



# STRATEGIC alliance

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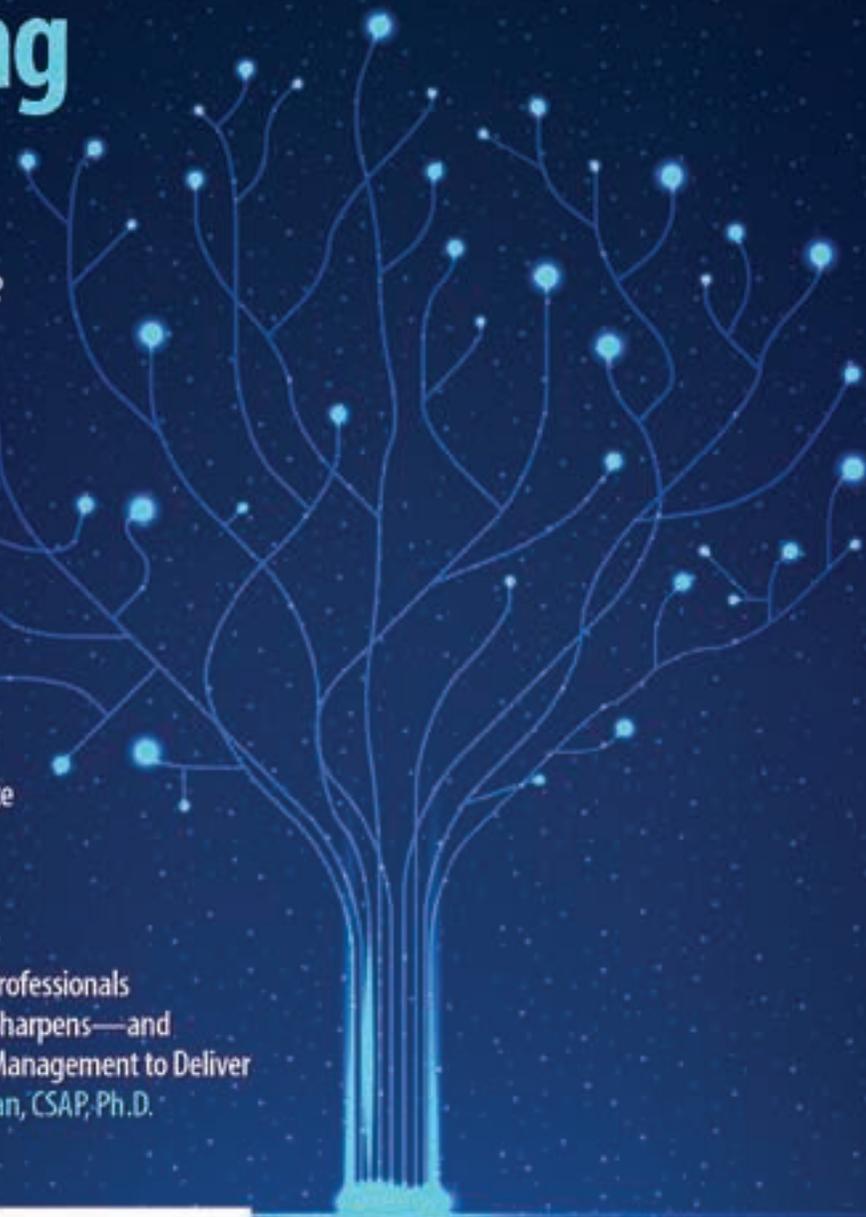
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# The Spotlight Intensifies

*Opportunity for Biopharma Alliance Professionals Grows as Companies' Strategic Focus Sharpens— and the Executive Suite Looks to Alliance Management to Deliver*

**By Jan Twombly, CSAP, and  
Jeff Shuman, CSAP, Ph.D.**

WHEN THE RHYTHM OF BUSINESS PRESENTED the results of its 2012 *Practice of Alliance Management in the Biopharmaceutical Industry Study* at the ASAP Biopharma Conference last year, the overarching conclusion we shared was that the performance of alliance managers is now in the spotlight—and it's executive leadership that constitutes the principal audience.

Based on formal interviews and many interactions with biopharma alliance managers and executives since publishing the results of the study, we're convinced that the focus is only getting more intense. At the same time, new roles for alliance managers are spreading to additional parts of the organization and industry.

The opportunity for biopharma alliance professionals to make significant contributions has never been greater—nor has the requirement to produce tangible, measurable value.

### The Importance of Being Strategic

Let's start with the increased attention on alliances and, by extension, alliance managers.

Our study summary report notes that the industry is experiencing an acceleration of certain trends. In particular, we are seeing greater emphasis on the strategic nature of alliance management duties, the development of expertise throughout the organization, and greater engagement of the executive suite. These trends represent a platform for the next stage of alliance management maturity. This isn't happening in a vacuum. With at least 50 percent of both revenue and pipeline being driven through alliances (see Figure 1), what has been referred to by some as alliance or collaboration "fatigue" cannot be allowed to set in.

Because of the significant financial implications of partnerships, commercial alliance managers are being tasked with realizing the intended value of therapeutic franchises that depend on alliances and expanding value through life cycle management and new projects with existing partners. At the other end of the pipeline, alliance professionals working in research and development are expected to contribute to research productivity. This bottom-line focus is increasingly part of the remit of the alliance management groups that have the ear of the executive suite—and thus will get the resources and executive engagement they need to be successful.

### Great Expectations: Three Principles for Managing Alliances Strategically

So how do alliance professionals get the attention of senior executives? What does it mean to emphasize the strategic nature of alliance management? And how does that ward off alliance fatigue? Our conversations with executives throughout the industry have yielded a consensus on their expectations of biopharma alliance managers:

1. Be extremely knowledgeable about the industry, your company, and your partner.
2. Be a leader with a singular focus on realizing the strategic intent of individual alliances, and the company's alliance strategy overall, and challenge those who aren't aligned with that focus.
3. Be proactive in recognizing and mitigating risk—and get in front of potential fires.

Clearly, these expectations represent a heightened awareness that alliances have become mission critical—and that they aren't that

easy to do well. That's why 45 percent of survey participants state that their CEO views alliance management as *essential* to achieving corporate strategy. Knowing how your alliance fits into that strategy and the industry forces that might derail it is also paramount. So too is understanding the nuances of your partner's strategy, as well as the impact that executive changes, external regulatory actions, and financing events have on the alliance. Connect the dots in this complex network and you'll be among the alliance cognoscenti.

### Risky Business

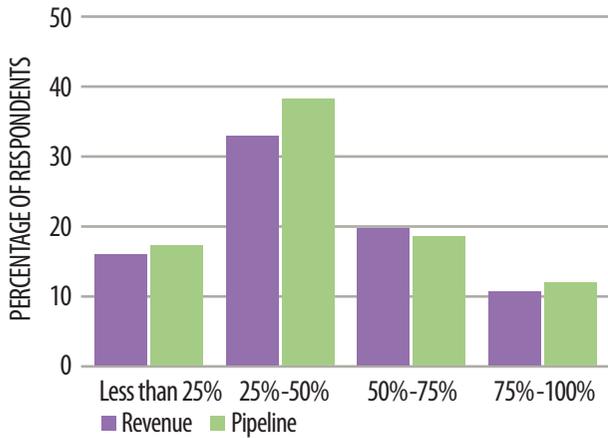
As companies' alliance practices mature, nearly half of survey respondents report taking an entity perspective on their alliances, both for strategic and financial purposes. This means that they look at an alliance and the alliance portfolio as wholes—not disparate pieces that are part of functional activities. This big-picture perspective is essential to realizing strategic intent and is a snapshot that only the alliance manager has. There are just a few senior executives who might have a similar comprehensive outside-in view, short of the CEO. The alliance professional is thus in a unique position of knowledge, although usually not authority, to help alliance team members and executives who have a more parochial perspective appreciate why their alignment with the strategic intent is critical for achieving that intent as profitably and productively as possible.

*Forty-five percent of survey participants state that their CEO views alliance management as essential to achieving corporate strategy. Knowing how your alliance fits into that strategy and the industry forces that might derail it is also paramount.*

As budgets and staff for research shrink and improving the productivity of discovery and development activities becomes increasingly important, the alliance professional's ability to leverage the resources and talents of the partners is critical. As one alliance manager described it, the "white space" has been taken out of the development process so it is vital that the team work in seamless rhythm. Getting everyone aligned with the program has never had greater financial implications.

Alliances are risky ventures. Too many executives still consider them to be "gap fillers" and signs of weakness. And while our survey population is more successful than often-stated alliance failure rates of 50-plus percent, 40 percent have been involved with an alliance that was terminated because the partners couldn't come to an agreement on key initiatives, and about one third have been involved in alliances that were either in or emerging from arbitration or litigation. If only a knowledgeable, influential

**FIGURE 1:  
PERCENTAGE REVENUE AND  
PIPELINE FROM ALLIANCES**



alliance professional saw the red flags that invariably were present and had the courage and backing to take action to align their company and the alliance around defining a solution!

In biopharma, alliance management has shifted to a risk mitigation focus. According to EvaluatePharma’s *Half Year Review 2013*, the average up-front payment for a Phase II asset is \$40 million, with average total deal value approaching \$250 million. No wonder protecting the company’s investment is paramount! Alliance managers who participated in our survey report engaging in a number of risk identification and mitigation activities (see Figure 2)—often as part of the governance process. One of the most critical is the internal pre-governance meeting, before the governance meeting. It runs contrary to trends to eliminate as many meetings as possible, but in this case, talking through and planning how to best approach discussions and reach decisions is invaluable. There are a host of risk management tools being implemented, including decision dependency tracking, risk registers, and scenario planning. Skilled alliance professionals are addressing areas where process or guidelines can prevent the last brush fire from erupting again, and with the backing of senior management, challenging those who tend to pour gasoline on the flames.

Alliance professionals who don’t shrink from the spotlight and who build their expertise in the three components of managing alliances strategically noted above will find that they are better able to engage the executive suite in achieving desired outcomes for their alliances. And it isn’t just your expertise or that of your alliance management group that must be developed—it’s that of the company overall. More than 40 percent of survey participants are offering formal training to their organizations to grow their alliance capabilities. Training, however, isn’t the only way our survey participants can support their alliance teams. Coaching team members is a key component of the role (see Figure 3). But only a minority of participants are providing governance coaching. We suggest that all alliance managers work with their executives to create more

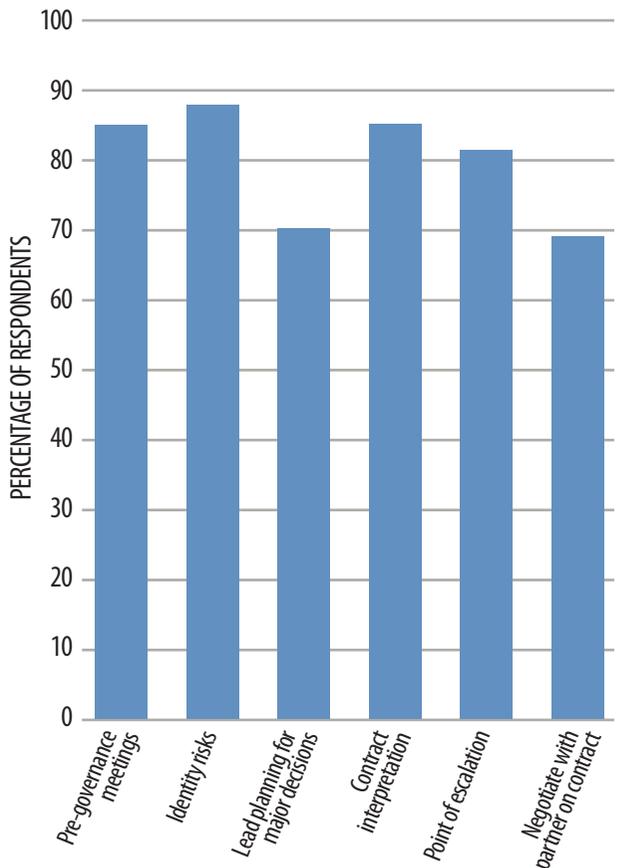
efficient and effective governance. Just because someone is a vice president doesn’t mean he or she is skilled in alliance governance! For strategic alliance managers—key enablers of an essential growth strategy—equipping allies and colleagues with the tools to succeed in alliances is the only logical path to pursue.

**From Vendors and Distributors to Advisors and Partners**

A few more common themes emerged from many of the interviews we conducted this past year in the wake of our study: alliance professionals are being approached from many quarters within their own organizations to provide advice and counsel to functions that have to manage relationships collaboratively, even if they are not traditional alliances. Additionally, they are getting more involved with early-stage research and discovery alliances. And smaller companies that have never had an alliance manager are adding the discipline and developing the capability.

Throughout the business, the nature of service relationships is changing. Specialist firms are working to move from a vendor orientation to the position of trusted advisor and are nudging their clients to treat them like partners. It is challenging to make these types of relationships collaborative, as the money flows one way. In some instances, service providers are assuming greater risk in exchange for

**FIGURE 2:  
RISK MITIGATION AND  
PROBLEM SOLVING ACTIVITIES**



a bigger piece of work or more control over how duties are carried out. Alliance management teams are being approached by certain operations functions for advice on supporting joint teams, establishing governance that should be in place, and evaluating results.

Most biopharma companies rely on a network of global partners to distribute their products in all but the largest of markets. No other model is cost-effective, and in many developing markets a local partner is required. Local partners value leveraging manufacturers' marketing, sales training programs, and medical insights from around the globe. Introductions to key opinion leaders (KOLs) in other geographies are highly valued. So what were once arm's-length distributor relationships have become increasingly collaborative engagements that provide access to the manufacturer's resources and knowledge that were previously out-of-bounds for the distributor, but also challenge the manufacturer to provide resources that were not anticipated at the time the deal was done. Country and product managers responsible for these relationships are recognizing that they are now managing a collaboration—in some instances a network of collaborations—and are reaching out to alliance professionals for advice and tools.

### Joining the Parties

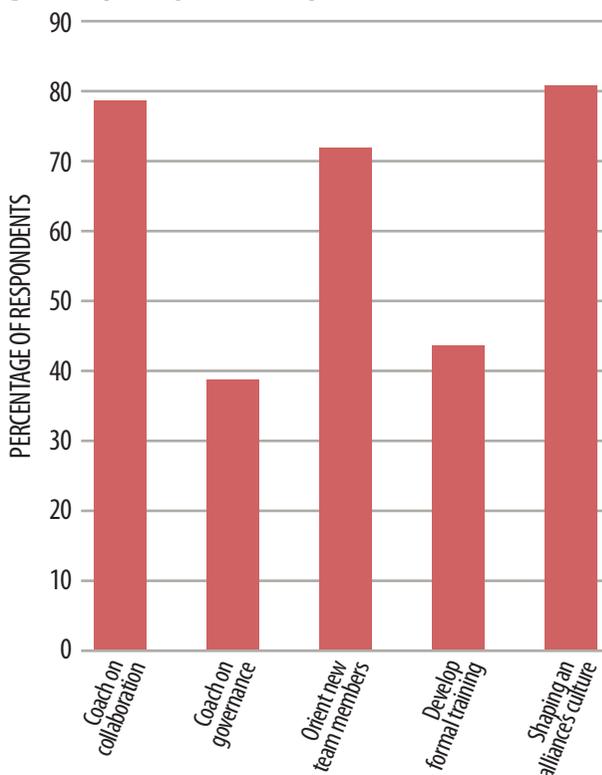
At the other end of the life cycle, research and discovery functions are being driven outside the walls of large pharma companies. Academia is the preclinical partner of choice, with single-focus micro and virtual companies not far behind. Could the culture clash between these organizations and big biopharma be any greater? Enter alliance management to support these collaborations, which are intended to reduce the cost of drug discovery and development.

Multiparty research collaborations, such as the European Innovative Medicines Initiative (IMI) and the U.S.-based TransCelerate, are proliferating. These collaborative networks are unlike bilateral alliances, but the overarching alliance principle of gaining individual value through a mutual endeavor to achieve a common purpose prevails. Most biopharma companies are involved in one or more of these precompetitive consortia, and a few are starting to assign alliance managers to represent their interests and understand how best to further the interests of all members of the group.

Additionally, smaller companies are starting to invest in alliance management. Dedicated alliance managers are still rare, but there is a growing recognition that managing a collaborative project or program is not the same as managing an alliance. Yes, one person can do both, but different skills are required. Indeed, wearing multiple hats successfully requires a very rare person with a unique skill set.

Building alliance management expertise in smaller companies has become essential for a number of reasons. The first is simple. Alliance contracts today often mandate that each party appoint an alliance manager. Second, alliances struck a few years ago are now hitting clinical milestones, and the need for collaboration

**FIGURE 3:  
DEVELOPING EXPERTISE**



only intensifies as registration filings and market access challenges loom, especially if the parties have divided up global markets.

### Grab the Spotlight While It Shines

The biopharmaceutical industry is adopting collaboration and partnering like never before. Some companies and executives are still doing so reluctantly and don't yet appreciate how challenging it can be—especially when the organization does not yet have a partnering culture and capability. In these instances, the skills of alliance professionals are needed more than ever. In companies where partners are recognized as a key piece of the strategy, alliance-savvy individuals can find many opportunities to ply their skills. And those in formal alliance management groups should be demonstrating the impact of managing alliances strategically.

But a word of caution we heard from survey respondents and the leaders we spoke with in this past year: Grab the spotlight while you can—or someone else will. ■

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