and privacy protection

That the SME partner guard against attacks or theft of physical and digitally-recorded intellectual assets, including information about individual stakeholders.

BENEFITS

So what are the likely benefits from SMEs partnering with multinational companies?

There are a number of potentially worthwhile gains, including:



(i) **Increased revenue and income**

A partnership with a multinational could lead to that turning point of growth for the SME, and one that may be a reliable long-term customer.



(ii) **Enhanced reputation and market access**

Multinationals often already have a well-known brand that customers have connected with. So by having an association with that brand, an SME partner can boost their reputation as well. The SME might also be able to make use of the multinational's network.



(iii) **Resilience**

Should economic conditions turn for the worse, having a loyal and reliable partner or customer might mean the difference between closure and continued viability.



(iv) **Access to alternative financing**

Some multinationals provide alternative sources of financing for growth, such as supply chain financing. They know the capability of the SME and the market, so convincing them to provide funds may prove easier than the regular banks.



(v) **Innovation and increased competitiveness**

As a result of the partnership, including having to meet the multinational's standards and requirements, an SME may be forced to adopt new technologies and practices that enhance its overall performance and competitiveness.