

Alliance Management

Driving Winning Partnerships: Principles & Practices

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Introduction

Successful alliance management is a key indicator for top-performing pharmaceutical companies. Managing partnerships well is especially important for companies that devote significant resources to developing new products through collaboration. Eurand has a robust pipeline of such co-development partnerships and has devoted significant effort in recent years to ensuring our alliance management practices are best-in-class. Concluding a contract transaction represents only the beginning step required to build a long-term, successful co-development relationship.

Alliances and partnerships have been identified by pharmaceutical CEOs as key elements of future success within the industry.¹ Driving this change is the narrowing focus of many companies on a more circumscribed group of core competencies; therefore, increasing their dependence on external relationships for technologies and products that promote business growth. Because up to 70% of all alliances fail to meet their stated objectives, it is not simply enough for the collaborators to create an alliance; they must make it thrive.²

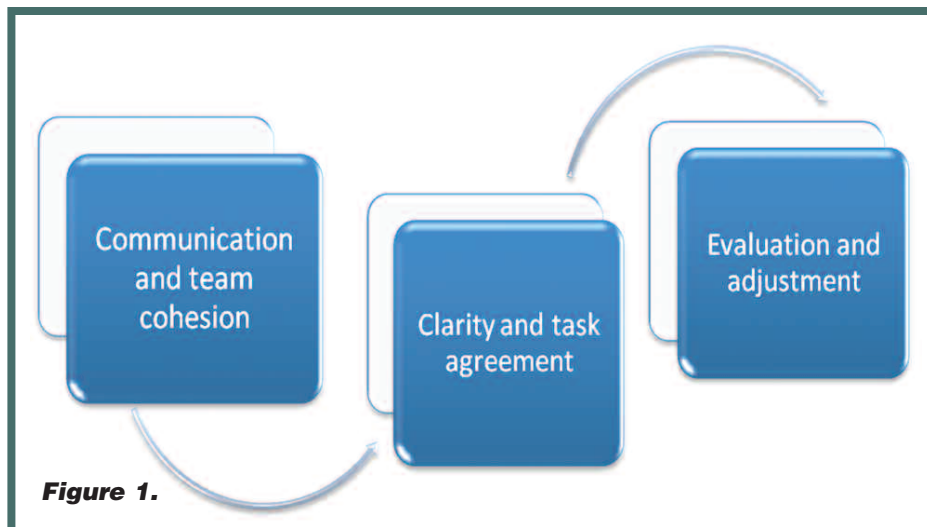
A survey by the Association of Strategic Alliance Professionals on industry

collaborations found that alliance success can be attributed to cohesion and effective communication by capitalizing on each party's strengths for the welfare of the overall program.³ To accomplish this task, all parties need to function as one cohesive unit. An effective collaboration should not be measured merely on the success of a specific product, but rather on the overall success of the entire program.

To achieve success, both companies must create a relationship based on trust and respect. The initial collaboration between companies will likely be the most difficult

because a great deal of information must be shared and a high level of learning must occur within a relatively short period of time. Subsequent collaborative efforts generally move more smoothly as the foundations have been established.

To expedite the success of these collaborations, many companies are instituting the creation of long-term partnerships by adding alliance management roles within their organizations. These roles are often established to take advantage of opportunities in the business development and/or project management departments.



Alliance Management – In General

Reports suggest that up to 500 new partnerships are initiated each day. Of these, it is estimated that as many as 70% fail to meet their stated objectives. Understanding the reasons for failure serves to improve the chances for success. A number of studies have investigated the value alliance management activities provide in increasing the success of collaboration. Alliance managers who focus on interpersonal and intercompany relationships and who are directly involved in many aspects of their own and their partner's organization are generally viewed as more effective than those who are less involved.

Due diligence by both prospective partners should be conducted before the collaboration begins to determine both success factors and potential complications based on the collaborative elements. Identifying critical cultural components as quickly as possible may drive mutual understanding and unearth potential concerns that can be addressed before they become problematic.

One never has a second chance to make a first impression. This certainly applies to the first contact between collaborating companies. Creating an open, comfortable environment in which both partners can operate is critical in optimizing the initial experience and in improving the chance of success. Many companies hold the initial meeting face-to-face at a mutually agreed upon location. It is important at this initial stage to break the ice in a relaxed setting and to encourage participants to relate both on a professional and personal level.

As no two companies and no two products are identical, no two alliances are the same. Generally, the following can maximize the chances for success:

- Open communication stimulates cohesion, two critically important areas that must be addressed and monitored to maintain a healthy relationship.

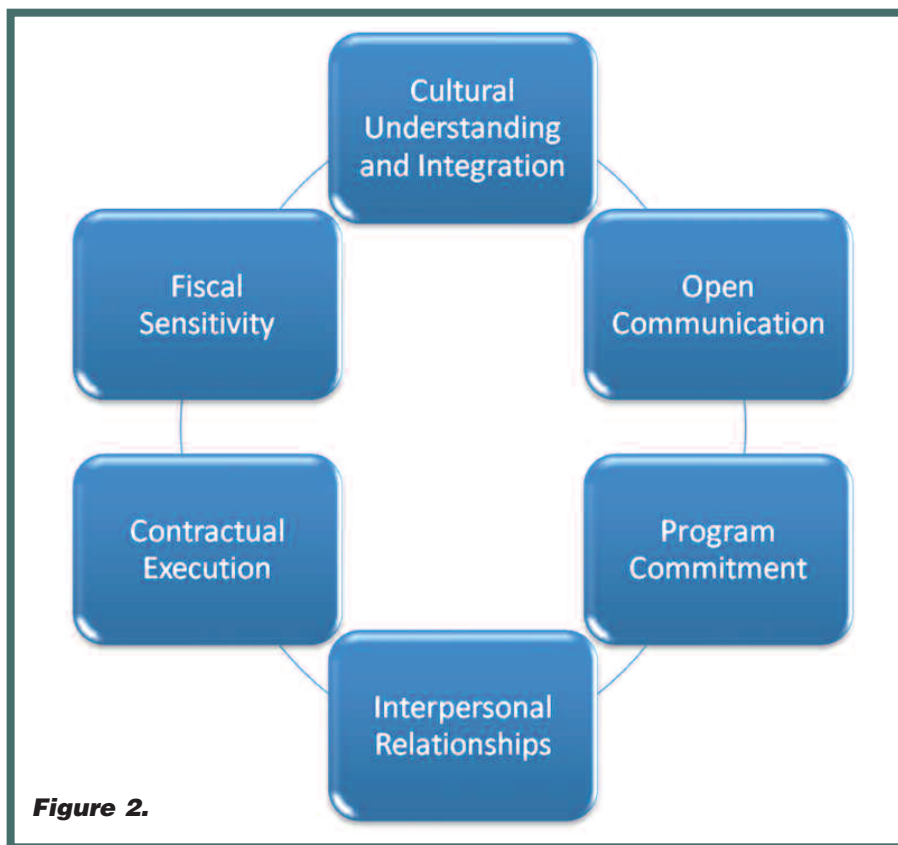


Figure 2.

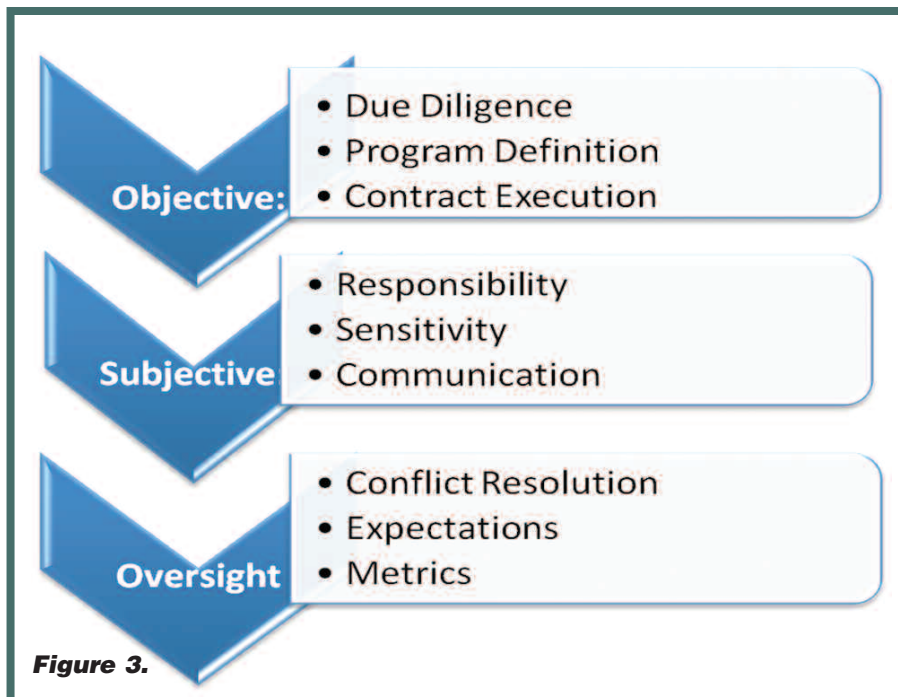
- Clear agreement regarding the reasons the companies have come together and the manner in which they will interact and function is necessary; consensus will align the two groups, creating a single team that will focus on a single task.
- Oversight and evaluation are key components in ensuring a symbiotic, synergistic team dynamic.

As the program advances, re-evaluations and readjustments may occur due to market or personnel dynamics. Continual oversight by the alliance manager to ensure the team is operating efficiently and that communication pathways are not obstructed is necessary to identify areas in need of improvement and/or whether individuals are meeting or not meeting their obligations. In the event constraints are attributable to miscommunication, rapid resolution is essential to maintaining alignment with the key objectives and to sustaining team cohesion.

At completion of each stage of the development program, it is essential to review the alliance to identify what has and has not worked. Continual improvement should be the primary goal achieved through alliance management activities designed to foster collegial teamwork, open communication, strong oversight, and full commitment.

Alliance Management – At Eurand

Eurand established an alliance management group in 2006 after recognizing the importance of cultivating long-term partnerships to derive the most value from its focus on co-development transactions. At its inception, the Eurand alliance management group was tasked to achieve two objectives: 1) to manage related business development activities and 2) to forge a single development team, comprising Eurand representatives and those of its partners, by developing trust and respect at



the project team level.

Eurand crafted Alliance Management Best Practices after examining more than 15 years of collaborative effort with several diverse partners, specifically looking at the dynamics of partnerships that empower alliances to gain the highest level of support, and thereby increasing their probability of success.

Eurand's Alliance Management group strives to manage alliances from the outset by instituting a joint understanding of each party's goals, creating a framework for interaction and providing a system for communication. The group is charged with fostering a team-lead program powered by open communication, strong risk-mitigation plans, and a clear roadmap to enhance the program experience.

Collaborations are initiated using a three-step process: Objective, Subjective, and Oversight. In the Objective phase of the partnership, due diligence is performed by both companies. Partners are asked to respond to a questionnaire designed to better understand their objectives, driving points, and sensitivities. Data from this questionnaire are analyzed in conjunction with Eurand's best practices to evaluate how the groups will

best integrate. From experience, Eurand has found that early assessment and understanding of these critical items facilitate a clearer understanding and provide the knowledge that can be a resource in developing the connections necessary to creating a strong alliance. Upon execution of the partnership agreement, a kickoff meeting provides a starting point for the parties by aligning the group and creating one cohesive team. Program goals and contract commitments are discussed at this meeting so that the team members understand their individual obligations as well as the limitations of their roles.

The Subjective phase assesses the personality of the alliance and the individual parties. Identification and discussion of responsibilities of team members and subsequent agreement must occur to mitigate potential "off-scope work" and to support an efficient development process. Corporate and cultural sensitivities of each party also are discussed. An open communication pathway is established based on the objectives and identified risks of the program. Good communication is critical to providing the information to move the program forward as well as to identify and address problems.

The Oversight process is used to accentuate an understanding of rules and how to work through issues if they arise. At this stage, effective conflict resolution is discussed, expectations from senior members of both organizations are shared, and metrics are agreed upon and established. These metrics focus on the relationship quality of the program as well as the achievement of technical milestones. The process is considered to be an overall successful if the parties clearly understand their objectives, are able to communicate effectively, and demonstrate trust of and respect for each other.

Alliance Management – In Action

Even when collaboration is thought to have been organized correctly, the following example illustrates the importance of productive personal relationships and open communication pathways. Eurand's US-based development group was working with a European pharmaceutical company on a product targeted for foreign markets. The client brought two project teams to the collaboration: the product champions and lead contacts based in Europe and a technical team based outside Europe. The three teams formed a partnership that needed to function effectively across multiple time zones. At the kick-off meeting, all parties reviewed and agreed upon activities, the work plan, and other topics as had been previously discussed. Development moved forward with minimal issues for the first few months. Then, early signs of disconnect were detected as new regulatory expectations from the ex-European group were identified that would significantly change the scope of work, significantly affecting timelines and costs, and leading to confusion among the European-based product champions and Eurand. While the regulatory expectations had not changed, they had not been clearly conveyed. Both parties were developing a product without having all of the relevant information, an extremely risky situation. The

new information was going to lead to additional work, additional costs, and additional time, all of which were potentially damaging to the success of the program.

Because the relationships established at the beginning of the alliance enabled a comfortable and uninhibited channel to correspond, the conflict resolution process was quickly implemented. Through open communication, all parties were able to discuss whether the program's scope required reshaping. It became evident the technical plan was not sufficiently clear from a regulatory standpoint, and that this was the main factor necessitating changes in program scope. Compounding the issue was that the communication pathway had not been working as well as it should; therefore, the teams were not effectively communicating to move the program forward. The entire process needed to be simplified. Fortunately, all of these issues were identified early on and were worked through during a strategically important period, resulting in the realignment of certain objectives without jeopardizing the team or the program. This experience illustrates the inestimable value of good personal relationships, as open communication is critical to managing challenges.

Asking the Right Questions

Eurand continually evaluates each alliance by implementing periodic status checks through questionnaires. These "spot-check" questionnaires evaluate how well the alliance is performing by eliciting information from both parties. Two key areas assessed are communication and coordination. This review raises awareness of problems and concerns as early as possible so the parties can resolve them before the alliance is negatively affected.

Questionnaires have proven effective when other methods of oversight and evaluation have not, as is illustrated in the following example. An alliance between Eurand and a US-based pharmaceutical company developing a life-cycle management product for worldwide distribution started off successfully. A few months into the program, a questionnaire was distributed to the partners to understand how the program was developing, how the alliance was working,

whether there was alignment, and if there were any impending issues. After reviewing the data, it was revealed there was a misalignment in communication. Eurand had rated communication as excellent, while the partner had rated communication as just okay. The alliance manager spoke to the client to elicit additional feedback regarding the luke-warm response and learned the partner had been receiving updates during regularly scheduled project team meetings, but felt the updates were too infrequent based on the nature of the program, potential risks, and culture of their organization.

Changes in the communication process were immediately implemented; these included more frequent updates and expanded sharing of information. A follow-up questionnaire fielded a month later demonstrated the changes implemented had successfully addressed the problem.

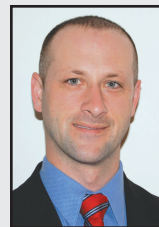
What Have We Learned?

Both aforementioned examples demonstrate that open communication is of critical importance for the success of an alliance. As long as there are open channels among the alliance partners, and all are encouraged to be forthcoming in expressing their concerns, issues can be quickly identified and problems addressed in a timely manner.

Eurand conducts a full review at the completion of a partnership. This assessment evaluates how effectively the program has been managed and how key learnings can be used to improve current practices. Eurand's overarching goal is to be a Partner of Choice and to make the collaborative experience efficient, professionally rewarding, and profitable. ♦

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Mr. Matt Siefert is Manager, Business Development, for Eurand with a primary role of alliance management of the company's co-development partners. In this capacity, he has developed the Best Practices for Alliance Management that Eurand currently uses. He also is responsible for general business development activities, including the management of transaction terms, arising intellectual property, budget, work plan changes, partnership steering committees, and negotiation of contract amendments and supply agreements. Prior to joining Business Development, Mr. Siefert was a Formulation Scientist from 1998 to 2005. In that role, he worked as the lead formulator on Eurand's R&D collaborations in the US, developing products, managing the technical interactions of partnerships, and assisting in advancing Eurand's intellectual property portfolio. He earned his BS in Chemistry from Wilmington College in Wilmington, Ohio, and his MBA from Wright State University in Dayton, Ohio.



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Mr. Troy Harmon is currently Vice President, Business Development for Eurand, a specialty pharmaceutical company focused on the development of novel drug delivery technologies and products. Mr. Harmon joined Eurand in 2002, and his responsibilities include business development, marketing, and licensing efforts for Eurand in North America. Prior to joining Eurand, Mr. Harmon was Director, Business Development at Delsys Pharmaceutical in Princeton, NJ, where he was responsible for marketing and partnering the company's electrostatic powder deposition technologies worldwide. In addition, Mr. Harmon has served as Director, Business and Product Development at FEI Technologies, a company specializing in implantable drug delivery systems, and as Sr. Scientist at Summit Technology, an innovator in laser vision correction procedures. Mr. Harmon earned his BS from the University of Kentucky, where he was elected to Phi Beta Kappa and received the University's first prize for undergraduate academic research. He earned his MS in Physical Chemistry from Cornell University and his MBA from Villanova University.