MAKING THE CASE:
THE VALUE OF INVESTING IN ALLIANCE MANAGEMENT

By Jan Twombly, CSAP and Louis Rinfret, PhD

The Rhythm of Business®

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DRIVE ALLIANCE SUCCESS

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Preface

Partnering and alliances are easy! Two or more companies decide they want to do something together and they just do it. Right?

Not really. Because alliances combine the different strategies, structures, cultures, and processes of the partners, it takes skill and effort to bridge those differences and find an aligned path to achieving what was intended when the parties agreed to the alliance.

Enter the specialized discipline of alliance management. It exists to realize that intended value by guiding the partners to agree on how they will work together to get the outcomes they want and the purpose of why they came together. Without the how, the what and why won't be achieved.

Because alliances are conceptually simple and operationally very challenging, it can be hard for alliance professionals to get the necessary investment in the organization's much needed alliance management capability. The purpose of this paper is to give you tools to make your case, educate executives, and enroll them as active participants in realizing the intended value of alliances.

In partnership and collaboration,

Jan and Louis

Jan Twombly, CSAP, President
The Rhythm of Business, Inc.

Louis Rinfret, PhD, Founder and Chief Executive Officer
Groupe allianceboard, Inc.

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It's no secret. Partnering is central to most companies' strategies today. In fact, in many companies it isn't much of a stretch to say that partnering is the corporate strategy.

Building an Organizational Capability for Managing Alliances

As alliance professionals, you're probably familiar with the basics of strategic alliances. Why is an organizational capability in partnering so important for partnerships to succeed?

PARTNERING IS PART OF THE STRATEGIC CORE

It's no secret. Partnering is central to most companies' strategies today. In fact, in many companies it isn't much of a stretch to say that partnering is the corporate strategy, given the increased importance and resources committed to partnerships. Particularly in biopharma companies, partnering is responsible for somewhere between 40% and 60% of both revenue and product pipeline. In many companies, all preclinical assets and discovery programs come from partners.

This strategic landscape makes it essential that a company has the "power to partner everywhere."[1]

WHAT IS ALLIANCE MANAGEMENT?

Alliance management is a specialized business discipline focused on:

- Realizing the intended value across the partnerships a company engages in to innovate and grow, and
- Identifying opportunities to extend and grow these partnerships

WHAT DOES "ORGANIZATIONAL PARTNERING CAPABILITY" MEAN?

An effective organizational partnering capability:

- Refers to a company's ability to effectively form, manage, and leverage strategic alliances for the mutual benefit of the partners and to deliver value to customers (and patients in life science alliances)
- Encompasses the knowhow, skills, tools, processes, and infrastructure

[1]The Rhythm of Business, Inc., *The Power to Partner Everywhere,* https://rhythmofbusiness.com/wp-content/uploads/2023/03/The-Power-to-Partner-Everywhere.pdf. See also from The Rhythm of Business, *Tipping Point, Evolving an Alliance Management Function into an Organizational Partnering Capability,* https://rhythmofbusiness.com/tipping-point-evolving-an-alliance-management-function-into-an-organizational-partnering-capability/

required to create and sustain successful collaborations with external partners, and

- Gives people within the organization the ability to navigate the complexities of the alliance life-cycle — from alliance formation, to establishing productive relationships, achieving mutually beneficial outcomes, and winding down operations in a way that leaves the potential for future engagements between the partners.

In its scope and impact, a partnering capability is akin to, for example, human resources, marketing, or finance and encompasses people, process, and technology. We prefer to use the construct of mindset, skillset, toolset, as that more easily encompasses all aspects of leadership and culture which are core to building an organizational capability to partner well. *(See Figure 1 – Capability Components).*

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Figure 1 – Capability Components

Many organizations underinvest in alliance management because of three common misperceptions.

THREE COMMON MISPERCEPTIONS

Commanding such a prominent position in an organization's strategic plans, it would be easy to assume that those managing alliances and other business collaborations receive healthy investment from senior leaders. But many organizations underinvest in alliance management because of three common misperceptions:

- **NUMBER ONE: Partnering is all about finding partners to innovate and grow with and about "doing a deal".** This misperception ignores the fact that doing a deal is a finite event. Once done, the partnership needs to be managed for years, if not decades, to realize the value intended at the time the deal was done.

- **NUMBER TWO: Managing a partnership to its success is simple.** This misperception ignores the fact that aligning multiple internal and external stakeholders while bridging different strategies, cultures, organization structures, and processes to bring the partnership to success operationally is anything but linear. It is challenging and it is time-consuming.

- **NUMBER 3: Alliance management isn't worth investing in.** Since its inception, allianceboard's Digital Alliance Management Maturity Index™ has shown that those companies investing in partnering capacity and required infrastructure achieve better partnering results in terms of value realization and strategic agility.[2] Because of this lack of understanding about (a) how alliances are critical strategic drivers and (b) the practical realities of what it means to manage an important alliance relationship, executives don't always appreciate the value of investing in building an alliance management capability.

OVERCOMING THESE MISPERCEPTIONS

Alliance professionals can help their cause by *(See Figure 2 – Overcoming Misperceptions):*

1. Making visible the upfront investment in partnerships and what is required to achieve a return on that investment.

2. Highlighting the strategic, operational, and financial risks that endanger this investment in terms of foregone revenues and profits, impairment of tangible and intangible assets, or damage to the organization's brand as a partnering organization.

[2]allianceboard, "Digital Maturity and the Evolving Importance of Alliance Management, https://www.allianceboard.com/post/digital-maturity-and-the-evolving-importance-of-alliance-management

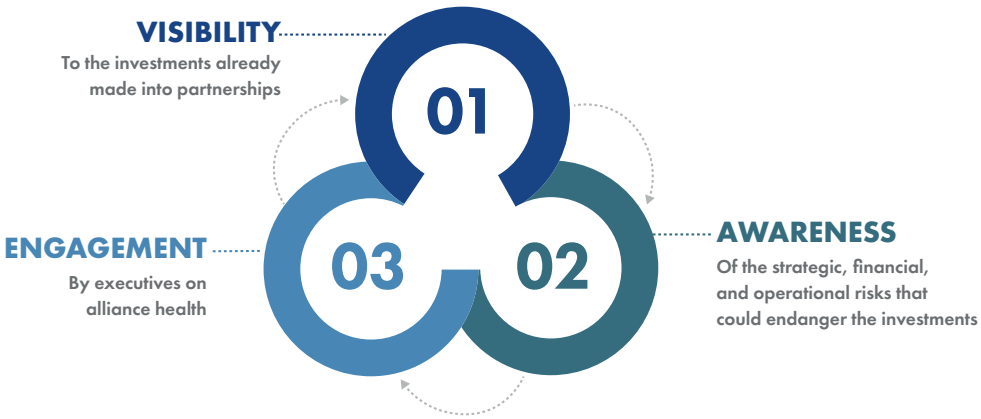


Figure 2 – Overcoming Misperceptions

3. Keeping executives engaged on the health of their alliances and the value they bring to the organization by managing these alliances in terms of revenues and profits retained or in terms of risks and financial problems avoided.

INVESTMENTS REQUIRED

At one level, this requires a strong mindset, intimate knowledge of the organization, in addition to exceptional communication and influencing skills.

A best-in-class partnering capability also requires three types of financial investment to:

1. Develop scalable alliance processes that allow the organization to learn and build on its partnering successes and failures.
2. Implement tools and digital infrastructure that are fit for the job and not made to fit from other uses.
3. Advancing the knowhow and skills of not just the firm's alliance professionals but also those who serve on governance committees or have team member roles, working with partners day-to-day.

To encourage executives to make the investment in capability development, alliance professionals must demonstrate how effective alliance management helps realize the value intended from its direct investments in partnerships and manage the risks to them.

Alliance professionals can help their cause by:

1. Making visible the upfront investment in partnerships

2. Highlighting the strategic, operational, and financial risks that endanger this investment and

3. Keeping executives engaged in alliance health.

The best alliance managers offer a unique combination of skills to their organization:

- **They are strategically astute**
- **They have a high degree of emotional intelligence**
- **They are operationally strong.**

How Alliance Management Capability Preserves and Enhances Value to Deliver Return on Investment

THE UNIQUE SKILLSET OF EFFECTIVE ALLIANCE MANAGERS

The best alliance managers offer a unique combination of skills to their organization:

- **They are strategically astute** – with a deep understanding of the strategic, operational, and financial drivers of each partner behind each alliance.
- **They have a high degree of emotional intelligence –** which makes them great partners to the deal makers, able to discern motivations and interests, as well as the cultural and organizational differences that need to be bridged to create win-win outcomes.
- **They are operationally strong –** with a laser focus on execution.

They combine these three skillsets into one – and they use their unique abilities to exert influence with both internal and external stakeholders to preserve and enhance the value of any alliance.

Alliance professionals employ their skills:

- **As strategists.** They have a holistic perspective on what the partners are trying to achieve at all times. This puts them in a unique position to match the partners' needs to their company's own strategic, innovation, and operational objectives. They apply their strategic acumen throughout – at the beginning when a deal is made, and also throughout the life of the alliance. Their unique position allows them to identify new opportunities with a partner, thus enhancing partnership value.
- **As partners to deal makers.** They work alongside the deal team to ensure the alliance agreement actually works over the life of the alliance and doesn't just look good when the deal is made. They counterbalance deal fever to ensure that the agreement survives when a disagreement

arises, objectives diverge, or external events intervene. They also find solutions when an agreement needs to be adjusted.

- **As execution specialists.** They ensure the operating teams develop plans that will realize the strategic intent of the alliance and that the teams are structured and chartered to be agile and operate effectively. They manage the alliance's governance processes, guiding value creating decision making. They maintain contractual obligations for each partner, resolve issues before they become problems and pay constant attention to what could go wrong so that the teams can do what is necessary for things to go right. They also monitor the health of the alliance together with stakeholders on all sides.

The best alliance managers use their unique skillset to create and inspire mutually beneficial solutions that ensure the parties don't lose the value that they intended when they established the alliance. If teams aren't skilled or don't have the tools and infrastructure to bridge differences and influence the parties to develop value-creating solutions, then the value that was intended when the parties entered into the relationship can be lost.

This three-part skill set gives the best alliance managers a superpower: the unique ability to influence senior leaders in each partner to advance the interests of the alliance in ways that also achieve their own company objectives.[3]

This three-part skill set gives the best alliance managers a superpower: the unique ability to influence senior leaders in each partner to advance the interests of the alliance in ways that also achieve their own company objectives.

When alliance managers are at their best, their organizations benefit in many ways. The challenge of measuring and communicating the benefits of alliance management is that often it is preventing things from going wrong. An alliance manager must adapt the measures and communications that derive from these alliances to suit the varying stakeholders and audiences with whom they work.

SEVEN WAYS ALLIANCE MANAGEMENT PRIORITIES PRESERVE AND ENHANCE VALUE

We offer seven important priorities of an effective alliance management capability for preserving and enhancing value. *(See Figure 3 – Preserving and Enhancing Value).* This is not an exhaustive list and what is most important is entirely contextual. Every alliance is different, but there are consistent practices to deploy:

Managing the cost of time

If decisions aren't getting made in a timely manner, the product is late to market which results in reduced revenue potential, new revenue opportunities

[3]Twombly, J. and Shuman, J., "Positive Influence: The Alliance Professional's Superpower", *Strategic Alliance Quarterly,* Q4 2022, https://rhythmof-business.com/wp-content/uploads/2023/03/Positive_Influence_The_Alliance_Professionals_Superpower.pdf

We offer the seven highest priorities of an effective alliance management capability for preserving and enhancing value.

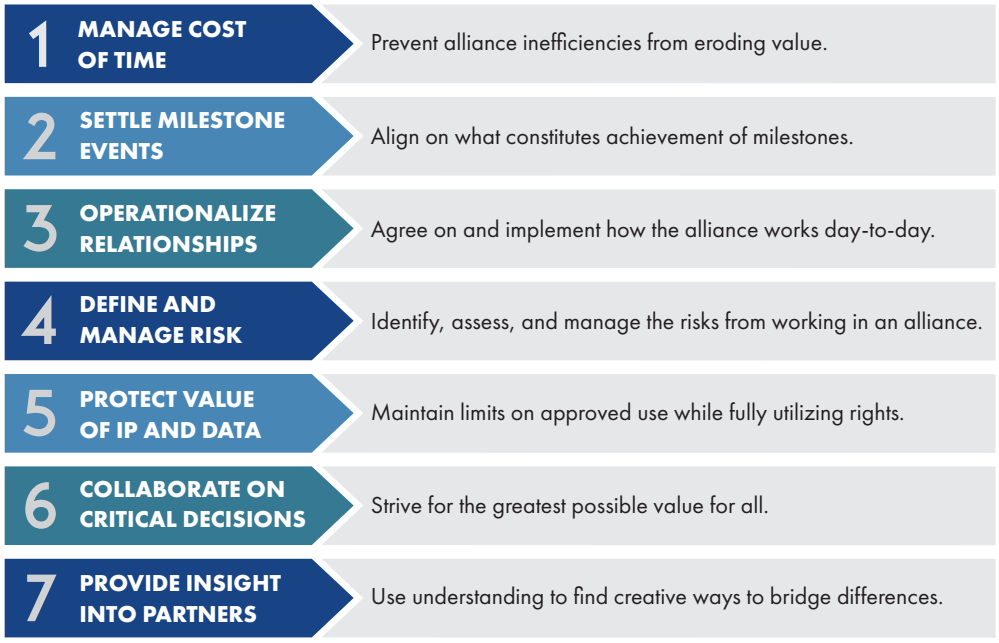


Figure 3 – Preserving and Enhancing Value

disappear, competitors can get an advantage, and executive time is wasted trying to solve issues.

Ensuring timely settlement of milestone events

Many alliances are structured around milestones and goals the partners want to achieve. Financial obligations can result when an objective is achieved. One party realizes revenue while another makes a payment. What constitutes achievement is something that must be agreed between the partners. Ensuring that this alignment happens before the actual milestone event occurs means that the payor's expense and payee's revenue occur when planned. Timely payments are also a key requisite of maintaining trust in the relationship for the long-term.

Operationalizing a long-term relationship

Alliance agreements contain many obligations for each partner. They typically include aligning on annual plans and budgets, required reporting, information and data management, and more. As a first step, fulfilling these requirements is essential to conducting the product or solution related work of the alliance.

Yet beyond basic contract compliance, alliance agreements define why the partners are coming together and what they plan to do together. Because these agreements last for years, if not decades, they can only touch upon how they will do it in broad outlines of the distribution of rights and obligations. How those

provisions will be operationalized is left to the partners to decide as the alliance is initially implemented and as a it evolves over time.

Defining and managing alliance risk

It is only natural. People don't like to think about risk. They want to believe that everything will turn out fine. Yet there are many risks that go with any business effort regardless of whether it is undertaken with a partner. These include the scientific risks that accompany any codevelopment effort or the ever-present market risks that a product doesn't meet commercial expectations.

While alliance professionals stay attuned to all of the risks that can impact the realization of the intended value of an alliance, their focus is on the risks that only exist because these activities are being conducted within an alliance construct. These alliance related risks must be anticipated, assessed and mitigated or otherwise managed.

Defining Alliance Risks

Alliance management risks typically get classified into three categories:

BUSINESS RISK

Strategic or operational misalignment between partners that prevents moving the business forward in a way that maximizes value for all constituencies. Business risk also includes the potential that a party to an agreement will not fulfill its contractual obligations, including complying with laws and regulations.

HUMAN RISK

Differences of opinion, outlook, or perspective that result from the culture, motivations, interests, or priorities of one of the partners. Human risk also exists when the interactions between individuals result in conflict or a loss of trust.

LEGAL UNCERTAINTY

Ambiguities in an agreement that are interpreted and resolved unfavorably to a specific partner. Legal uncertainty is typically a leading indicator of business or human risk.

While alliance professionals stay attuned to all of the risks that can impact the realization of the intended value of an alliance, their focus is on the risks that only exist because these activities are being conducted within an alliance construct.

No one else knows the partner like the alliance professional knows them. This knowledge is essential to identifying creative ways to bridge differences and encouraging all parties to find a solution that achieves the objectives of the alliance while achieving each partner's individual objectives.

Protecting the value of intellectual property and data

Value in alliances often accrues because of the license of intellectual property from one partner to the other and the use of it to generate new data which can advance an asset to the market. Maintaining the limits on its approved uses is as essential for preserving retained value as is fully utilizing licensed rights.

Alliance professionals must be attuned to these limits, and educate their team members and executives about them. Often they guide the organization in establishing "firewalls" and "clean teams" to protect the intellectual property. With increasing frequency they are helping to negotiate data-sharing agreements.

Ensuring critical decisions are collaboratively made to produce the greatest value for all

Most codevelopment and cocommercialization alliances are either bound by contract or strive to make decisions via consensus. There are many pros and cons to this manner of decision making. Some alliances find it expedient to go for the easiest decision thereby leaving value on the table. Alliance professionals must help the teams get to better decisions.

Providing insight into the partners' business to appreciate what matters to them and providing timely intelligence to senior decision makers

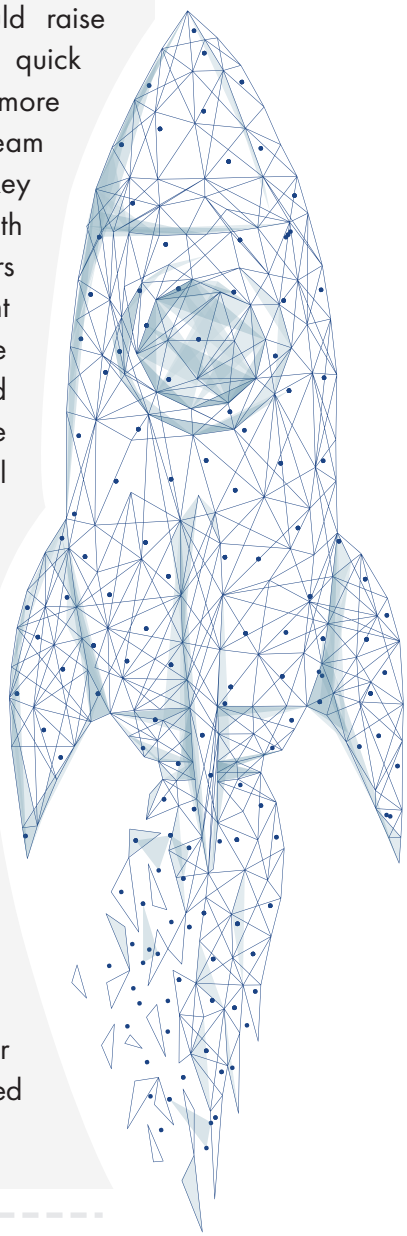
No one else knows the partner like the alliance professional knows them. This knowledge is essential to identifying creative ways to bridge differences and encouraging all parties to find a solution that achieves the objectives of the alliance while achieving each partner's individual objectives.

These seven priorities are not the only ways alliance professionals preserve and enhance the value intended to be captured at the time the partners entered into the alliance. All alliance professionals should be sure these are occupying the majority of their time.

Two Examples of Preserving and Enhancing Value

The core responsibility of alliance management professionals is to preserve and enhance the value intended at the time the deal was inked. What does this really mean and how does an alliance professional recognize opportunities to do so? Here are a few examples from our experiences:

The partners were at odds about the next indications to develop. The obvious ones had low potential commercial return, but could raise awareness of the drug amongst providers, paving the way for quick adoption of more lucrative indications that had a longer, riskier, and more expensive clinical development plan. The alliance management team facilitated a strategy session with a joint cross-functional team to surface the key underlying assumptions behind each indication's development path and what had to be proved for the assumptions to be true. The partners agreed to not pursue an indication that had a relatively easy development pathway but was not going to meet the profitability benchmark of the partner who would be tasked with leading the clinical trials. They agreed to use the funding to power a pivotal trial that had the potential to create a wider label for an indication that would take longer to gain approval for and thus was more expensive, but that had a high Potential Technical and Regulatory Success (PTRS) metric and a very positive Net Present Value (NPV) score.



A biopharma company struck an expansive research deal with a high profile academic medical center and a star Principal Investigator (PI) to conduct preclinical research on an exciting new technology. The biopharma company's scientists were star-struck. They were not comfortable holding the star PI to contractual deadlines. This jeopardized the internal research program dependent on the PI's science. The lack of progress reported at governance meetings clued the alliance management professional to the potential problem. She worked with her scientific leads to conduct a peer led "intervention." As a result, the PI understood that further funding was dependent on providing contracted deliverables and produced them in a reasonably timely manner.

We offer seven key alliance management processes that enable effective alliance day-to-day operations. They are all more effective and efficient if implemented through a fit-for-purpose digital platform such as allianceboard.

Powering Effective Alliance Management with a Digital Platform

To repeat, a best-in-class alliance management capability develops and implements:

- Scalable alliance processes that allow the organization to learn and build on its partnering successes and failures
- Tools and infrastructure that are fit for the job and not made to fit from other uses
- Ways to capture and advance the knowhow and skills of the firm's alliance professionals as well as those of the people who serve on governance committees and those who have team member roles, working with partners day-to-day

We offer seven key alliance management processes that enable effective day-to-day alliance operations. They are all more effective and efficient if implemented through a fit-for-purpose digital platform such as allianceboard. *(See Figure 4 – Alliance Management Processes to Implement through a Digital Platform).*

Figure 4 – Alliance Management Processes to Implement through a Digital Platform

IMPLEMENTING AND MANAGING EFFECTIVE GOVERNANCE PROCESSES

Too often people tell us their alliance governance, especially their JSC is a rubber stamp. That should not be the case!

Governance decides the strategy to achieve the intended value of the alliance. It aligns on the North Star that describes the core vision and objectives of the alliance. Governance is how decisions are made. It keeps the alliance on track to achieve its objectives.

One of the alliance professional's core responsibilities is to orchestrate and lead an effective governance process. This includes:

- Strategic discussions timely placed on agendas
- Critical decisions related to inflection points proactively prepared for and managed to optimal results
- Metrics and dashboards regularly reviewed
- Teams challenged to excel
- Opportunities for enhanced value are discussed and acted upon

With a digital platform it is easier and more efficient to recognize key issues and topics, as well as manage action items because all information is in one place. Dashboards and other reports can be pre-programmed to keep governance members informed and focused on the most relevant discussions.

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VISUALIZING RISK REGISTERS AND MAKING THEM POINTS OF DISCUSSION

Alliance professionals control alliance risk by implementing and maintaining effective operations, which bridge the strategies, structures, cultures, and processes of two or more entities.

Company boards of directors regularly review a risk register listing all relevant risks, the classification of those risks based on their likelihood and potential business impact, and the strategies for addressing them. The most senior governance body of an alliance, often called a Joint Steering Committee (JSC) should be functioning similarly to a board of directors, including reviewing and directing action on its risk register.

The most senior governance body of an alliance, often called a Joint Steering Committee (JSC) should be functioning similarly to a board of directors, including reviewing and directing action on its risk register.

A digital platform is invaluable for capturing, categorizing, and visualizing not only risks, but the strategies and specific plans for addressing them. *(See Figure 5 – Visualizing Risks)*

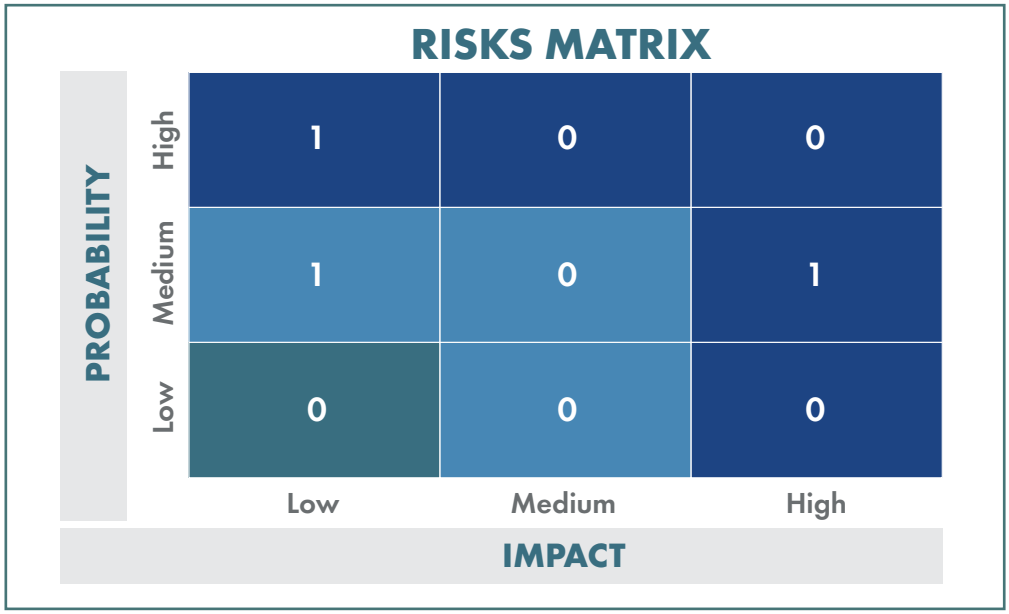


Figure 5 – Visualizing Risks

ESTABLISHING JOINT ALLIANCE GOALS AND PROACTIVELY MANAGING THEIR ACHIEVEMENT

To help each governance committee and working team appropriately contribute to value creation, alliance professionals lead the establishment of a set of interlocking goals that cascade from the senior executive committee through its subcommittees, and to the working teams. With the goals in hand, identify the key decisions to be made and deliverables required and link them to the goals.

> "Consistent tracking of events, goals and expected future payments provides overall transparency and helps each individual AM to keep oversight in his/her assigned alliances."
>
> *– Global Head of Alliance Management, big pharma company*

Display these on a timeline to give everyone a consistent understanding of how the work ties together. It can then be filtered so that each committee or team has the picture that is most relevant to them and can manage to the timeline. This helps prevent decisions from being delayed and enables milestones to be timely met.

MANAGING KEY DECISIONS PROACTIVELY

When decisions are not made timely, business value is lost. Alliance professionals should plan for the key decisions, especially those that are at important inflection points. *(See Figure 6 – Decision Planning Matrix).* As discussed in the comments on goal setting, these should be put on a timeline. That not only makes them visible but allows for coordination with the timing of internal governance meetings. That provides alliance governance members with guidance to advise them on how much leeway they have in the alliance decision and the interests that are most important to senior management. Nothing is more frustrating to an alliance team than well-considered governance decisions that get overturned by the internal governance of one of the partners.

Alliance professionals should plan for the key decisions, especially those that are at important inflection points.

Complex decisions can be broken down into their component parts, with the easy elements to agree to taken care of expeditiously, leaving the more contentious to be dealt with as underlying assumptions are identified and more data is assembled to validate or invalidate those assumptions.

DECISION PLANNING						
Decision	Due Date	Key People Engaged	Critical Assumptions	Deliverables Required	Risk Management Plans	Related Goal
Whether or not to exercise option to license	*90 days from receipt of data (approx. 3/31/24)*	*Sharon F., Michael G.*	*Low toxicity concerns, able to manufacture, passes PTRS minimum*	*Final data package, including evidence meeting key metrics*	*Working with partner and key internal decision makers to develop data package*	*Develop pipeline of therapies targeting KRAS mutations*

Figure 6 – Decision Planning Matrix

A digital platform with its single version of the truth makes it easier to communicate about the alliance and to properly onboard new members, including transitioning from one alliance manager to another.

A decision log maintained for each committee and the alliance overall is a key tool to manage the risk that decisions are not appropriately implemented. It provides important documentation that can prevent later disputes about why a certain decision was reached. It builds as each decision is taken and recorded and can be assembled to easily show governance committee members the process through which they arrived at decisions to date and what remains to be done.

ONBOARDING NEW GOVERNANCE AND TEAM MEMBERS

The first communication stakeholders receive about an alliance is through the onboarding process. They need to know about the business purpose of the alliance and key contractual provisions. They also need to know the deliverables they are responsible for, a history of decisions that have been made, and who are the key players.[4]

Lack of a thorough onboarding causes teams to churn topics and cause frustration when new people aren't appropriately up to speed. They can make mistakes that lead to violating terms of the contract or agreed to ways of working. Again, this is another way a digital platform with its single version of the truth makes it easier to communicate about the alliance and to properly onboard new members, including transitioning from one alliance manager to another.

[4]The Rhythm of Business, Inc., "Get a Running Start with a Comprehensive Onboarding Program, https://rhythmofbusiness.com/get-a-running-start-with-a-comprehensive-alliance-onboarding-program/

MAINTAINING EFFECTIVE COMMUNICATIONS INFRASTRUCTURE AND PRACTICES

The Rhythm of Business' analysis of a number of alliances shows that even the most effective are not as good as they should be at communicating needed information about the alliance. This is true for both internal stakeholders and across the alliance. People report being surprised about something they should have known before making a commitment or offering a briefing. They report that it is not easy to access alliance information. This is true even when portals such as Sharepoint are used.

The Rhythm of Business' analysis of a number of alliances shows that even the most effective are not as good as they should be at communicating needed information about the alliance.

When people, especially executives, are unpleasantly surprised, it causes "fire drills" – the scramble to get to the truth that takes people off track and results in unnecessary meetings that waste people's time. When people can't easily access information, the same thing can happen. Additionally, decisions can get rehashed, people have to make repeat presentations, duplicating efforts. This often produces frustration and confusion. Time is wasted and trust can erode.

The single version of the truth maintained in a digital platform can minimize communication breakdowns:

- Schedule individually relevant reports to be automatically distributed to stakeholders.
- Customize dashboards so that each individual can see just the information that matters to them.
- Have a shared alliance calendar depicting key dates, meetings, and events to keep everyone in the know.

REPORTING AT A PORTFOLIO-LEVEL AND ASSESSING INDIVIDUAL ALLIANCES

Seeing the full picture of an alliance portfolio helps allocate resources and determine management strategies for different segments or tiers of the portfolio. It also allows trends to be observed and acted upon in a timely manner.

Profiling individual alliances highlights their intended financial and strategic value and the factors that cause alliance complexity and risk. This profiling allows the alliance professional to focus their efforts to ensure that value is being gained and the causes of complexity and risk are proactively managed. Aggregate individual alliances by therapeutic area or other meaningful

Seeing the full picture of an alliance portfolio helps allocate resources and determine management strategies for different segments or tiers of the portfolio.

grouping to determine if intended value is being realized. It is also helpful to recognize trends and systemic issues in alliances that present challenges to alliance execution.

Additional alliance specific evaluation includes surveying stakeholders and gaining their insights on both the value they are realizing from the alliance as well as their perspectives on how effectively it is operating. Accomplish this easily with a fit-for-purpose digital platform. The Rhythm of Business' research shows that alliances with more effective operating models are 40% more likely to achieve their objectives than poor performers. *(See Figure 7 – Outcomes by Operating Model Effectiveness).* Regular measurement and reporting are essential to provide data-based information on which to take action.

We'll say it again: alliances are conceptually simple and operationally very challenging. Alliance management principles, processes, and techniques are how the intended value at the time of a deal is realized. A digital platform makes that more efficient and comprehensive.

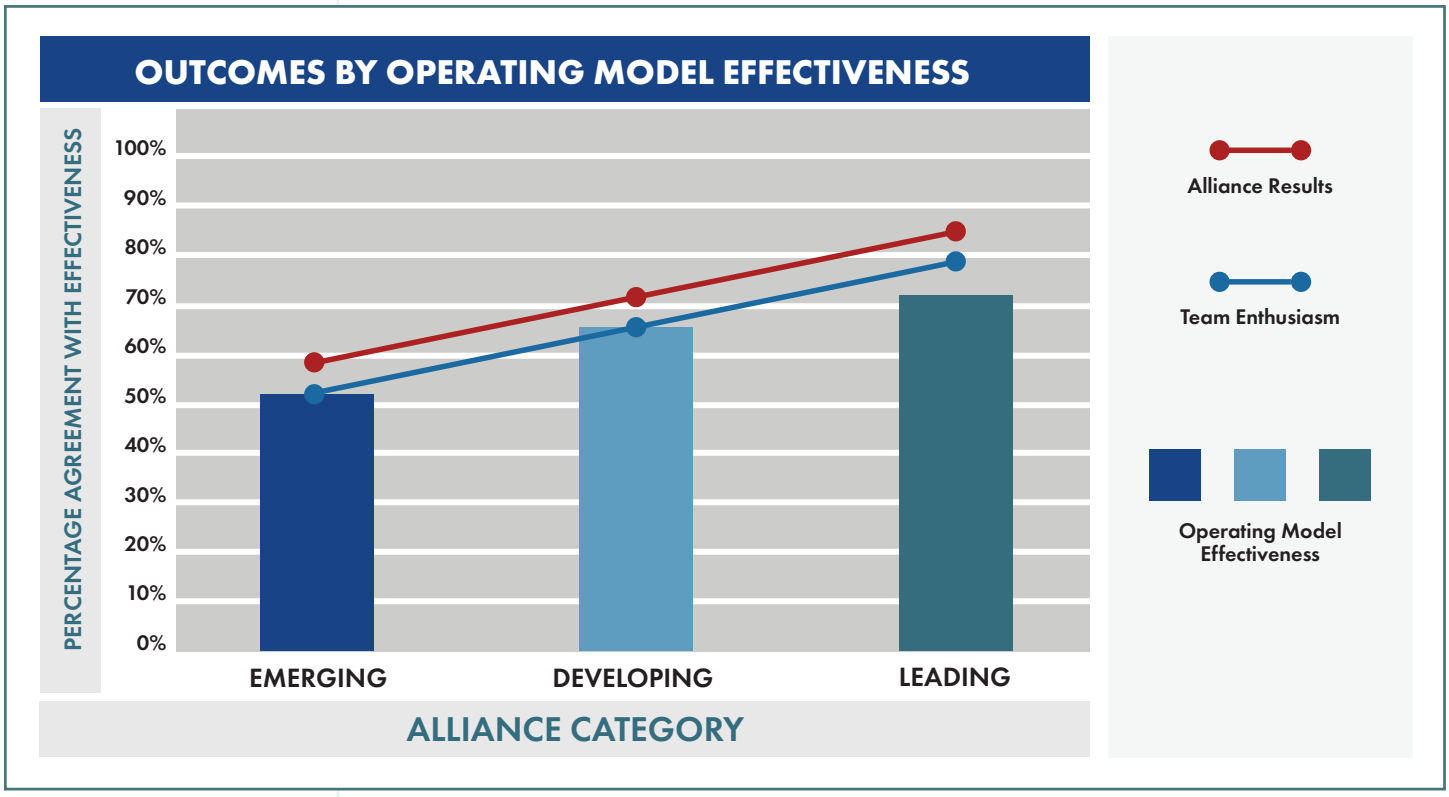


Figure 7 – Outcomes by Operating Model Effectiveness

Investing in Alliance Management Capability: Making the Pitch

Most companies underinvest in their alliance management capability. This is surprising because it is generally understood in the biopharma industry that between 40% and 60% of a company's revenue and product pipeline depends on partnering done well.

In addition to the paradox of partnering and alliances as conceptually simple and operationally challenging, it can be difficult to measure and provide evidence of the impact of effective alliance management. What is the value of preventing something from going wrong? It could be huge, but it can only be measured in retrospect. The impact of actions that cause important decisions to occur timely and in a manner that maximizes market opportunity can be more easily measured in the difference in revenue potential for a product that is first or second to market compared to one that is third or later. As a result, a company may reach commercial milestones and realize the "biobucks" it would not if it were late to market.

BUILDING A FOUR-PART BUSINESS CASE FOR INVESTING IN ALLIANCE MANAGEMENT

It is essential for your company's financial future to invest in better alliance management. So that your senior leaders understand why this investment makes sense, use a four-part business case *(See Figure 8 – Business Case Format)* to communicate the relationship between:

- The value of what is being managed
- How that value could be diminished if it isn't managed well, how this value could be enhanced if it is managed well, or a combination of both
- The investment needed to manage that value well (how much over what period of time)
- How that investment pales in comparison to the potential decline or enhancement of the investment in partnerships

It is essential for your company's financial future to invest in better alliance management. So that your senior leaders understand why this investment makes sense, use a four-part business case.

What's the sum total of the cash investment in partnerships – in upfront license fees, research funding, and performance milestones paid to date?

BUSINESS CASE FORMAT	
PART ONE: Explaining the value that is being managed	**PART TWO:** Proving how that value could be diminished if it isn't managed well, how this value could be enhanced if it is managed well, or a combination of both
PART FOUR: Demonstrating how that investment pales in comparison to the potential decline or enhancement	**PART THREE:** Explaining the investment needed to manage that value well (how much over what period of time)

Figure 8 – Business Case Format

TAKING ACTION

Here are some suggested questions to ask for each step of your business case. These need to be refined to reflect the composition of your portfolio.

PART ONE:

Explaining the value that is being managed

- What is the scope of your portfolio and expected future partnering efforts in strategic, operational, and financial terms?
- What's the sum total of the cash investment in partnerships – in upfront license fees, research funding, and performance milestones paid to date?
- What are your anticipated future incoming milestone receipts? What are the potential future obligations for performance milestones?
- How important is partnering to the strategy and goals shared with industry analysts and investors? For example, are partnered assets core to a strategic pillar or expected to be a growth driver?
- How do team members' experiences in partnering translate to their

willingness to stay with the company – or encourage them to move on? Monitor the turnover rate on your alliances, especially in key positions.

- Do you get access to the best assets? Are you on the short list of deep pocketed investors because it is known the quality of your partnering is as good as the quality of your development and commercialization capabilities?

What's the competitive environment? Are you in a race to market?

PART TWO:

Proving how that value could be diminished if it isn't managed well, how this value could be enhanced if it is managed well, or a combination of both

- For a large alliance portfolio, what is the single most important risk for each alliance? (Hint: choose those risks that have the highest probability and highest impact)
- If you only have a few alliances, what are the three most important risks for each?
- What's the competitive environment? Are you in a race to market?
- Do the partners have different philosophies that need to be bridged so that they align on value maximizing development plan?
- Are there companion diagnostics or clinical combinations with third parties whose development and regulatory pathways have to be coordinated with decision making for the core asset in order to gain marketing authorization?

PART THREE:

Explaining the investment needed to manage that value well (how much over what period of time)

- How many full-time equivalent (FTEs) alliance managers are needed for the portfolio and the total cost of that? Depending on how your organization evaluates business cases, you could present three variants to allow your executives to choose one instead of this being a yes-no choice.

How many full-time equivalent (FTEs) alliance managers are needed for the portfolio and the total cost of that?

- What information infrastructure is needed and the cost of this in software licenses, subscription fees, etc.?
- What third party services are needed to design and implement processes/playbooks, etc. and the cost of these?
- What is the investment in professional development and training required on an annual basis?
- What is the cost of other corporate functions, such as corporate communications and IT needed to support operations?

"It streamlines communication, boosts efficiency, and provides invaluable insights. A game-changer for any organization looking to optimize its strategic partnerships."

— Alliance Director, US Pharma Company

PART FOUR:

Demonstrating how that investment pales in comparison to the potential decline or enhancement

- Compare value to investment and calculate Return on Investment (ROI)
- Compare the total upfront payments for optioned assets that could be lost if the decision and data package aren't carefully managed. What's the investment made in securing those assets?
- Highlight the amount committed to external research that could be wasted if deliverables aren't produced as intended.
- Share the incremental value of the commercial milestones you could receive by being first or second to market compared with third to market or later
- What's the average cost of arbitration for a dispute that can't be resolved in the alliance?

Explaining the value of the alliances that you manage in these terms speaks to executives in a language they understand. This allows you to make the case for investment in alliance capability, be it in upskilling people, securing professional services to help establish your practices, or adding additional alliance professionals to ensure the portfolio can be adequately covered.

Compare value to investment and calculate Return on Investment (ROI)

It also lets you make the case that investing in a digital platform to better manage your alliances provides:

- Transparency to stakeholders
- Consistency in processes
- Efficient onboarding
- Ability to scale
- Bespoke reports to the team and stakeholders to monitor the metrics that matter

The result is better informed, data-driven decision making about the organization's alliance portfolio and ultimately achieving its financial and strategic goals.

About The Rhythm of Business

The Rhythm of Business is a professional services firm with core expertise in alliance management, strategic alliances, and business collaboration.

Our mission is to help people partner well. Since 1999 we have consulted globally and offered education and training, digitization, and data-based assessments to help organizations achieve higher levels of partnering and alliance success. We work with leaders to build and execute a collaborative leadership agenda, break down barriers, and drive consistently excellent alliance practice throughout an organization and its partnerships.

Visit The Partnering Guide™ for the latest thought leadership and posts on current topics in alliance management, strategic alliances, and business collaborations. Access it at www.rhythmofbusiness.com/partneringinsights.

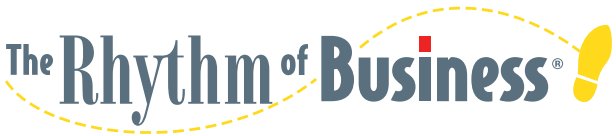
About allianceboard

allianceboard is the purpose-built alliance management platform designed to empower organizations to effectively organize, manage and grow their complex partnerships, alliances and ecosystems with their partners at the center.

With its innovative suite of tools and features, allianceboard streamlines alliance governance, performance tracking, obligation management, alliance health monitoring, and alliance risk management. allianceboard helps ensure that alliances deliver maximum value and remain aligned with strategic objectives.

The versatile platform enables alliance managers to effortlessly oversee partnerships, establish clear goals, communicate efficiently, and mitigate risks, both internally and externally and automated where possible.

By providing a comprehensive view of alliance activities, allianceboard equips organizations with the insights and capabilities needed to foster successful, enduring alliances that enhance overall competitiveness and drive growth. Visit www.allianceboard.com to learn more.



Empowering Collaboration and Partnering Success

+1 617 965 4777

www.rhythmofbusiness.com

alliance board

DRIVE ALLIANCE SUCCESS

USA & Canada: +1 857 239 0262

UK & Europe: +44 2086 385 712 or

+41 442 819 225

www.allianceboard.com

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