

What to look for in a partner

Selecting an appropriate partner takes time and resources. Identify clearly and precisely the specific venture to be pursued and what is expected from your partner - and make this known to your prospects. Frank and open communication with your partner is important.

Don't be misled by superficial similarities between you and your potential partner. Take a look at the prospect's balance sheet, financial stability, plans for growth and profit orientation. And if the partner is an unknown, start small and build from there.

Capability

1. What are the competitive strengths and weaknesses of your partner? It may be wise to develop a pre-incorporation agreement identifying the various strengths each of you can bring to the table and what each firm will contribute to the alliance.

2. Do your technical skills and resources complement each other?

3. Does your partner have sufficient financial resources? This issue is especially important if the alliance depends on the partner's financial contribution.

4. Does your partner have management resources of sufficient quality and depth to coordinate with you and to administer its share of the alliance?

5. Is there sufficient symmetry between your two firms to form the basis for complementarity? Large firms have a tendency to impose their management culture and corporate demands on smaller companies.

6. Do you have sufficient bargaining leverage to reduce the risk of your partner demanding far more than it gives to the venture?

Objectives

1. What are your partner's real motivations?

2. a. How critical is the proposed alliance to your partner's long-term business strategy?

- b. Does your partner need the venture in order to meet its own tactical and strategic objectives?

- c. What resources is your partner willing to commit to the alliance?

- d. Is there a champion inside the other firm who will strive to ensure the success of the alliance?

3. Are the time horizons you want acceptable to the other side?

4. Are the expected returns clearly understood?

5. Is your potential partner in direct competition with you? If so, in which markets?
