

FEBRUARY 2005

FOR GLOBAL BUSINESS AND MARKETING LEADERS

Pharmaceutical Executive

It's not the contract that scuttles most partnerships.
It's corporate culture.
One key to alliance success:
Know your partner
(and yourself).

Bridging the Gap

BY LYNDA C. MCDERMOTT AND ESTHER FLEISCHACKER

In the highly competitive arena of pharmaceutical development and marketing, organizations aiming to keep pace must look beyond their own backyards. Alliances between pharma and biotech companies, or between big pharmas and small, are commonplace and increasing. The logic behind such teaming is clear: Each partner brings something of value to the table

and, working together, they create (at least theoretically) a stronger force and position themselves for greater results through strategic collaboration. As pipelines need fuel to sustain profitability and growth, organizations look to ensure competitive advantage by joining with an

ally to co-develop and co-promote products, leveraging each other's strengths and building on mutual opportunities.

We understand why alliances are formed. The continuing question is: How can companies best prepare and sustain their alliance teams for success?

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Case Study: A Tale of Two Cultures

The chart below shows how the two sides of a potential strategic alliance evaluated their own corporate cultures. What do their answers suggest for the partnership? The authors' answers are on pages 86 and 88.



SOURCE: EquiPro International

A PharmExec Graphic 4/11

One of the biggest challenges in creating successful alliance teams is the ability of brand and senior management from each company to understand and manage the issue of cultural compatibility. “It takes two to tango,” says the old adage. But what happens if one partner excels at tap-dancing, while the other prefers a stately waltz? At best, there’s the chance for each to learn some new steps; at worst, the partners won’t even agree on what tune to play.

Culture is “the integrated pattern of human behavior that includes thought, speech, action, and artifacts.” Or, as Marvin Bower, former managing director of McKinsey & Company once said: “It’s the way we do things around here.” Extending to alliances, it’s how the behaviors, values, and operating procedures of two separate entities interact.

Effective teamwork doesn’t happen by accident. Ignoring cultural issues overlooks the fact that however strategic and viable the mission at hand, it’s up to the people involved in the alliance team, with all their individual talents, skills, foibles, and tendencies, to align and move forward on the shared agenda thrust upon them. The lawyers who wrap up the deals on alliance contracts are understandably focused on the bottom line—specifically,

how will this deal enhance the company’s financial performance? Meanwhile, the joint team tapped to carry out the deal is subject to a host of pressures, the most fundamental of which is that their ability to get work done *together*—as a team—will determine their ultimate success.

Once a deal is in place, close and immediate attention to potential cultural issues confronting an alliance team offers a huge jump-start toward success. Too often, however, no attention is paid. The alliance is announced. Individuals from each side are thrown, willingly or otherwise, into the fray. Groups of functional experts from each company are now expected to work in lockstep, as a team—collaborating, communicating, managing conflict, making decisions, effecting strategy—without regard to how such operational procedures are normally conducted within each respective camp. Certain “mechanical” processes, such as forecasting, budgeting, information technology systems, usually have to be put in place right away. Yet the team itself is expected to “bond” and “grow together” without even the corporate equivalent of a ceremonial “Kumbaya” around the campfire to commemorate the union.

Given the enormous costs associated with failed alliances—of which statistics

tell us there are many—addressing the cultural fit of the allied companies is ultimately a fiscally responsible course of action.

Cultural Compatibility

EquiPro recently worked with the newly formed senior management steering committee of an alliance team comprised of members from a big pharma and a small pharma. Their charter was to ensure the success of a new drug by providing strategic direction; challenging and approving the brand plans and key business decisions; and creating winning external/ internal conditions across both organizations.

As part of the “team jump-start” process (an off-site meeting to align their goals), we suggested that team members examine each other’s culture to anticipate areas of potential compatibility and conflict. We used the Leadership Culture Questionnaire, a validated survey developed by the Management Research Group (MRG). The survey measures 22 specific cultural practices within five leadership functions—creating a vision, developing fellowship, implementation, follow-through, and team-playing. The survey results indicated which cultural practices were strongest in each company. These practices were assumed to reflect the lead-

Reading the Culture

The chart on page 85 shows how executives from both sides of an alliance—a large pharma company and a small pharma company—assessed their organizations’ cultures. Here, the authors analyze what cultural similarities and differences mean for the alliance.

CHALLENGES

Consensual:

Both organizations tend to be highly consensual. For the alliance team it might indicate a tendency to agree with one another too easily. Given the complexities of their decisions, this could be dangerous if not all aspects of an issue are explored and discussed.

Structuring:

It seems that neither organization is very process-oriented, and neither operates in an organized, systematic fashion. This could cause confusion in decision making and action planning. Clear operating procedures and processes will help avoid pitfalls.



STRENGTHS

Similar Profiles:

Both organizations have similar profiles—which is surprising, given the differences in size and structure. That’s a plus. Both organizations exhibit cultural and style similarities that can facilitate basic understanding

Persuasive and Excitement:

Both organizations seem able to inspire and display a high level of energy, intensity, and enthusiasm. Differences can be overcome by keeping the goal in mind. Leaders exhibit a vested attitude in their goals, and are able to articulate that internally as well as to stakeholders.

Innovative:

The scores imply that both organizations are on the same page on how to evaluate problems. Both tend to think creatively, out of the box. The tendency is not to look to what has worked historically, but to try to find original and new solutions.



ership values and behaviors of the senior management of each alliance partner.

The steering committee came together to explore particular strengths, challenges and potential implications for their collaboration, using the quantitative survey data for their discussion points and as a common basis of analysis. Essentially, the issue was how to learn from the leadership culture data—that is, how to capitalize on their differences, adapt to and transfer new methods to the joint team, and become more effective in interacting with each other.

On the surface, these allies appeared strikingly different—the small pharma a fast-moving, entrepreneurial organization, the big pharma more conservative and accustomed to layers of decision-making. Surprisingly, the profiles generated using the culture survey proved strikingly similar (See “A Tale of Two Cultures,” pg. 85). The team saw this similarity as a potential asset in some areas—and a potential liability in others. For example, the two organizations shared high scores on innovative problem solving, a positive factor in fostering new ways to approach their mutual objectives. Interestingly, especially with regard to big pharma team

members, the new partners also shared a trait of not being very process-oriented, indicating a need for the joint team to develop systematic ways to make decisions and determine strategy.

This illustrates the advantage of providing alliance teams with solid information about cultural style differences and similarities. It creates an opportunity to implement structures, processes, and norms that anticipate and help mitigate potential risks, threats, or incompatibilities inherent between the two allied partners. In turn, an effective, high-performing alliance can generate a stronger bottom-line outcome.

Why Can't You Be More Like Us?

Consider another case—one of cultures colliding: a small biotech with a promising new pipeline drug approaches a big pharma company with established marketing channels and deep pockets.

In this case, the issue of culture was never raised, even while the companies' differences in size and geographic locations raised immediate, implicit assumptions about cultural differences. For exam-

ple, though entrepreneurial in nature, the small biotech was risk-averse, academically oriented, and had a definite bent toward filling its ranks—in particular, its upper echelon leaders—with experienced people. Conversely, the big pharma had a broad enough talent pool to afford a few calculated risks and adhered to more of a “sink or swim” philosophy of indoctrinating managers. These distinct cultural characteristics showed up immediately on one of the team's first important tasks: agreeing on who should be on the team. Both kept to their usual practices—the small biotech tapping veteran talent, expecting them to roll up their sleeves and be productive team members, and the big pharma giving less experienced people stretch assignments for development, relying on senior management to provide hands-on coaching.

Beyond a lack of agreement about team-member selection, the companies' different philosophies converged to become a source of mutual frustration in several areas. Over time, the culture clash became painfully obvious and the team derailed. In a smart attempt to get to the crux of their problems, team members gathered off-site, where the senior management and team leaders from each camp stepped to a podium for a specific purpose:



An effective, high-performing alliance can generate a stronger bottom line outcome.

» Reading the Culture

CHALLENGES

Tactical:

The tactical nature of the big company alliance team indicates that in implementation phases they might push for quick results. There's a danger that they will settle for an answer that is expedient rather than stepping back and really thinking things out. The small company team might balance this tendency but might get frustrated.

Conservative:

Both organizations exhibit a tendency to be innovative when solving problems but do not tend to look to what has worked in the past. Innovativeness is a great trait for any team, yet failing to review and learn from past experiences suggests the alliance may end up repeating the same mistakes.

STRENGTHS

Communications:

Both organizations sincerely believe in the importance of keeping others informed. They will spend time clearly defining expectations and articulating their ideas and views. This important asset will help the alliance's effectiveness greatly. Communicating across organizational boundaries is one of the most important success factors—and this alliance team exhibits the skill-set.

Empathy:

Both organizations demonstrate the tendency have an active concern for people and their needs and to form close and supportive relationships. This is a definite asset for the alliance team, because it indicates a strong foundation of support and encouragement for one another which can reach beyond company boundaries.

to explain their respective organizational cultures, describing “the way we do things around here” and then relating that back to the alliance.

One important result of the experience was that the alliance team moved from a stubborn perspective of “Why can’t you be more like us?” to realizing that the team was formed specifically because: “You’re not like us—and that’s okay.” The point was to recognize and respect their differences and then leverage them for the good of the alliance.

The open communications enabled a newfound trust and a focus on shared values, and their collective cause became the basis for their work going forward. They acknowledged, belatedly, that perhaps if they had examined their cultural issues from the start, the team could have spent significantly less time, money and frustration and been that much further ahead on their project goals.

Getting to Know You...

When examining the cultural fit of an alliance team, the objective is not to change the organizational culture of the other party. Alliances are not intended to last forever. Both organizations will retain their respective identities. Cultural differences are, at their core, differences in leadership values. It is important to acknowledge and make transparent and explicit the leadership values of each alliance partner—including the fact that those values propelled each partner to a level of success that made the alliance attractive in the first place. To do this, EquiPro frequently uses a Culture Appreciation Exercise to facilitate learning about each other’s organization, separate realities from perceptions, and determine how to make differences between the two work for the alliance.

In some cases, specific process changes can set team members on the right track.

For example, we worked with an alliance team that was on its way to developing a blockbuster in a niche therapeutic market. When team members came together every two months for face-to-face meetings, they seemed to operate as an integrated and compatible team. Yet the minute they walked out the door, they were already feeling the tug of their own organizational cultures. Despite their satisfaction in the team setting, members on each side faced line managers who wanted to wield more power over the alliance and perceived “the other company” as having conflicting goals and interests from their own. Once team members were “back home,” the strength of their organizational cultures held sway. Frustration set in and team trust began to erode.

EquiPro’s Team Effectiveness/Cultural Diagnosis brought this to the surface. We then put in place a more structured communications and decision-making process that helped to keep the team more aligned and counter-balance their cultural pulls.

Back to the Future

Alliance teams are, by definition, temporary in nature—even if “temporary” can mean up to a decade or more. Still, in terms of the influence team leaders and members have on the outcome of their business charter, an alliance team operates no differently than an individual company. A leadership “loop” exists within every organization: leadership values and behaviors establish a particular organizational culture; that culture, in turn, influences the motivation and capabilities of employees charged with getting the work done; their level of motivation and capabilities determines the level of performance; and the performance

results feed back into the loop to corroborate or modify existing leadership values and behaviors.

Within a single organization, the perpetual domino effect of this model is straightforward. Extended to an alliance team, however, two separate cultures are in play and, where disparities exist between them, two sets of messages are delivered and conflict is bound to emerge. Examining cultural disparities—as well as areas of like-mindedness and similar *modus operandi*—enables a team to mesh and come “into the loop” with a consistency of purpose and influence.

One alliance team adopted the motto: “Beat the competition with the brand, and do no harm to our partner.” Not a bad idea, but also not really a best-case scenario. As the industry gains more experience in alliance management, companies need to aspire to be “partners of choice” and to develop a credo of guiding principles that govern how their teams enter into and carry out a cross-cultural alliance. In recent years there has been a dramatic increase in the degree to which pharma companies rely on other organizations to supplement pipelines and commercial capabilities, and the trend shows no signs of slowing. Financial potential will continue to dominate deal decision-making. What pharma is still learning is how excellence in alliance management—which includes managing cultural differences—can reduce many of the risk factors involved in any major partnership. ❁

Alliances are not intended to last forever, and the objective of “cultural fit” is not to change the other organization.





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