

## WORKING WITH STRATEGIC ALLIES

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Strategic allies can be firms with whom you do joint marketing, or have a contract, or have an equity relationship (as in a formal joint venture). The relationship may be for just a single commercial venture or for a longer period of time. Whatever the specifics of your particular arrangements, strategic allies are becoming more and more important to export success. Remember that any local firm with whom you partner will of course want help doing business in your own market so make sure that the partner is someone who can make you more competitive domestically. So consider potential partners who can enhance your competitiveness in your home market.

When you decide to partner with a firm abroad, your first task will be to find suitable candidates. There are several different kinds of partners that you can approach in the market you are targeting:

- Firms with a similar client base who contract out specialty work (ideally to you!)
- Firms wanting to increase their client base and needing specialty expertise in order to do so (hence your firm)
- Firms with guaranteed projects or standing offers that need subcontractors (your firm)

Of course, you may decide that before targeting a particular market you would simply like to get more experience outside your domestic market. In that case, you might want to approach another firm from your country that is already exporting and see if you can become a subcontractor to them. Or you could approach local/regional firms that have just been awarded a major contract and see if there is any work that they could subcontract to you. If you like working with them, then you can develop some additional partnering opportunities.

One of the difficulties in selecting partners abroad is often a lack of familiarity with the various firms. You can use industry association directories as a way of screening potential candidates, or you can hire a consulting firm to find a good match for you, or you can have a public relations firm place an article about your firm in industry publications (emphasizing that you are looking for partners). Just because a foreign firm approaches you, that doesn't mean that they would be the best match for your firm. You will find that you increase your chances of success if you hire them to provide you with some initial services ... to test the waters. If things go well and there's a good fit, then you can explore some more formal partnering opportunities. At a minimum, try to build up some good will so that they can help you with market entry. Partnerships are more likely to succeed if you test them out first.

As you consider different candidates, you will need clear selection criteria so that you don't just link up with the first firm that offers to partner with you. Here are some of the critical variables you will want to keep in mind in selecting a partner:

*Philosophy of doing business*

You need to be able to work well together in terms of your relationship with your joint customer so a similar business philosophy is important.

*Decision-making structure*

Decisions will often have to be made quickly once a project is underway so you need to make sure you understand your partner's decision-making process. Generally speaking, a relationship works best if your decision-making processes are similar.

*Complementarity of skills*

One of your primary reasons for being in a partnership is to supplement the skills your firm has. You need to be clear on your own strengths and ensure that your partner has strengths in appropriate complementary, rather than identical, areas. This complementarity also protects you from having your competitive edge taken over by the partner.

*Respect for each other's expertise*

To avoid the common fear that you will be creating a more effective competitor by partnering with another firm, it is important to select partners who clearly respect your specialized expertise and have no intentions of trying to replicate it.

*Specification of team members*

The success of any project rests with the particular persons on the project team. You will want to be sure that you are working with partners who will honour agreements made about the assignment of particular persons, rather than feeling free to substitute any staff member they have who happens to be available.

*Project management skills*

Being profitable abroad requires careful management of finances and person hours. You will want to team up with partners who have already developed excellent project management systems.

The biggest challenge at the selection stage is making the time to test out the relationship before you are committed to a possibly incompatible partner. Obviously, the way you avoid having to pick a partner quickly and relatively blindly is to be meeting possible candidates all along ... through networking. It is vital that you have time to get to know each other. If you find yourself having any hesitations about a particular partner, even if they appear to offer some lucrative opportunities abroad, think twice and trust your intuition. When in doubt ... don't. Find another way.

Partnering with multinational enterprises (MNCs) who have won an IFI contract or have other

commercial interests in your market poses different kinds of challenges. First, you need to be clear about what strengths you bring to the partnership. Here are some questions to ask yourself:

*Are you part of the project team primarily because of your local connections?*

If the answer is “yes”, then you will want to be sure that you have control of the interactions with local authorities so that your own reputation does not suffer.

*Are you part of the project team primarily because of specialized expertise you possess?*

If the answer is “yes”, then you will want to be sure that you have leadership in the area of your own competency. And you will want to negotiate the ability to continue as a partner in other markets where your expertise would also be useful.

*Are you part of the project team simply because a local partner was required?*

If the answer is “yes”, then you are in a potentially awkward position. The MNC may or may not intend to have your firm do substantive work. This is an opportunity to demonstrate what you have to offer so that you can build a relationship that continues into other projects.

Once you have made your selection, both parties need to agree on matters such as liability, quality standards, a work plan and time frame, intellectual property, and (perhaps most critical) what happens about follow-on contracts if the first one goes well. Whether or not it is required, you will find it to your advantage to have a written memorandum of understanding (MOU) with regard to your role in the project (see Box 1). Remember that any negotiations regarding an MOU are part of building a good working relationship. You will not want that process to be adversarial because it will set the stage for the whole tenor of the working relationship. Treat negotiations of MOUs as steps in building a strong working relationship.

### **Box 1: Issues to Address in a Memorandum of Understanding (MOU)**

Issues that you will need to discuss and include in a memorandum of understanding (MOU):

- a) Scope of work and deliverables
- b) Time frame and milestones
- c) Contract amount and payment terms
- d) Conditions of working together:
  - No assignment of work to other parties without agreement
  - Treatment of proprietary methodologies
  - Ownership of jointly-developed intellectual property
  - Confidentiality constraints
  - Timeliness and quality of work
  - Management of the relationship with the client
  - Termination provisions
- e) Warranties by each party:
  - possess skills and resources necessary
  - compliance with labour and tax laws
  - insurance coverage
  - no conflict of interest

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| <ul style="list-style-type: none"><li>f) Conditions governing follow-on work with the client</li><li>g) Applicable law governing any disagreement and method of resolving disagreements</li></ul> |
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Once you and your potential partner have reached a common understanding as reflected in the MOU, then others (like lawyers) can do the fine-tuning.

Strategic alliances are like any other relationship. They thrive if given proper attention and become counterproductive if neglected. Successful alliances are ones where both partners value the alliance and believe that they derive benefits they would not achieve on their own. Setting specific and frequent milestones for evaluating progress can help make sure that the project stays on track and that the partnership works well. The valuing of the alliance needs to be reflected concretely in the allocation of resources to manage communication between the partners, with access to senior decision makers should there be any problems.