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# MPO

## MEDICAL PRODUCT OUTSOURCING

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## Strategic Alliances: Simple Method for Creating Growth Without Increasing Resources

In today's challenging economy, many medical device manufacturers and suppliers are looking for additional paths to business growth. One of the more effective methods, while conserving marketing and development funds, is to consider forming strategic alliances. Not to be confused with mergers or acquisitions, a strategic alliance simply aligns two or more companies' complementary strengths in order to add value to their partners' respective businesses.

Your company needn't be a Fortune 500 firm in order to create a strategic alliance. Because an alliance has only a few fundamental business precepts at its core, the concept is adaptable for startups and established companies alike. In fact, many medical device companies—small and large—already have the foundation for these business partnerships established in their supply chains and perhaps even with their competition.

Before embarking on any strategic alliance, it is vital to develop the criteria necessary to determine the right alliance partner. A strong alliance should serve each of the participating companies and reflect the values and goals set out by the partners. Where do you begin?

There are many avenues, but here are some simple tips that will help you begin the process:

**1. Clearly define and develop your value proposition.** Declare what your company does really well. Determine what separates your business from others and find true benefits you can hang your hat on to position yourself in your market.

**2. Analyze your supplier base.** Create a hierarchy with the most important suppliers at the top. After you've completed your assessment, determine which suppliers your company turns to for parts or services, such as sub-components or assembly.

Meet with these supplier partners and consider opportunities to expand or strengthen your relationships.

**3. Create a list of alliance targets.** Track their business to better understand how your product or service would fit with their goals.

**4. Provide your alliance partner with key benefits.** Be prepared to share the key benefits your company offers an alliance partner and how your alliance can create a path for joint growth.

**5. Use your suppliers as a resource for potential alliance partners.** Your suppliers may have relationships with companies offering complementary services to yours, or there may be companies in need of a more reliable source for services you can provide.

**6. Talk to your customers.** Don't be afraid to ask your existing customer base who their current suppliers are and if they are happy with their relationships. Probe to find out if they currently are providing products or services that may benefit from yours. As an example, if your customer is purchasing a subassembly, they may be outsourcing the other processes and can save time and money by having your business do it all.

**7. Approach your customer about aligning to deliver a richer solution.** A good example may be a design company that doesn't offer manufacturing or prototyping or vice versa, or an OEM supplier that provides an implantable device, but doesn't offer the surgical instrument used to implant the device. Develop solutions that create the proverbial equation 1+1=3. *(For more information, see the Outsourcing Efficiencies column in the September issue of Medical Product Outsourcing.)*

## Forming a strategic alliance does not mean your company lacks something. It means you are creating richer, deeper solutions for your customers.

**8. Attend trade shows and conferences.** Seek out companies whose business is comparable to yours. Look to establish friendly relationships with companies working in similar niches.

**9. Use the Web, social networking and business contacts to expand your targets.** The beauty of social networking is that it is fast and cost-effective. Tools such as Linked In, Facebook, and eZassi, among others, are extremely effective in helping attract, communicate and promote potential alliance partnerships. Providing links to and from your partners' sites also help to strengthen your relationship and broaden your reach.

**10. Cultivate and nurture your alliances. Hold joint conferences.** Bring your partner to in-house meetings, and showcase your alliances in your marketing materials and on your company's website.

### Productive Partnerships

For example, as part of a strategic alliance initiative, Pro-Dex approaches design and development companies such as ROBRADY, an industrial design firm based in Sarasota, Fla. By aligning with a company such as ROBRADY, the company acts as a manufacturing partner to deliver a complete solution to the design firm's clients. Whether handling venture capital-funded projects or managing projects for established device OEMs, design-focused companies face challenges when they pass the design on to manufacturing. By closely aligning with a manufacturer, the design firm ensures the integrity of its original design and guarantees the highest quality and reliability to its customers. According to Rob Brady, CEO and design director of ROBRADY, many companies naturally follow the tips above in the normal course of business. However, they don't practice the

follow-through that will have a greater impact on their return on investment.

A form of business networking, at its core a strategic alliance is about relating to people. With startups, a strategic alliance is, "the way you get noticed and into the market you desire at an economical level," Brady said. For established companies, the goals of building market share and conserving budget are the same; it allows you to do more with less.

A few years ago, Pro-Dex formed a strategic alliance exemplifying the approach enumerated above. The company was supplying an arthroscopic shaver system to a strategic OEM customer. Due to changes in European regulations, the manufacturer informed the company that the device needed to be engineered to withstand higher pH balances when exposed to autoclaving in a dishwasher. The change meant that the current coating for the surgical device needed to withstand this new, harsher environment which the current coating could not survive.

Pro-Dex found a new coating partner and jointly developed a special, stronger coating. The proprietary solution enables the surgical device to withstand the higher pH balance process required. This example helps to illustrate the suggested tips in forming a successful alliance: Research suppliers, understand what customers need, and then "source" a partner that can help you meet those requirements. Other examples abound of both small and big companies using these approaches to launch successful strategic alliances.

Working with competitors also can lead to successful alliances, as long as the partners clearly define the level of cooperation. Sematech in Austin, Texas, is a prime example of this type of "precompetitive" alliance. Sematech was launched in 1987 by the U.S. government and 14 U.S.-based semiconductor manufacturers as a consortium for

solving common manufacturing problems in an industry with astronomical production costs and daunting technological challenges.

The consortium exemplifies the virtues of competitive cooperation. At the end of the day, it often is possible to get a far greater return by cooperating than by competing. Competition can cause your company to shift its focus away from growing your business to detracting from another company's business.

Is there an element of good faith involved in forming a strategic alliance? Absolutely. You must have a level of comfort with your alliance partner that the business objective and the integrity of the company you're partnering with mirrors yours.

At its heart, creating a strategic alliance is a matter of reaching beyond your company's capabilities and looking to see how you can help other firms and, while in the process, helping grow your business. If you somehow get involved with a company that is conducting itself in ways that feel unethical, you have chosen the wrong partner and must end the relationship.

Given the economic headwinds, strategic alliances make even more sense because most companies must to do more with less. By aligning with a supplier or even a competitor, your company can pool its resources and stretch its budget for greater impact. The partnership could apply to advertising and promoting your joint solution, sharing trade show costs, buying subcomponents or contracting for metal finishing in bulk. You must decide.

In the end it's important to remember that forming a strategic alliance does not mean your company lacks something. It means you are creating richer, deeper solutions for your customers. ♦

*Tricia Rodewald is the director of marketing and strategic alliances for Pro-Dex, Inc. in Irvine, Calif.*



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