

Don't go it alone

How companies benefit from forming strategic alliances

Forming a strategic alliance with a few well-chosen vendors means having someone in your corner when you need it the most.

“When you plan to have multiple transactions with a company, signing a contract is a good place to start, but to really benefit from an association with that company, you should consider forming a strategic alliance,” says June Stein, president of Principal Technical Services. “When you sign a contract, you make an agreement; but when you form a strategic alliance, you build a relationship.”

Smart Business spoke with Stein about the benefits of forming strategic alliances and what to look for in a strategic alliance partner.

What's the difference between a contract and a strategic alliance?

A contract or Master Service Agreement (MSA) is just a piece of paper that outlines terms and conditions under which a vendor sells something to a customer. A strategic alliance is so much more than that. It's a living, breathing relationship that evolves over time as companies in the alliance work together for mutual benefit. A strategic alliance partner isn't just interested in selling you something; a true ally is interested in understanding your business and helping you to achieve your business goals.

Not all business connections need to be strategic alliances. If you need a new copier, you simply call your vendor and order a copier at an agreed-upon price. But when you're shopping for professional services, it's not as simple as looking up a model number and placing an order. You're in the market for people with specific qualifications who will be essential to the smooth operation of your company. A strategic alliance partner has a vested interest in your success and will make it a priority to pro-



June Stein
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vide exactly the type of personnel you need.

What are the key elements of a strategic alliance?

A truly beneficial strategic alliance requires communication and trust. You need to be willing to disclose specific information about your company to your strategic alliance partner, and to do that you need to be able to trust that the information you disclose will not be shared with your competitors.

You should invite your strategic alliance partners to your shareholder meetings and holiday parties. You should schedule regular meetings with upper management. The more information you communicate to them, the better they'll be able to anticipate your needs and provide the right services in a timely fashion.

What should companies look for in a strategic alliance partner?

I'll tell you what not to look for — the

lowest price. I'm not saying that price isn't important, but the lowest bidder isn't necessarily going to get you the best products and services.

What you do want to look for are qualifications such as years of experience in your business niche, number of clients in your business niche and favorable recommendations from those clients. You want a partner who's a real player in the industry — one with a history of providing a large volume of exactly the type of services you're looking for.

When choosing a strategic alliance partner, you also need to consider qualifications that aren't so easy to measure. Strong ethics are a must, since your partner will be entrusted with sensitive information. Also, think about the personnel you'll be dealing with at the vendor. Will you talk to the same person all the time, or will your needs be handled by several individuals, each with only a partial understanding of your situation? Continuity is key.

What are the advantages of forming a strategic alliance?

The advantage of having a partner that can understand and even anticipate your needs is huge. Some strategic alliance partners may even be able to help you better define your needs. They often work in your industry on a broader scale and have useful (nonproprietary) information to share. You also need to remember that a strategic alliance is a relationship — not just between companies but between people working for those companies. Someone you have a relationship with is more likely to work hard on your behalf and put your needs on the top of his to-do list.

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