Collaborative Networks ■ Alliance Management ■ Collaborative Ability

Think Differently:
A Mindset for the Biopharmaceutical Alliance Manager in the Era of Connected Ecosystems

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Volume 1 in the White Paper Series – Think Differently

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Preface

Alliance management is well established in the biopharmaceutical industry, especially for asset-based alliances. Most large companies have at least one alliance management group, comprised of people responsible for "managing alliances." In smaller companies, the business development, project or product manager often picks up the mantle. Today, collaboration agreements frequently require each party to have a named individual as the "alliance manager."

In practice what that person does and what he or she is accountable for is often a function of his or her workload. When one has a dozen partners to look after, the work is very different than when one is embedded in the teams, sometimes a member of the most senior governance committee, and responsible for the overall performance of the alliance. What is true in all cases is that the alliance professional is on the front lines of managing the risk and realizing the intended value of collaborating with another entity. Increasingly, companies' financial future, reputation, and market position are strongly influenced and dependent on their ability to partner effectively.

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This paper, first in a series to challenge the profession to "think differently," describes a mindset – a way of thinking about the role of the alliance manager that transcends differences in organization size, scope of accountability, work load and partnering maturity of the organization. For those new at alliance management – and executives who need to understand what it is all about – it provides an introduction to the discipline. For experienced alliance professionals, it provides a way of shaping and framing their core value to their company and partners as biopharmaceutical companies increasingly partner "beyond the pill."

Make no mistake about it: in this era of connected ecosystems, everyone needs some alliance and partnering skills. But not everyone is tasked with managing the incremental risks of partnering and realizing the intended return on investment. For those who have that role and experience, the opportunities are exploding as partnering expands across the enterprise to encompass new purposes for collaborating between and among entities, new value to be realized, and new risks to be managed.

The era of connected ecosystems is built on partnering. Biopharmaceutical alliance professionals must develop the muscle to lead their companies to success. Doing so requires thinking bigger, thinking differently.

The Burgeoning Ecosystem of Biopharmaceutical Partnering

Partnering is the lifeblood of the biopharmaceutical industry. It is integral to all aspects of the business, from research to commercialization. It takes many forms and has many purposes, but all partnering activities seek to accomplish something the partners could not do on their own, or believe they will accomplish faster and more economically with one or more partners.

It is estimated that by 2017, 65% of the global revenue for the top 10 pharmaceutical companies will be from externally derived assets. As much as 60% of biotech financing now comes from strategic partnering.[1] Partnering is a way to access innovation and expertise. Many pharmaceutical companies have decided that collaborating – with academia, biotech, other pharma companies, foundations; incubators and accelerators (two types of organizations designed to foster early stage companies and technologies) – is both more efficient and effective than their in-house research efforts or else is highly complementary, creating multiple channels for innovation. Consortia are proliferating, often with government support or initiated by government to discover new therapies. Perhaps the most well-known is the European Union-sponsored Innovative Medicines Initiative (IMI), which has more than 40 members and over €2 billion of in-kind and direct investment. Its intent is to speed up the development of better and safer drugs for patients.[2] A recent study found that drugs sourced through open innovation are three times more likely to succeed from Phase 1 to filing.[3]

Additionally, there is an increasing focus on outcomes as a key driver of pricing, reimbursement, and formulary inclusion decisions, as well as newly empowered patients expecting more involvement in decisions related to maintaining their health and treating disease. These two trends are merging with the increasing use of patient-centric information technology and other digital healthcare solutions, creating the need for an ecosystem approach to partnering (See Figure 1 – Healthcare Ecosystem)[4]. As a result, biopharmaceutical companies are partnering with information technology companies, such as IBM, Google, and Apple, to fuel this hunger for data on the part of patients and payers. They are partnering with community groups, patient advocacy organizations and social welfare organizations to drive better outcomes through more consistent patient adherence to medications. They are teaming with healthcare providers to produce outcomes research, and with device manufacturers as a component of lifecycle management for mature drugs.

Some Recent Headlines:

Sanofi to Collaborate with Google Life Sciences to Improve Diabetes Health Outcomes

Astellas Pharma and Daiichi Sankyo Form Compound Library Sharing Partnership

Johnson & Johnson Innovation Announces 17 Collaborations with Focus on Advancing Global Healthcare through Transformational Science and Technologies

[1] Defined Health, 2014 and Burrill and Company, 2015
[2] http://www.imi.europa.eu
[3] Deloitte Consulting, LLP, 2015
[4] The New Age of Ecosystems: Redefining partnering in an ecosystem environment, IBM Corporation, 2015

Partnering is conceptually quite simple – two or more companies voluntarily come together to do something that will benefit both the partners and patients. The reality is that it is operationally quite challenging to be successful because these relationships have to exist within the strategies, structures, processes, and cultures of the partners. And therein lies the challenge, the complexity, and the risk.

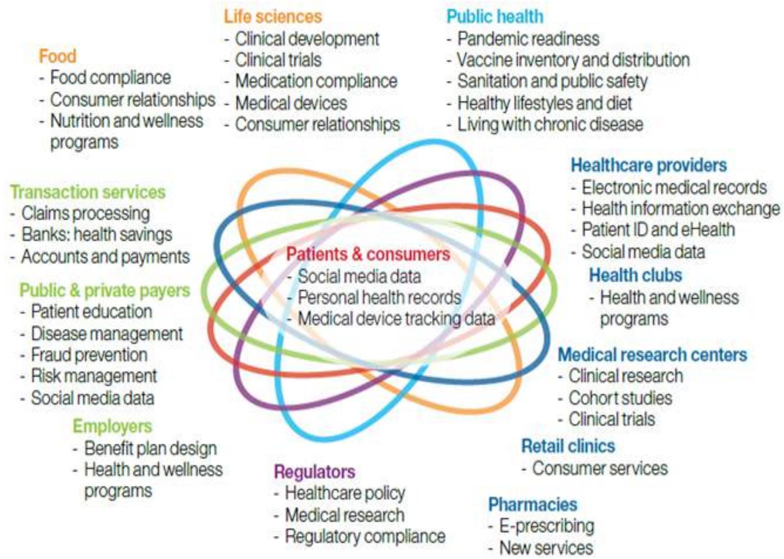

Figure 1 – Healthcare Ecosystem

Biopharmaceutical companies are finding that their needs are better served when they take certain relationships that were once very transactional and make them more collaborative, with more of a partnering aspect to them. For example, the vast knowledge and experience of clinical research organizations (CROs) can be most easily accessible when the CRO is a partner, involved in decision making and planning as opposed to simply being told what to do and executing on it. As a result, biopharma companies and CROs are entering into sole source relationships, where the CRO is responsible for a specified range of activities and has the authority to do so in accordance with its professional judgement – of course within appropriate compliance guidelines and with a formal governance structure.

Biopharma companies are also rethinking their relationships with distribution partners in geographies where they do not have a sales presence. In many instances it can be beneficial to have access to the distribution partner's network of key opinion leaders (KOLs), to access its local expertise when developing pricing strategy, or when designing and conducting outcomes-based research. It is typically a requirement to work collaboratively with them on safety monitoring, requiring pharmacovigilance staff to develop their partnering skills. Regular business reviews with the partner are being established, along with having a single point of contact within both companies, responsible for ensuring the relationship is successful – for both partners.

In every way imaginable partnering is the beating heart of an industry that continues to bring life-saving and enhancing innovation to people around the globe. However, while conceptually quite simple – two or more companies voluntarily come together to do something that will benefit both the partners and patients – it is operationally quite challenging to be successful because these partnering relationships have to exist within the strategies, structures, processes, and cultures of the partners. And therein lie the challenge, the complexity, and the risk. The simple fact that the partners are different, with different drivers and leaders and personalities, can make it hard to find agreement and alignment on WHAT and HOW they work together. The value is unlocked by leveraging the differences.

That is the purpose of biopharmaceutical alliance management: To manage the complexity and risk, leveraging the differences so that the value sought when the deal was done, and possibly more, can be fully developed and realized.

In a traditional asset-based deal, there is an exchange of value based on the assumed net present value of the deal that will be realized over the term of the alliance. As the ecosystem develops and partnering has a broader range of value propositions, the core purpose of alliance management won't change – but the profession will need to become more skilled at recognizing, realizing, measuring, and communicating more diverse and less tangible sources of value.

The key differentiator among partnering relationships is not the label put on them, but the *degree of collaboration* required to realize the strategic intent of the relationships.

What is a Partner? What is an Alliance?

There are as many different definitions of "partner" and "alliance" as there are companies involved in them. Relationship labels that used to have clear meaning no longer do. When one organization partners with another, all involved have to agree on the intent and general structure of the relationship. They don't think about fitting into a box defined by a specific label. Thus, while there are good practices to follow in establishing a partnering relationship with a certain intent, and a degree of standardization is desirable, no two are exactly alike. The exception to this within biopharmaceuticals is in large consortia or other multi-party programs where the organizer, also known as an orchestrator, network leader, or choreographer, establishes standards and a uniform contract. If a company wants to participate in the initiative, it must conform to the standard.

Like the label "partner," "alliance" and "strategic alliance" mean different things to different people. In this paper, we use the following definitions:

- **Partner**: As a noun – the other party or parties in a collaborative endeavour. As a verb – the act of agreeing to work together toward a shared objective.
- **Alliance, strategic alliance, partnership, or collaborative relationship**: The collective relationship among the partners in pursuit of a shared objective.
- **Collaboration**: The behavior required to realize the intent of an alliance, partnership, or collaborative relationship

Thus, the key differentiator among partnering relationships is not the label put on it, but the ***degree of collaboration*** required to realize the strategic intent, purpose, or objective of the relationship. To put it another way, how much coordination of activity, exchange of information, and leverage of each other's financial, technical, human, intellectual, social, and political resources are required for the parties to accomplish their objectives – to get the value that is the reason for partnering?

The more collaboration that is required, the more hands-on management of the relationship is required; the more important it is for the partners to align and to create a single team – to think of themselves as an entity. It has often been said that the benefit of collaboration is to enable a situation where 1+1 = 3. The truth of the matter is that collaboration can be so challenging, requiring additional time and effort, that to make it worthwhile, 1+1 should metaphorically equal at least 10. The return must be substantial, otherwise it probably isn't worth the effort and the resources put into the collaboration are better deployed elsewhere. But in order to get a 10X return, 1+1 must equal 1 – meaning the partners must act as if they are one. [5]

Characteristics of an Alliance or Other Collaborative Relationship

If there is a continuum of collaboration on which different relationships sit, then it necessarily follows that there are other characteristics of the relationship that will vary with intent. It is easiest to look at relationships that are on the high end of the collaboration continuum and then adjust as required when there is a reduced need for collaboration. Some or all of the following characteristics would be present when an alliance needs to be highly collaborative:

- The shared intent of the relationship is important to each partner's strategy
- Consensus decision making is required or desirable
- Each partner bears risk – and commits resources commensurate with risk and potential reward
- There is a joint work plan and conscious decisions are made about which partner does what work in pursuit of the objective
- There is a long-term written agreement between the partners
- A formal governance structure is designed and implemented
- The relationship is cross-functional, and may cross business units or therapeutic areas
- Money isn't the only currency of value
- The ultimate value can't be determined at the initiation of the relationship

While some companies reserve the term "strategic alliance" for their most important and biggest relationships, an alliance is strategic when its activities and the value they are intended to produce are key contributors to an organization's overall strategy.

[5] Benjamin Gomes-Casseres, *Remix Strategy: The Three Laws of Business Combinations,* Harvard Business School Press, 2015

Risks and Value in Alliances

At its core, alliance management in the biopharmaceutical industry is a risk mitigation strategy. It has developed as a management discipline specifically to protect the company's interests and assets while ensuring intended value is realized. However, alliance managers quickly realize that in order for their company to be successful in its alliances, its partners must also get what they want from the alliance. Thus, the alliance manager also has to think about what poses a risk to the partner and how the partner may respond to any proposal his or her company will make.

Alliance managers have responsibility to identify potential risks of the alliance *before they become a problem or erode value,* and to determine if these risks should be assumed and managed through normal alliance processes, most notably the governance process, or if they should be carefully monitored or proactively mitigated.

There are risks in any business or scientific endeavor. An alliance manager does not have responsibility for scientific or market failure that would still exist if the activity was carried out without a partner. He or she has responsibility to identify potential risks of the alliance ***before they become a problem or erode value,*** and to determine if these risks should be assumed and managed through normal alliance processes, most notably the governance process, or if they should be carefully monitored or proactively mitigated. (See Figure 2 – Risk Matrix)[6]

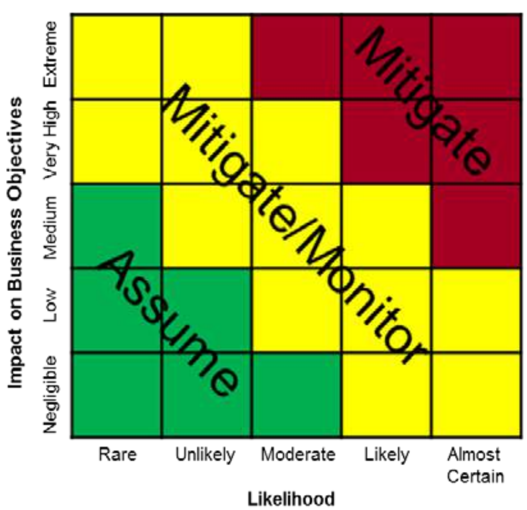

Figure 2 – Risk Matrix

Most risks will fall into the first category. A small number will be carefully monitored and an even smaller number will be proactively addressed. Regardless of the category of risk, the implication is that alliance managers must be actively involved in their alliances. They cannot wait for a risk to become a problem or for project teams to let them know that something is amiss. At that point, it is too late to be proactive and explore options. At that point, options to avoid value erosion or solve a problem collaboratively are already being cut off. Alliance management is not something that only happens when a problem has surfaced. A key

[6] Canadian Intellectual Property Office

deliverable of alliance management is to identify potential problems and prevent them from interfering with alliance progress.

The Cost of Time

Time is a finite resource. We all have the same amount of it. Efficient use of time creates speed which is a competitive advantage, especially in biopharmaceuticals where patent life can effectively limit the commercial potential of a drug. One major biopharmaceutical company calculated that a single day's delay in getting a product to market that has expected $2 billion peak annual sales can shave $1 million off the overall net present value (NPV) calculation upon which investment decisions are based. Too many delays can mean there is no longer business value in bringing a potentially life-saving therapy to market. Delays can also mean competitors grab market share, also destroying value. Acting proactively to limit distractions and decision stalemates preserves value. When time is used as the precious resource it is, there are certain observable conditions that occur within an alliance:

- Communication flows – people at all levels have access to complete information when they need it
- Decisions are timely and made in the best interests of the alliance
- Problems get resolved quickly and without disrupting ongoing work
- Resources are made available when needed
- Departments, functions, teams, and partners understand how each contributes to the bigger objectives – and work together seamlessly, without duplicating efforts
- Stakeholders understand the overall objectives and the role that each individual and partner plays in achieving it – and they are in agreement in how those objectives will be achieved

A key deliverable of alliance management is to identify problems and prevent them from interfering with alliance progress. One major biopharmaceutical company calculated that a single day's delay in getting a product to market that has expected $2 billion peak annual sales can shave $1 million off the overall net present value (NPV) calculation upon which investment decisions are based.

Another key deliverable of alliance management is to preserve time for productive activities by ensuring that appropriate plans, processes, and tools are in place to prevent little risks from becoming big risks and any risk from becoming a problem that prevents alliance teams from focusing on achieving the overall objectives of the alliance.

Alliance-Specific Risks

There are four types of alliance-specific risks: management risk, business risk, legal risk, and human risk. Management risks are those that come about when the alliance is not proactively managed to bridge differences, aligning the partners around their common objectives and how to achieve them. They include:

- Misalignment of strategy
- Misalignment on the implications of data
- Relationship and cultural issues

- Process and calendar challenges
- Lack of access to the same data

Management risks are easily addressed by adopting good alliance practices at all levels of an organization and having trained alliance managers proactively involved in alliance operations.

Business risks often arise when one party has had undue influence over the other during the deal making process. In such cases, the incentives and ultimate rewards of the alliance are not aligned with the resource commitment or strategic, financial, and reputation risks the partner is expected to absorb. Business risk also arises when the existence of a relationship with one company either negatively impacts another partner or prevents a company from engaging in other alliances.

Contracts can never anticipate all of the situations that may develop within an alliance, leaving details open for interpretation. It is therefore important for an alliance manager to have a close working relationship with the lawyer assigned to the alliance – preferably the lawyer who was involved in drafting the contract. While the alliance manager must be extremely knowledgeable about the contract, legal interpretation is up to the legal professionals.

Generally speaking, only asset-based alliances have any degree of exclusivity to them, unless a dear price is paid; however, it is important to think about the operational implications of any restrictions and diligences – what is prohibited and what is required – when assessing risk in any alliance. Restrictions often crop up in research alliances. A partner may have rights to a range of targets, making them unavailable to other partners. Restrictions also exist in terms of rights of first refusal on derivative products, or simply when one party has final say in a particular area, such as commercial decisions for a specific geography.

Diligences often raise their head when it comes to requirements for one party to prepare a sales forecast or submit binding purchase orders a certain number of months in advance; minimum sales force commitments in co-promotion; or staffing for a development project that has lost its executive sponsor. The parties may be required to put forth "best efforts," which may be challenging when there is a complex and large portfolio of programs among which existing resources must be allocated.

While many of these events occur within internal programs, an additional level of risk exists with partnered programs. If a negotiating team isn't aware of a restriction in another contract or resource requirements are not met, at a minimum there is a significant alliance issue to be resolved. Worst case, a judge or arbitrator will decide – by which time virtually all value will have been lost.

External events also pose risks – and in many instances cannot be planned for. Your partner may be acquired. Depending on the agreement, that could trigger termination of the alliance. At the very least, there will be new people on the alliance and a period of uncertainty that can slow down the business at hand. Other external risks come about from third parties, such as regulators or pricing authorities. While these are generally the responsibility of the relevant subject matter experts, the alliance manager is the formal communications channel with the partner and ensures that contractual requirements for notification and consultation are met. The alliance manager also functions as the orchestrator, convening the appropriate parties, bridging differences, and aligning internal stakeholders and the partners on a path forward.

There are plenty of legal risks inherent in alliances, too. The main ones are usually related to intellectual property concerns and contractual issues. For example, ownership of jointly developed property is always tricky, especially when the partners are from different countries with disparate legal structures and traditions. Sometimes ownership rights and how jointly discovered assets will be patented is clearly spelled out in the agreement; other times it may be less so, or not explicitly cover a specific situation that could not have been foreseen. Combination products and derivative products can also have murky intellectual property pathways. Keep in mind that unless both parties have the same interpretation of the agreement, there is a risk of a disagreement.

Intellectual property concerns also impact the publishing plan of an alliance. This can be especially true in early stage alliances with academia. Generally, academics are rewarded for publishing as soon and as much as possible, while biopharmaceutical companies want to ensure their rights are protected by filing patents prior to publication. Even if the contract has a publication policy included, it is good idea to have an explicit conversation with the project team to ensure everyone has a common understanding and any additional guidance is developed and agreed upon.

Contracts can never anticipate all of the situations that may develop within an alliance, leaving details open for interpretation. It is therefore important for an alliance manager to have a close working relationship with the lawyer assigned to the alliance – preferably the lawyer who was involved in drafting the contract. While the alliance manager must be extremely knowledgeable about the contract, legal interpretation is up to the legal professionals. A common risk of disagreement in alliances is different interpretations of the contract and, as a result, the partners can't agree how to move forward.

Human risks include not only errors and omissions or misinterpretations, but also people not properly engaging in collaborative behavior. That can mean they involve the partner when it isn't necessary or advisable, or don't involve the partner when required. Having clarity within the governance committees and project teams on responsibilities, accountabilities, and requirements to consult and inform can avoid much of this type of risk.

Risk strategies

It is human nature to want to avoid and ignore conflict and potential problems. Pretending they don't exist will only make them worse! It is good alliance practice for the alliance manager, together with key members of governance for the alliance, to identify key risks on an ongoing basis and to plan how to address them. As stated above, most risks will be assumed and managed through good alliance management practices – but it is helpful to recognize where there is the potential for disagreement. It is also important to remember that different people and companies view risk differently, thus an action that looks perfectly acceptable to one partner may seem risky to another.

The major components of ongoing risk management efforts include:

- Governance preparatory meetings, where plans for joint governance committee meetings are determined
- The governance structure and process, including measurement tools and reporting of both leading and lagging indicators
- The alliance manager's tracking and management of alliance decisions
- Proactive engagement of stakeholders by alliance management

Managing alliance risk may be the responsibility of the alliance professional, but he or she cannot do it alone.

Value in Alliances

Much of the alliance manager's efforts focus on realizing the value expected at the time of the deal by preventing risks from becoming problems and ensuring that the alliance operates efficiently and effectively – that the cost of time is well managed. He or she should also look for opportunities beyond risk management to ensure intended value is realized and, whenever possible, grow the value of the alliance. For example, the alliance manager works with finance to ensure that there is a proper implementation of financial terms. Are shared costs being calculated as per the agreement? Are royalties and net sales appropriately calculated? Value grows when ways to save costs and time are found; co-promoting sales forces are taught to collaborate and exceed forecasts through optimizing their joint efforts; or potentially, a good relationship leads to partnering for a new molecule.

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It is important to bear in mind that the value of an alliance is not just getting a product to market; other forms of value may be realized as well. Some of these include:

- **Capability** – Expertise that has broader benefits or that provides the company with expertise it does not wish to build internally
- **Capacity** – Augmentation of existing productive assets, such as increasing manufacturing output
- **Access** – Avenues to new customers or markets
- **Expansion opportunities** – Additional partnering opportunities that increase resource utilization
- **Product and service portfolio** – New therapies in an area that is of strategic priority; the ability to deliver value-added services to patients to help them maintain or recoup health; services that allow healthcare providers to deliver more holistic

care to their patients; and research and data that give payers unbiased information about cost/benefits
- **Reputation** – The company's credentials as a good partner and being seen as an innovator that can successfully navigate the healthcare ecosystem

The strategic intent of the alliance is what the parties intend to do together – the purpose of the alliance. Each partner likely desires something a bit different from the alliance, and the value that each partner brings may change over time. Alliance managers ensure that the explicit value intended by the alliance is realized and that any potential for incremental value is recognized and achieved. Again, keep in mind that value is derived by leveraging these differences. If each partner offered similar value to each other, there would be little reason for an alliance.

Managing Alliances to Realize Strategic Intent and the Value of Collaborating

Alliance management has many operational and tactical aspects to it, all of which are essential for success. Where professional alliance management most differentiates itself is in proactively managing risk and actively pursuing the strategic intent of an alliance by focusing on the value sought by collaborating externally. This is value that cannot be bought other than through an acquisition of the partner, and even then access isn't guaranteed. As just described, it is the value that grows capability; provides access to new markets and ways of working; adds capacity; provides new ways to deliver value to patients, providers, and payers, and enhances reputation, among many other things that may be challenging to define in financial terms but are essential for achieving objectives. If it can be bought for an acceptable price, then buy it. If not, collaboration is required.

Professional alliance management most differentiates itself by realizing the value that is the purpose of collaborating, through proactively managing risk and actively pursuing the strategic intent of an alliance.

Three Principles

To realize the value of collaborating and the strategic intent of alliances, there are three principles that alliance managers should follow:

Principle Number 1: Be the expert and seek to understand

Alliance managers must have in-depth knowledge of the healthcare ecosystem, the biopharmaceutical industry, their partner(s), and their company, including its networks. Managing an alliance requires understanding individuals' motivations, representing your company's interests to the partner and the partner's interests to your company. Understanding broader industry dynamics helps put each party's interests into perspective and develops creative solutions to problems. It is also important to understand the financial drivers of alliances and the contribution of alliances to the metrics senior executives monitor. These metrics primarily include costs and net present value (NPV) in R&D stages and revenue, gross profit, and market share in the commercial stage.

Principle Number 2: Be focused on bridging differences and driving alignment around the strategic objectives of an alliance

Alliance managers are the owners of the strategic objectives or intent of an alliance. No commercial or development leader has that mandate. Yet, the alliance manager generally has little formal authority and must rely on his or her ability to influence and help others who have narrower objectives understand how achieving the strategic intent of the alliance will contribute to realizing their individual objectives. People often fail to understand that the reason for entering into an alliance is broader than money alone and can lose sight of what the partner offers and the value the partner expects. The alliance manager should regularly define, redefine, and communicate the give and get of value. It is easy for people who lack the alliance manager's expansive view of the alliance to overlook value, especially when it is not immediately or currently impacting their work. Without alignment, both internally and with the partner, there is no forward motion and time and money vanish into the hands of competitors.

Principle Number 3: Be proactive in recognizing and managing risk, getting out ahead of potential fires

Alliance management developed because collaborating is risky. Alliances fail to achieve their objectives nearly half the time for reasons other than technical and scientific failure. There are management, business, legal, and human risks inherent in every alliance. Identifying, triaging, and taking actions on these risks before they erupt into fires is easier said than done, but is a sign of professional alliance management.

Alliance managers who embrace these three principles will find they have the respect of their management and their partners and will be focused on issues and activities that drive value in their alliances.

Alliance Management Foundation

Alliance management is a complex and sophisticated management discipline, requiring many executive-level skills. To help organize one's thinking about how to implement the three principles for managing alliances strategically, it can be useful to have a simple framework (See Figure 3 – Alliance Management Foundation). The framework encapsulates both company context and the core behaviors and processes required to effectively manage alliances.

Risk is managed and value created by implementing the four building blocks of the alliance management foundation within the context of a company's strategy, culture and ecosystem.

Figure 3 – Alliance Management Foundation

As can be seen from Figure 3, start with the purpose of alliance management – realizing value and managing risk. This is the frame through which all activities, processes, and measurements should be viewed.

Moving in to the next ring of the diagram is the realization that those objectives must be accomplished within the context of a company's culture, its present strategy, and the ecosystem of current and potential partners within which it operates. This frame transcends any thought of implementing so-called "best practices" and encourages alliance professionals to apply the three principles just discussed within their own context. Certainly, there are tried and true alliance practices. What is critical is that they be contextualized.

Culture is an important risk factor and source of value in alliances. Whenever two or more organizations come together to do something, there is always a clash of operating styles, structures, strategies, processes – and cultures. As the 20th century management guru Peter Drucker once said, "Culture eats strategy for breakfast," so it is a force than cannot be ignored. Most simply, culture is "how things are done around here." Thus a primary component of the first principle is understanding the partners' cultures, the ecosystems they operate within, and how that will impact the alliance.

The center of the diagram describes four building blocks of the alliance management function that are implemented in various ways throughout the lifecycle of an alliance:

Building Block Number 1: Purposeful Leadership

Alliance managers don't usually lead the business with the partner. That is the responsibility of business and functional executives, typically those with responsibility for a therapeutic area, research focus, or commercial activities. In the expanding healthcare ecosystem, alliance professionals will find themselves working with many new stakeholders both within and external to the company – and may find themselves with greater responsibility for the business. Alliance managers lead the collaborative engagement with the partner, which necessitates working with internal teams so that the teams understand the partner's interests and concerns and the implications that may have on their company's interests and concerns. It is also important to help teams realize the potential impact of both actions and non-actions, thinking through the contractual provisions as well as any potential ripple effect on other partners. This is especially true when more than one partner represents a product.

Leadership implies modeling appropriate behavior. It is essential for alliance managers to demonstrate their trustworthiness and willingness to engage collaboratively. They should work with the governance committee members so that they too model the proper behavior.

Additionally, purposeful leadership requires understanding how the industry is changing and the opportunities and challenges that could be presented for the alliance. It includes looking for ways to improve alliance effectiveness and enhance value. It doesn't accept the status quo.

Proactive leadership manages and mitigates risk and maximizes value through:

- Proactively utilizing expertise about the ecosystem, partners and company
- Exhibiting a collaborative mindset and trustworthy behavior
- Considering "what if"
- Guiding the alliance to become more productive and looking for new opportunities

Good Leadership Practices:

Ensure that the alliance always has a "North Star" to guide it and that it is regularly refreshed and communicated

Hold governance committee members accountable for demonstrating collaborative behavior

Facilitate regular top-to-top relationships

Regularly ask, "What's changing and what does it mean?" for your company and with the partner

Building Block Number 2: Collaborative Engagement

Alliance managers spend a significant amount of their time achieving alignment both internally and with the partner. It is not uncommon for alliance managers to spend 70% of their time working with internal stakeholders, often preparing the organization for key meetings with the partner. Team members and senior executives must be on board before alignment with the partner can be achieved.

In these efforts, alliance managers utilize their ability to influence others by helping them understand how they will benefit from the desired behavior. They manage communication protocols that facilitate the flow of information and discussion, mindful of confidentiality and legal requirements. They convene the appropriate parties to solve problems and close gaps in understanding and intention.

Influencing Others:

Understand what motivates others and what their true interests are

Remember that everyone wants to know, "What's in it for me?"

Be creative and inquisitive, always willing to hear a better idea and shape it

Peer pressure works

Engaging collaboratively requires multiple lenses that focus:

- Up to senior management
- Inward to alliance teams
- Outward to the partner

The alliance manager incorporates these multiple lenses in preparing the organization for key meetings and decisions and in leveraging the resources of each company to help achieve the objectives of the alliance.

Engaging collaboratively manages and mitigates risk and maximizes value through:

- Using all currencies[7] and sources of value to influence actions
- Communicating with common language and shared meaning across different cultures
- Bridging boundaries and differences
- Aligning internally and with the partner

Building Block Number 3: Agile Governance

Governance is the management system of an alliance. In today's ever changing environment, it must be nimble and agile to handle the risks, challenges and opportunities that arise unexpectedly. One of the alliance manager's primary responsibilities is to manage the governance process -- the primary formal means of engaging the partner -- in ways that reduce future risk and take advantage of opportunities to create, deliver, and capture intended value.

The governance committee structure provides a forum for plotting the specific actions the alliance teams will take to achieve the strategic intent

[7] See the next chapter, Engaging Collaboratively for a discussion of using currencies in collaboration.

of the alliance, in accordance with the guidelines of the contract. Governance guides decision making about resource commitments and courses of action, affirming plans developed by project teams or governance sub-committees and task forces. It also offers the formal process through which problems are solved, providing an escalation path when necessary, and guiding teams to develop collaborative resolutions.

Good Governance Practices:

Frame decisions: Agree on the parameters/components to be considered and any criteria that can be used for evaluation prior to engaging in presentation and debate

Frequent decisions: To the extent possible, agree on each component/parameter of big decisions, with a final check that the whole is at least equal to the sum of the parts

Set standards for governance committee members' performance and hold them accountable

Agility is enhanced by accountability. Part of the governance process is managing the contract to ensure that both parties live up to their commitments. The governance process also serves as a mechanism to ensure actions are completed and individual members of the governance committees serve with the interests of the alliance at the forefront.

Agile governance manages and mitigates risk and maximizes value through providing a forum and process for:

- **Strategizing and planning** – Plotting the specific actions to achieve the strategic intent of the alliance
- **Decision making** – The process through which resource commitments are made and courses of action agreed to
- **Problem solving** – Proactive approach to recognizing and resolving both differences between partners and external challenges to achieving the alliance's strategic intent
- **Accountability** – Mechanisms that enforce each partner's fulfilment of its commitments

Governance also must occur at the portfolio level and increasingly at the corporate level as companies develop multiple types of alliances. Future papers in this series will address this higher level of governance.

Building Block Number 4: Measurable Outcomes

A biopharmaceutical alliance generally has a long life, unless there is a scientific or market failure. Thus learning from experience and improving effectiveness and outcomes are essential parts of the management process (See Figure 4 – Assumption Validation Process). An individual alliance needs to be monitored with both outcome measures (Key Performance Indicators, or KPIs) as well as measures of its effectiveness that can be utilized as predictive leading indicators.

There are two other aspects of assessment that can be useful to ensure that a company's alliance program is producing desired value. The first is to assess the overall portfolio, or relevant subsets of it, to determine if in totality the company's alliances have the ability to deliver intended strategic value relative to the time and effort it takes to realize that value.[8] Additionally, it can be very useful to assess the impact of the alliance management function from the perspective of alliance team

[8] See *The Partner Portfolio Manager: Shining the Spotlight on Performance and Value,* Jan Twombly and Jeff Shuman, The Rhythm of Business, Inc., 2013

members. Do they see that alliance management makes a positive difference? Are there actions they should be taking but are not?

Good Measurement Practices:

Report leading and lagging indicators: Use a robust scorecard, issued in short intervals to hold both the team and leadership accountable; require commitment to specific action for any item off track

Ensure that there is buy-in to the metrics being tracked and that data sources are consistent and credible

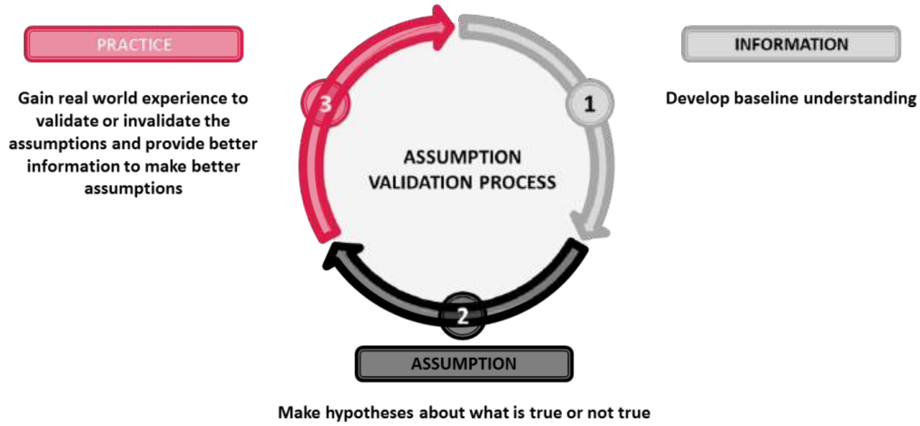

Figure 4 – Assumption Validation Process

Risk is managed and value maximized in part by tracking and reporting outcomes relative to objectives for:

- Effectiveness of alliance operations
- Alliance outcomes
- Ability of the portfolio to produce intended strategic value
- The impact of the alliance management function

Think of the alliance management foundation as the avenues through which the strategic principles presented in the previous section are implemented. Depending on the nature of the alliances one manages, certain components of the foundation may be emphasized over others. The next section addresses the key skills an alliance manager needs to engage collaboratively with his or her internal team and the partner.

Engaging Collaboratively

A clear sign that organizations consider a skill or ability valuable is when it begins to find its way into the competencies used to evaluate employee performance. Such is the case today with collaboration. However it isn't a single skill – it's a purposeful way of working intended to access and leverage valuable resources in pursuit of objectives. This is the real power of collaboration: combining the knowledge, expertise, relationships, and other resources of people and their organizations in ways that benefit and help achieve the objectives of all concerned.

Collaboration is often considered to be synonymous with cooperation or teamwork. But neither cooperation nor teamwork adequately describes collaboration. Cooperating is only one step beyond acquiescing and cooperation can be voluntary or it can be forced. Working on teams is likely a required aspect of every professional's job. True, collaboration does require working together with another party as teamwork implies. It also requires cooperation. But neither demands the resource leverage that is the advantage offered by collaborating. No one can be forced to give of their insights, make a recommendation, or use the passion of another to create new energy, direction, and value, all of which are integral to the true nature of collaboration.

The real power of collaboration is combining the knowledge, expertise, relationships, and other resources of people in ways that benefit and help achieve the objectives of all concerned

When practiced appropriately, collaboration is a way of working that involves coordinating specific activities and exchanging relevant information to leverage resources in the purposeful pursuit of objectives. It requires an environment of trust, transparency, and respect.

Collaboration makes it possible to access the resources, knowledge, and relationships that other people and organizations have and to use each party's resources for mutual benefit. It also raises the specter of counting on someone or an entity over which you have no control. Thus, it is a sophisticated ability that depends on agile use of skills and an iterative process of achieving desired outcomes. Collaboration is a means to an end, not an objective in and of itself.

Collaboration also is a continuum, not an on or off switch. We collaborate a little or a lot depending on the task at hand. The intensity of collaboration is defined by the degree to which activities are coordinated; information of appropriate relevance, quality, and timeliness is shared among the partners; and participants' resources are leveraged for the benefit of all parties. The intensity of the collaboration is dependent on the nature of the resource leverage sought. The more one seeks to gain, the greater the collaborative intensity needed. Any greater level of collaboration than required implies that resources are squandered. Any lesser level of collaboration than required leaves value on the table, or worse, may cause the endeavor to fail outright.

Collaboration is directly linked to trust, without which no collaboration will occur. Without trust, no one will give of their knowledge, expertise, and access to any other valuable resource. Like collaboration, trust also exists on a continuum. There needs to be enough trust to engage in the activity at hand, and the endeavor must be collaborative enough to achieve its objective.

Thus collaboration is a behavior that is practiced by individuals. Companies collaborate as the result of the collective behaviors of their people. In the first section of this paper it was stated that what determines the nature of an alliance is the degree of collaboration required to achieve its strategic purpose. In a collaborative relationship companies seek the strategic value, such as a molecule created through the scientific expertise of an academic, or biotech that can be developed into a product with the resources and clinical and commercial expertise of a mature pharmaceutical company. Or a company with a unique technology seeks opportunities to collect data to enhance its algorithms and advance its service offerings whilst its pharmaceutical company partner gains valuable outcomes information. This strategic value is only produced and the sources of that value made available through the collaboration of individuals.

Guidelines for Using Relationship Currencies

1. **A relationship currency has value only if you have it when needed**
2. **Used properly, relationship currencies can be used over and over again. In some instances, their value grows over time**
3. **The value of a relationship currency is determined by the recipient of that currency**
4. **You may have to offer more than one relationship currency to get what you need**
5. **You must be careful to not over-commit the currencies you are providing to others**

Skills of Collaboration

There are three key skills which, from the perspective of the alliance manager, form a backdrop for collaboratively engaging. Note that these skills are closely related to the principles for managing strategically and the alliance management foundation.

Skill Number One: Influencing and gaining value by practicing the give and get of relationship currencies

Alliance managers often have to influence others to engage in or refrain from certain activities or behaviors to promote collaboration and advance the interests of the alliance, over parochial interests. Often, alliance managers have no authority over the individuals. Relationship currencies both provide and facilitate the exchange of value. The receipt of something of value can influence an individual's behavior. This is a critical point. Only individuals can be influenced. Thus in order to influence an organization's view, negotiating position, or actions, individuals must be influenced.

The reason for any collaboration is the currencies—sources of value—that can be put to use in achieving both the overall intent of collaborating and ***each party's individual objectives***. In collaboration, one gets what one wants and influences outcomes by helping others achieve *their* desired outcomes. The fuel for this exchange of value is "relationship currencies;" the insight, access, knowledge, and physical resources of one party, which another can only tap into because a collaborative relationship exists. Relationship currencies, such as access to a thought leader or decision maker, knowledge of a company's lifecycle management strategy, or credibility through association, are only available within the context of a relationship built on trust, respect, and reciprocity.

People implicitly use relationship currencies all the time in their interactions with others. When their existence and use are made explicit and purposefully linked to strategic objectives, they become powerful instruments for creating value. This is especially true when one considers that the knowledge, connections, experiences, and skills of people are the primary drivers behind business success today. People control how they share these sources of value and only do so when they feel they'll be properly used in the conduct of good work.

People implicitly use relationship currencies all the time in their interactions with others. When their existence and use are made explicit and purposefully linked to strategic objectives, they become powerful instruments for creating value. This is especially true when one considers that the knowledge, connections, experiences, and skills of people are the primary drivers behind business success today.

It is a truism that one must give to get. A salesperson won't introduce a partner to one of his or her sources of information regarding potential customers in a joint territory, unless the salesperson has a relationship with that partner and is confident the introduction will be treated as valuable. The salesperson expects that the partner will reciprocate and offer something that will be of value to him or her at a future date. Collaboration occurs over time, with many interactions comprising the relationship. A single interaction may be 70% you gain and 30% the other party gains. The next interaction could be 20/80 in favor of the other party. What matters is that the parties believe that the give-and-get balances out over time. One-sided relationships don't last; however, the give back doesn't have to happen immediately. The best business relationships have a rhythm to them. The give-and-get over time is what builds trust, validates or invalidates assumptions about how to achieve objectives, and develops innovative ways of creating value for all concerned.

Skill Number Two: Orchestrating and facilitating communication and coordination internally and with the partner

Alliances are a value creation strategy – creating something new that one company could not achieve on its own. That makes it an entrepreneurial activity. Indeed, the alliance manager is the entrepreneur of the alliance, rallying people and their resources around the vision of the alliance, just as an entrepreneur rallies people and their resources around the vision for his or her venture.

An essential component of collaboration is the ability to bring the right people together to drive work forward, to develop solutions to problems, and, most importantly, to make decisions. It is a delicate balance to know when people must come together and when they should be working separately to best leverage their collective resources. Thus when collaborating with large groups of people it is very helpful to carefully define roles and responsibilities so that it is clear how work will be divided and the accountabilities of each group and person. Collaboration is most effective when different people are doing complementary work that leverages their strengths and resources and results in a greater ability to get more work done sooner than otherwise possible.

Alliances have many people involved in them. Every two people represent a connection where appropriate communication occurs or where a miscommunication can take place – either something isn't communicated correctly, is incomplete, or is misunderstood. Collaboration doesn't happen without effective communication. Problems can often result because one partner moves forward with an effort without informing or consulting with the other, failing to consider the implications. Establishing routines and pathways for certain communications is helpful, as are regular meetings and establishing consistent touch points in addition to the formal governance process. In order for all the people involved in a complex alliance to develop the one-team mentality discussed earlier, it is imperative that communication flows smoothly both within a partner organization as well as between and among individual partners. Social time also is required to get to know each other as people. Strong personal relationships make it easier to collaborate and to have the difficult conversations that are sometimes required between partners.

It is important to distinguish collaboration from compromise. In collaboration, the intent is to create greater value. In compromise, the parties find a middle ground, usually leaving value behind and often creating the risk of future disagreement because no one is satisfied.

The alliance manager has to have a strong network within his or her organization and know the partner well so that when a question or problem arises, the right person can be quickly engaged. This is a requirement of the first principle of managing alliances strategically – being the expert in your company and the partner company.

Skill Number Three: Bridging differences and aligning stakeholders internally and with the partner

Differences are the strength of an alliance, building upon diverse views to accomplish something the partners could not do on their own. Yet sometimes diverse views can be on a collision course before they align and converge. This is true within a single function of an organization, across functions within an organization, and among partners. A critical element that enables collaboration is the ability to bridge differences and align diverse views. The governance process exists to do just this; however there is much work that occurs outside of formal meetings to gain alignment. Until that occurs, decisions don't get made and the work of the alliance doesn't move forward.

It is important to distinguish collaboration from compromise. In collaboration, the intent is to create greater value. In compromise, the parties find a middle ground, usually leaving value behind and often creating the risk of future disagreement because no one is satisfied. Bridging differences and aligning stakeholders requires that the parties are willing to be creative and consider options, making liberal use of the relationship currencies that are valuable to each party.

Bridging differences to align stakeholders is so important that it is the basis of the second principle of managing alliances strategically. It also requires application of the first and third principles. The expertise demanded by the first principle is necessary for understanding true interests and motivations while the third comes into play because of the importance of recognizing misalignment early before it becomes a problem.

These three skills that are core to a collaborative ability are not the only skills that an alliance manager needs, but without the ability to collaborate effectively, an alliance manager will fail. Practically, collaboration is the only way that big problems are solved and new innovations are brought to the world. In the complex scientific and business world of today, no one company has all the expertise and resource to do it on its own. Collaboration is the core of alliance management and arguably the most important ability of today's business world. Companies that are versed at collaboration have a powerful competitive advantage in the patient-centric healthcare ecosystem.

The Alliance Professional as Change Agent

This paper has focused on how to think about and approach the role and responsibilities of a biopharmaceutical alliance professional as the industry undergoes an even greater externalization than has already occurred. It is an exciting time to have the job, as partnering is truly the lifeblood of the industry. It is a very challenging role and success is not always recognized or rewarded. Success often means something undesirable *doesn't* occur.

Despite the often intangible nature of the discipline, it is clear that even the largest and most successful of biopharmaceutical companies need partners and thus must develop their partnering capability. But applying "best practices" developed in a one-to-one era of partnering is not sufficient in the era of connected ecosystems. Today and in the near future, the biopharmaceutical alliance professional must be clearly focused on managing risk to realize the value of collaborating and the strategic intent of any relationship. He or she must possess a richer collaborative mindset and be versed in working with many different partner types with many purposes.

Applying "best practices" developed in a one-to-one era of partnering is not sufficient in the era of connected ecosystems.

Most importantly, in their role of bringing the outside in – of seeing the bigger picture; of bridging and aligning differences for mutual advantage, and recognizing where there are potential issues and getting ahead of them before value erodes – alliance professionals are the ultimate change agents. It is they who will guide their companies to embrace the external, let go of antiquated ideas of what constitutes competitive advantage, and best leverage all the resources available to deliver value to the patients whom biopharmaceutical companies exist to serve.

Alliance management is a challenging job, requiring an understanding of both strategy and operations. Successful alliance professionals must possess an ability to see patterns in data and behavior, to work at all levels of the organization, and to anticipate events. Some people choose to make alliance management their career. Others see it as an invaluable way-station in a general management career. Whichever path is chosen, one thing is certain: the skills an alliance manager develops and the experiences he or she has are extremely valuable throughout a career and in life. In today's business environment, thinking bigger and thinking differently are essential to the success of alliance professionals and the companies and partners they serve.

About The Rhythm of Business

The Rhythm of Business partners with global companies to build the capability to succeed through collaboration. We provide:

- Partnering and collaboration strategy that drives business performance
- Consulting, solutions, and tools that speed implementation and manage complexity while measuring and improving outcomes
- Learning programs and research that build partnering and alliance management capability and advance the state-of-the-art

Cofounders Jan Twombly and Jeff Shuman, PhD have coauthored numerous books, articles, and white papers and speak at a variety of venues around the world on the ongoing transformation of organization structures into collaborative networks. They hold the Certified Strategic Alliance Professional (CSAP) designation conferred by the Association of Strategic Alliance Professionals (ASAP). Twombly is also a member of the ASAP Board of Directors. Their methodologies inform Shuman's popular MBA courses on Managing Strategic Alliances and Entrepreneurial Thinking at Bentley University, where he is professor of management.

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