

Forming And Using Strategic Alliances: Multiply Thyself, Build Relationships

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*"Finding the proper variable for the right job."
"You are the constant, the Alliance is the variable."*

Consider the following scenario:

Your office phone rings and a client requests from you a service that you do not offer. How should you reply? Should you...

- Say, "We don't do that," and hang up?
- Say, "I have a colleague with whom I work who is an expert on that issue,"?

Clearly, the latter is the better response.

What are "Strategic Alliances?"

A "Strategic Alliance" is an ad hoc pact between your consulting organization and another for the purpose of expanding your firm's capabilities. This permits you to offer more services and to become more receptive to your clients' needs.

You should keep a file on your fellow consultants so as to understand in what areas of they specialize. An operational oriented consultant can, for example, partner with a Human Resources expert or an Organization Developmental consultant.

By so doing, you can tap into others' expertise. This permits you to never having to say, "No, we don't do that."

How are Strategic Alliances Used?

Strategic alliances are formed for the express purpose of solving a client's immediate problems where those problems are outside of your normal core business. The principal of the primary consulting firm becomes the "Project Manager," and oversees the assignment. Typically, he/she takes part in all project level meetings between the clients and the alliance's consultant. The primary firm maintains and is responsible for quality assurance, adherence to schedule and budget.

The primary maintains personal control, handles all administrative details, including billing as

well as working with the alliance consultant in the preparation of on-going and final reports. Generally, the client will contact the primary should there be concerns with the alliance consultant.

Knowing Your Colleagues' Capabilities:

Each of us needs to have access to a greater rather than a lesser number of consultants. One way of doing this is through the various professional consulting organizations. Learning what and how your associates handle their core business will permit you to "expand your Rolodex™." Take advantage of opportunities to network with other consultants, particularly those whose core businesses are different than yours.

Don't be afraid to establish strategic alliance guidelines. You never know when an opportunity to work together might come. It could come on that next phone call. It may be too late to try to create an alliance, while the client is "on the line." This is certainly one area where we all must become "proactive." Reach out to the "Community of Consultants" and make arrangements early, at least informal arrangements.

Creating Mutually Satisfactory Arrangements:

It's relatively easy to set up the strategic alliance format, but there are specific questions that need to be answered in advance. These include, but are not limited to the following:

- Will the assignment be billed hourly or as a total project?
- What percentage of the total will be administrative costs?
- Will the colleague's out-of-pocket expense be covered, and by whom?
- How many hours should be alliance consultant be expected to work at the client's site?

There are quite likely to be issues revolving around the compensation of the alliance consultant. Normally, the alliance consultant will receive his/her compensation after the client has been billed and responded with a payment. As soon as payment is received by the primary, a check is issued to the alliance consultant. The primary consulting firm will issue a 1099 at year's end.

Fee Splitting:

When the assignment is totally out of the primary consultant's experience, then there ought to be a fee splitting arrangement. It make good sense that the alliance consultant be given the larger percentage for having done the work. The primary, in that case, acts as a "finder" and receives a fee for that service plus compensation for all administrative work. The split might very well be thirty percent to the primary and seventy percent to the alliance consultant. If both perform equal work then the split might be half/half plus administrative fees. In every case, however, both parties must be satisfied prior to the signing of any contracts. These

arrangements must permit a “win-win” situation for all parties, including the client.

Arrangements between the consultants can often be accomplished through the use of “Memoranda of Understanding,” rather than formal contracts. The Memos of Understanding are, in fact, informal contractual agreements that require signatures and have the weight of contracts, but are far less formal. The Memos state what each consulting party brings to that particular assignment’s “table” and how the fees will be set and split.

It’s always a good idea to share among the consultants as much information is known about the assignment, about the client and about the client’s expectations.

Benefits of Strategic Alliances:

Strategic ad hoc alliances are easily formed. As such, they allow individual consultants to “multiply” themselves by greatly expanded their “bag of tricks.” The consultants becomes seen as more of a generalist rather than a “one note” specialist. It permits more “niche” marketing opportunities by accepting assignments and, thereby, earning fees that otherwise would go to others. It allows the consultant to profit from the business that otherwise would be lost.

Strategic alliances are often quickly formed, sometimes in a matter of hours. We had one that was put together in thirty minutes, or so and were at the client’s office at nine o’clock the next morning. It was clearly a win-win situation for all concerned. The client never learned that my alliance colleague was not a full-time member of my consulting group.

The original or primary consultant remains in control of the engagement. This allows for the continuing relationship with the client and, often, opens the door for even more work. It also indicates to the client that the primary consultant can rise to the occasion. I have received referrals from those kinds of situations.

Additionally, these strategic alliances can help to salvage a rocky relationship with a client that never seems to be satisfied. You are in the position of offering a greater number of new services to the client. Of course, working through alliances allows for greater flexibility and, thus, greater exposure.

Finally, using strategic alliances will increase your compensation, allow for increased profitability and more services to offer your clients.

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