

# Strategic Alliance Continuum

## Targeting Small Business Success Acceleration

By Dr. Oscar W. King III and Steven J. Trecha

**M**ichigan's small businesses are challenged to find ways to sustain growth and build profitable revenues. An often overlooked business opportunity, and characterized as a big corporate tool, is the systematic, aggressive pursuit of strategic alliances. Small Business Strategic Alliances (SBSA) are co-operative agreements made between independent companies to achieve goals that are more difficult, take longer and/or cost more when one goes at it alone.

"Not a joint venture, merger or acquisition, this form of cooperation changes how one thinks about competing, delivering greater value for customers and profitable revenues," says Steve Trecha, Chief Results Officer of Integrated Strategies.

Small businesses routinely overlook the potentials of SBSAs, often due to the inability to measure shared goals combined with the discomfort of risk mitigation and collaboration and the lack of confidence in the alliance's ability to deliver.

"SBSAs should be an integral component of any small business' business strategy," states Oscar King, Kelley Cawthorne Detroit Regional Practice Leader. Trust between the firms in the alliance quickly surface as the greatest risk. "Our experience is the lack of trust is based on decades of past broken promises by alliance members or their customers." This makes it tougher to form the alliance. "Yet," notes King, "just because I don't trust you, does not mean I can't establish an alliance or do business with you. It simply means we need to define the level of our alliance."

Small businesses shouldn't pass on this opportunity. Too many big players in major industries have entered new markets, created new products and/or improved their supply chain performance by effectively deploying alliances. "Look in our backyard. Giants in the auto industry are using alliance tools to re-invent their value propositions and the Michigan economy," says King.



Small business owners live the challenges of creating new markets and expanding their customer base. They're often singularly product/service-focused, deal with the demands of daily operations and have limited dollars and/or energy for organic growth. These firms deliver excellent customer service and value, often at very high uncompensated costs.

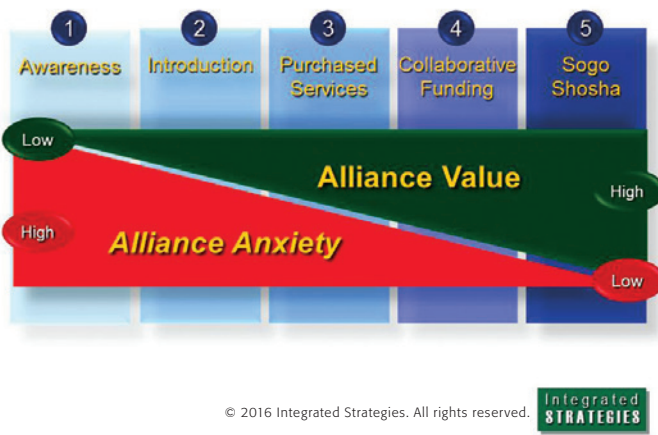
They could be doing more and simply need a tool that can quickly identify and engage new customers and markets. "When the only tool in your tool box is a hammer, everything looks like a nail," says Carolyn Creagor, a former utility executive and Diversity Advisor. Effective development and deployment of SBSA's are other tools.

The ultimate objective of the SBSA is the acceleration of client value creation and profitable revenues for the alliance members. Early alliance discussions can stumble and never come to fruition. Why? Typically it's due to the protracted time, cost and frustrations of finalizing and formalizing the alliance working relationship. This is alliance anxiety.

"Instead of a focused discussion on how the alliance firms are going to increase customer value, they start talking a foreign language, dwelling on minute details that have no practical application," says Robert Morgan, president of RKM Consulting, a technology-based relationship development firm. A more useful, proven approach is to reach agreement on the alliance objectives, expectations and reporting metrics (including customer satisfaction) and then enter into a simple non-disclosure.

Use a pilot approach. Select a limited number of projects. It is an innovation style that accelerates alliance and customer success. "Battle of the forms, half-truths and capitulation are a metastasizing cancer we cut out. These don't create client value, Instead they detract from the body as a whole and exasperate the residual, historical mistrust that is the most prevalent unstated obstacle," argues King.

## Small Business Strategic Alliance Levels "Tools of Success"



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Not all SBSAs are created equal. Objectives, trust, risks and other factors vary. Five SBSA levels are offered. Ultimately all create greater value for your customers.

- **Level One – Awareness:** It's the least committed level of alliance. Fundamentally it's answering a customer request, creating your client's awareness of other companies that could help them. For example, your firm may be asked to recommend a business that could help them establish their social media presence. You offer three qualified companies. No remuneration is expected. It's simply a goodwill gesture attempting to better service your client base.
- **Level Two – Introduction:** This is a referred reference with a pre-alliance agreement with attached fees. This is not uncommon. An example would be a brokerage firm recommending another financial service provider. The fundamental objective once again is to address a specific client need, yet take the first step toward expectations of alliance revenue generation. The risks are minimal as well as the rewards.
- **Level Three – Purchase Services:** Level Three contracts resources or relies on the SBSA as a component of the overall customer service. For example, a manufacturer may directly contract with a specialized carrier to meet their unique transportation requirements. "These require a shared understanding of how work will be performed. In effect you're teaming to perform. You must be seamless," says Karen Vardy, RKM's Chief Project Manager.
- **Level Four – Collaborative Funding:** Shared funding by the alliance members for specific purposes that create more value across the alliance. As an example, in 2015 five small

businesses in Ogemaw County determined that by working together they could attract more business by mutually promoting a casual, up-north destination versus each promoting their one-off businesses. They created The Cozy Corner of Ogemaw County™. The five companies – a country store, diner, golf course, campground and winery – now have a website, Pure-Michigan authorization, literature at the state's welcome centers and all mutually promote. As a result, Warblers Cove Family Campground increased camper numbers by over 250 and more commerce came to Ogemaw County.

- **Level Five – Sogo Shosha:** The deepest SBSA level asks, "Are you willing to look out for your alliance member(s) at the same level of intensity and wellness as you look out for your own organization?" Based on working on consulting engagements in Japan, Trecha adopted the fundamental thinking to the SBSA. The term sogo shosha refers to the highly diverse sets of Japanese trading firms that emerged after WWII. At that time hundreds of smaller companies were created when the country's mammoth trading companies were dissolved and international trade was suspended. The 1950's saw trade re-start with the smaller companies banding together to once again offer larger scale, diverse capabilities. They operated as one trading partner, i.e., sogo shosha. "It's a diverse approach, leveraging and delivering at a level that a single firm would struggle to do. Trust and performance are absolute," notes Trecha.

Organizations who embrace the SBSA tools and mentality can sustain and grow their business and better serve their customers. After all, servicing our customers is a key measure of success, and success is the only option! — **SBAM**



**Dr. Oscar W. King, III** is the Detroit Practice Leader for Kelley Cawthorne. Kelley Cawthorne is a full-service public policy and advocacy firm dedicated to advancing your business and institutional interests.

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