In the high-stakes, high-risk world of biopharmaceutical partnerships, the number and value of alliances are at historical peaks. Under intense pressure to fill pipelines, lower development costs, and bring products to market more quickly, pharma and biotech companies are coming together in increasingly complex ways, all of which require strategic will and tactical excellence to succeed. In response to this escalating trend, almost all major pharmaceutical companies have initiated some form of alliance management function within their organizations. But not all programs have developed at the same pace—or achieved the same results.

High Risk to High Reward: How to Dig In, Solve Problems, and Create a Valued Alliance Management Function

By David Thompson, CA-AM, and Steven Twait, CSAP

In this series, Thompson and Twait articulate the company’s alliance strategy and its tenets for a successful and highly valued alliance management function. The first part of this series defines the different roles and levels of influence alliance management normally finds itself playing in biopharmaceutical companies. It shows how an alliance is functioning at its highest level when it is proactively forecasting and managing risk factors that can not only potentially derail an alliance but also thwart larger company and partner goals. This part begins to describe the necessary elements of effective risk management according to Lilly’s philosophy, the first two of which are:

1) provide leeway for alliance managers to raise, solve, and otherwise own real and potential problems that can arise during the course of a partnership, and
2) make evaluation and compensation models commensurate with the qualitative and quantitative contributions that result from active risk mitigation and problem solving.
While it’s clear that some programs have fared better than others, what is not as obvious is the all-important why. For example, why has the alliance management function in some pharma and biotech firms been able to expand its influence, while others have seemed to spin their wheels? Why are some alliance management groups constantly defending their existence, while others are being invited to increase their input?

We believe the answers to these questions can be found in a combination of theory and experience, influenced strongly by common sense and good business practices.

In essence, we believe that success in today’s challenging environment relies heavily on the ability to proactively mitigate and manage the business risk, human risk, and legal uncertainties that surface in an alliance. Our experience has shown this is most achievable when alliance management reduces the likelihood of future, escalated conflict by actively anticipating and solving tough problems, including key business issues that would otherwise fall through the cracks or those that require an objective party to facilitate discussion. And when alliance managers further the alliance’s vision through hard work, consistently good judgment, and positive use of influence, they create a virtuous cycle of trust, loyalty, and commitment that adds measurable value and greatly increases the partnership’s probability of success.

We will take you through a brief overview of alliance management’s various forms and then focus on the strategies, approaches, and tools that have enabled Lilly’s Integrated Alliance Management group to play an increasingly important role in implementing strategic partnerships.

We hope that by offering you a different perspective on the purpose and potential of our profession, you will be able to apply these concepts to your own practice—including the who, how, and what it will take for you and your group to reach the next level in alliance management.

### The Alliance Management Continuum

The term *alliance management* means different things to different people. The practice is just now being introduced in many firms around the world, and the profession itself is still in its infancy. Since 1999, when Lilly was the first to establish an office specifically responsible for alliance management, we at Lilly have seen growth and evolution in our role that not surprisingly corresponds to the increase in number, scope, and value of our alliances.

As you seek to enhance your own alliance management capabilities—as an individual or as an organization—the first thing you need to do is establish a baseline. While there is no scientific process or test that will definitively determine your current position, we’ve assembled three categories that in our experience represent the continuum of alliance management as it has developed across the biopharmaceutical industry during the last 10 years. (See figure, right.)

As you review the elements in Figure 1, you might find that your group’s efforts fall mainly into one category. And while your first tendency might be to rank these categories from low to high or from bad to good, it’s important to recognize that alliance management is a build, not an on-off switch that can be thrown to achieve immediate results. Just as a child learns to crawl, walk, and then run, so too must alliance managers learn from experience—their own and that of those who have been there before.

If you’re not satisfied with your self-assessment, here’s the good news: Now is the perfect time to determine how to influence your own role and to decide how to increase the value alliance management brings to your entire organization.

### Owning Risk Management

With so much emphasis typically placed on people skills and operational facilitation, risk might seem an odd starting point...
point for a discussion on effective alliance management. But in fact, as we posited earlier, the willingness and ability to proactively manage risk is at the core of valued, valuable alliance management.

Why do we believe that risk management is so critical? The answer is a straightforward argument that proceeds from the very purpose of alliances: to create something of value from what would otherwise remain latent risk for both partners.

**As Background, Let’s Look at Two Basic Alliance Scenarios:**

One organization has a product or service, but for business-related reasons chooses not to independently develop it.

One organization has cash and/or idle resources and needs a particular product or service, but for business-related reasons chooses not to develop that product or service internally.

In either situation, there is an element of risk assumed by both companies that must be managed. An alliance is finally formed when, after much discussion and due diligence, the organizations decide to come together under a legal contract that establishes and governs the relationship for a set period of time. In a majority of cases, the written agreement does not clearly define how the two organizations will operate, and it is in this contractual silence that the voice of alliance management is so important.

The business of the alliance must be laid out, and timelines, deadlines, probabilities of technical success, and other elements associated with developing the product or service must be determined. The principal working team meets, and people begin the intricate process of forming the relationships that will be crucial to a positive alliance outcome.

As you can infer from the preceding description, risk is not eliminated when two groups come together; in fact, one could argue that risk intensifies. In an alliance, you now have a combination of business, legal, and human factors that previously did not exist, along with the inefficiencies of coordinating activities between parties.
To make it even more interesting, expectations in these situations are high, and the executive management of both companies—who may or may not have had previous alliance experience—often has a lot riding on the deal’s success.

So if creating value from risk is at the heart of alliance work, it follows then that managing risk—and positively channeling the unknowns—should and must be the primary objective of alliance managers. The obvious lesson is that risk well managed leads to the greatest rewards: the creation of value through a successful alliance, and the creation of a valuable alliance function that is seen as an organizational asset.

**Redefining Critical Success Factors**

Once you’ve established that managing risk will be a primary focus in your alliance efforts, the question becomes how that can best be accomplished. In our experience, the ability to successfully manage risk requires not only a shift in mindset, but also a comprehensive framework and set of skills that must be cultivated and rewarded.

**Request Problem Ownership**

In the nominal and relationship states of alliance management (see Figure 1), form often is prioritized over substance for a variety of reasons. Sometimes the program’s strategic intent is not defined, or sometimes people have the right title without the inclination, ability, or motivation to implement an otherwise sound plan. In these cases, the alliance manager remains at the periphery of the group—voluntarily or not—where he or she monitors administrative functions, offering intermittent coaching and generally “making sure the trains run on time.”

Such an approach is simply not sufficient under the risk management model. What’s needed—on a functional and individual level—is a desire to anticipate, address, and then solve the business and legal issues that inevitably arise during the course of alliance work.

When you are willing to roll up your sleeves and take on problems—whether they are issues no one else wants to or is able to own given their complexity or multifunctional nature—you become a necessary, legitimate part of the team. By committing yourself to solving problems early, you not only lighten the load of line management and enable leadership to focus on running the business; you also help yourself by reducing the chance that larger conflicts—business, legal, and interpersonal—will arise down the road.

**Reward Risk Management, Problem Solving**

In simplest terms, alliance managers historically have been evaluated and compensated based on their ability to keep everyone happy and to keep the project moving along. These are still relevant goals, but when risk man-
agement and problem solving are the core work products of the alliance manager, then the results of those activities must form the basis of evaluation and compensation.

At Lilly, for example, our model of alliance manager as corporate ombudsman (which we define as a person who acts as an independent commissioner or referee between individual parties) provides a unique opportunity to represent the pure interests of the alliance during problem solving. The ombudsman perspective allows the alliance manager to work on behalf of all parties—and most important, on behalf of the goals of the alliance itself. Measurement of an alliance manager’s value should take into account one’s ability to approach and solve the problem independent of parent-company biases.

While annual measurements, including Lilly’s Voice of the Alliance™ health assessment, can still offer important data, evaluation by those closest to the process can offer more frequent, pointed insight on individuals’ roles and relative contributions. In some cases, achievements can be measured quantitatively in dollars saved or qualitatively through reported examples of legal issues solved or business crises averted. Alternative measurements such as these enable alliance professionals to be compensated based on the real value they are generating for the greater organization.

**Coming in Q4 2011**

**High-Risk to High-Reward: The Skills and Tools of Servant Leadership**

In Part II of this sponsored special supplement, forthcoming in the Q4 2011 issue of *Strategic Alliance Magazine*, Thompson and Twait will delve into the remaining components of managing risk in the context of an alliance portfolio, including the requisite skills for alliance managers implementing a risk management–based methodology to alliance portfolios and the usefulness of the “servant leadership” approach in doing so. It will also examine the wide variety of tools alliance managers need at their disposal to carry out this type of alliance management.

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In partnership, there is strength

Since 1999, Lilly’s Integrated Alliance Management professionals have helped companies maximize the value of partnered assets. With strong roots in governance and relationship management, we excel at problem solving and value-chain integration at all stages of discovery, development, and commercialization.

As an organization and as individuals, we are committed to the success of every partnership we manage. By staying true to mutual goals—and by doing everything necessary to achieve them—we help partners realize the value inherent in every strategic alliance.