# Building Your Business Alliance on Rock, Not Sand

This is another column in a series about building a business alliance—as opposed to an incorporated business partnership.* In this segment, we will look at building an alliance on solid business principles, not just on friendship or infatuation.

It is too often the case that two business owners hit it off on a personal level, become fast friends, then say to each other, "Wouldn't it be great to be business partners together?" While it is important to have your business personalities work well together, there is typically little or no business substance to a friendship---and as the saying goes, "Never mix business with friendship." However, it IS a good idea to mix business with business----when the businesses are complimentary and critical to each other.

The key words here are "complimentary" and "critical." When these two meet and equal "accelerated profits" you've probably got a great match. Using my company as an example, I look for alliance partners who have long, more complicated sales cycles---where even good sales systems are not enough to complete high dollar transactions---and where there are complex relationship systems driving the sale. We become perfectly complimentary and critical because the accelerated revenues much more than cover what it costs for each of us to invest in the relationship. With some experimentation, we'll find out just how critical certain aspects of our businesses are to each other and we'll be able to fine tune our efforts to the 20% of our time and resources that create 80% of our revenues. That, my business colleagues, is VERY exciting!

How about creating business alliances with businesses that are the same? Now you are really talking about a business merger. You are combining two of the same/similar businesses to 1) expand, and 2) avoid the costs of duplicating overhead that could be streamlined to serve two businesses, not just one. Who is buying out whom? Here, you'll have all the challenges of an incorporated business partnership.

Business alliances can offer the kind of freedom to each owner to expand in another direction without obligating the alliance partner to share the expenses of such a move where it is not profitable for the other partner. This kind of flexibility---or rather, LACK of flexibility is a major point of contention for incorporated business partners who are not in agreement about where/how to make a next investment. Especially the more non-assertive incorporated partners become deeply resentful that a failed investment is now hitting THEIR pocketbook hard. Alliance partners have the freedom to detach financially from a risk that their partners are more than willing to take.

Business alliances can offer a fairness factor that incorporated partnerships often don't. Accountability can be better set up when each business "pays" for certain services, then receives payment based on fees divided so that each feels the revenues earned by each company are fair. This agreement can vary to include multiple rates and revenue streams depending on what kind of service or what outcome is used to assess a fair split of the profits for different services. (Incorporated partnerships would do well to do the same---since these inequities are very common to those kinds of failed partnerships.)

A business alliance can also be a good testing ground should you want to consider an incorporated partnership together. It's more like dating before you get married. See how you work together, whether you really need each other (or not), and how critical you are to accelerating each other's business. This can also be a terrific transition into the partnership integrating more and more of your systems together---again, only if 1) the business itself justifies it and 2) you keep fairness and flexibility agreements intact, and 3) you still commit to a multiple scenario buy-sell agreement.

Are there risks? You bet. There are risks in any kind of partnership. The risks are just different. For example, in an incorporated partnership, there is the risk of incompatibility & conflict ending up in an expensive legal divorce. On the other hand, in an alliance partnership there is the risk of your alliance partner walking off with your intellectual property or other proprietary business plans. Some of the risks are the same. Every kind of business partnership relies on the relationship driving profitability and when it can't or won't, it is very disruptive---even disastrous---to the companies involved It is just as important that your relationship be mature and solid as it is important that your partnership be grounded in solid business principles and justified by the business entity itself. Again, the relationship between partners is what resolves the big and little bumps down the road---no matter what kind of partnership it is.

It is very important to realize that in ANY kind of partnership, you'll want to know where you are going with the business and HOW you will exit the business. Just because you have a business alliance doesn't mean that you don't have the same moral or ethical obligations to your partner about how each of you eventually transitions out of the partnership.

Bottom Line: You'd be a fool NOT to explore and try out a business alliance which could dramatically (and mutually!) make your respective companies more profitable. However, just as care needs to be taken to build an incorporated partnership, so does care need to be taken to build a business alliance on solid business principles.
**H**appy **P**artnering!

*Please note that while your alliance may not need to be incorporated, your OWN business should be, so that you have some additional protection for your private assets. Please consult your attorney regarding these matters.

*Lori Keegan of Transition By Design, Inc., offers professional and personal strategies to individuals and organizations. Contact her for more information.*

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