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**TRENDS IN ALLIANCE MANAGEMENT**  
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*BY GWEN ACTON, PHD AND TIM ANDREWS*

Vivo Group recently participated in Cambridge Healthtech Institute's (CHI) Alliance Management Congress held May 8-9, 2006 in Philadelphia. The meeting was attended by approximately 150 alliance professionals from major pharmaceutical and other life science companies.

Alliance Management in life sciences is currently in transition. The pressure on partnerships is growing due to the expanding strategic importance of alliances, as well as the current dismal statistics on success rates. The opportunity and excitement are also increasing, with excellent people focused on this area and new approaches offering the potential for rapid improvements. The next several years offer tremendous possibilities.

Here are highlights of trends that struck us as interesting or notable from the conference, particularly from our focus on connecting intangible aspects of alliances with tangible value to the company.

**10 Trends in Alliance Management**

**1) Earlier participation:** Many companies are bringing Alliance Management into earlier stages of forming partnerships in order to increase the rates of success. In the past, Alliance Management was often viewed more as a problem solver than a co-creator, and tasked with 'making it work' after the deal already had been formed. Companies are now finding that earlier involvement enables better construction of the alliance agreement and the structures to manage the alliance.

**2) Cultural Fit:** Studies indicate that most alliances succeed or fail because of non-technical issues, such as culture, leadership, trust or communication. Despite this, we found companies are not systematically considering 'cultural fit' or other intangible issues in evaluation of potential partners. Companies could achieve higher ROI on alliances by employing methods to evaluate these factors.

**3) Better Metrics:** Meeting participants agreed that they would like to have better metrics to assess the health of their alliances beyond milestone measurements. While some companies are using surveys of participants to monitor on-going relationships, these surveys often cannot capture aspects of the alliance, such as portfolio strategy changes, that are key to its success. Methods that extend the scope of health assessments can improve alliance success.

**4) Strategic Issues:** Strategy changes that substantially impact the success of the alliance are 'inevitable' in one or both partners. Currently, however, there are few practices in place beyond 'exit clauses' in contracts for monitoring and adjusting to such changes. Companies that do incorporate more mechanisms for strategy assessment into their alliance management practices find they can significantly increase the value of their partnerships.

**5) Economic Value:** Despite the acknowledged key role of alliances for innovation, companies are only now beginning to analyze the connection between alliance success and economic value. For example, Rob Hockney of AstraZeneca discussed efforts to determine the economic value of alliances. This will enable companies to make more informed decisions about investment and return.

**6) Due Diligence:** Participation of Alliance Managers in due diligence is fruitful, but cultural evaluation doesn't generally affect the outcome even if there is a strong negative evaluation. Business and science issues, such as the need for compounds or technology in a given area, and the 'if we don't do this deal, a competitor will' notion tend to dominate. Business and science issues usually trump concerns over intangible issues such as cultural fit, even though these issues are generally acknowledged to be the cause of the success or failure of most alliances.

**7) More Resources:** Alliance Management groups benefit when they receive additional resources to carry out their critical functions. For example, alliance managers reported finding great value from additional attention given by senior management on issues of significant economic impact to the company. Further, alliances are better able to succeed with adequate resources (such as participant incentives) from the company.

**8) Alliance Capability:** An excellent and overlooked issue is the importance of distinguishing 'capability' from 'form'. Alliance Management capability is becoming a critical function in the life

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science industry. However, Stuart Kliman of Vantage Partners pointed out that this is not the same as having an Alliance Management group. The capability can be embedded in an existing organizational department, or a new group can be created, but the important issue is to identify the necessary capabilities around managing relationships, and develop them.

**9) Variation:** Alliance Management practices continue to vary considerably between companies. 'Best practices' are still evolving due to the recent implementation of Alliance Management groups.

**10) Growing numbers:** Whereas five years ago few pharmaceutical companies had dedicated Alliance Management groups, most do now have them. This is attributed to life science companies increasingly recognizing the importance of partnerships to their bottom line.

### **The Authors**

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