Rescuing Value in a TROUBLED ALLIANCE

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"This collaboration is in real trouble," the COO of a major pharmaceutical firm thought as he hung up the phone on another heated exchange with his counterpart at a smaller drug company.

The conversation was one in a series of recent calls to try to resolve a growing list of disagreements that paralyzed new projects for a blockbuster drug. He took a moment to ponder how things had gotten so bad, and more importantly, how they could get better.

The collaboration between the two companies had started close to a decade ago when the smaller company needed a partner for a promising early-development drug candidate. The deal was a complex global arrangement for the co-development and co-commercialization of a drug candidate with potential in multiple therapeutic indications, and which required joint decision making, shared operational responsibilities, and equal profit sharing.

Looking from the outside, the collaboration was a huge success. The drug demonstrated a superior profile to the standard of care and promised to attain blockbuster status when it was launched five years into the deal. The drug was the primary revenue driver for the larger company and the number one source of income for the smaller company. So why did the two companies have such difficulty working together?

Business collaborations, like any relationship, undergo changes over time and managing those changes effectively is part of alliance management. If changes occur that move the relationship in the wrong direction without being addressed, the ability to create value and a winning alliance are at risk.(See *Warning Signs.*)

The COO and his counterpart agreed to get the two companies' CEOs together for a meeting. Recognizing the need for change, the COO decided to use the opportunity to bring in a new alliance manager. He selected someone from his organization who had a demonstrated track record of successful collaborations to bring to the CEO meeting. The smaller company had similar thoughts and the CEO was also bringing a new face to the meeting. Though the meeting was tense, both CEOs agreed that the collaboration product was too important to both companies to let the situation deteriorate further. The two new alliance managers were tasked with coming up with a plan to turn the situation around.

Since both alliance managers were experienced and senior in their organizations, they were able to openly discuss the situation and map out an approach to address the current issues. The collaboration was governed by a six-person Joint Steering Committee (JSC), which was the logical forum to discuss the proposed plan. Shortly after the CEO meeting, the JSC was convened and the alliance managers proposed their plan.

The first step was to engage an objective third party experienced in alliance management to diagnose the situation. While the JSC initially resisted getting an outsider involved, the alliance managers insisted that an unbiased view was critical to an honest assessment of the situation. The JSC agreed to the plan and the alliance managers promised to report on progress at each subsequent JSC meeting.

The effort was called a "relaunch" of the collaboration to signal the need to make a fresh start. Interestingly, the mere fact that both companies' senior management were paying more attention to the collaboration and the need to fix it provided incentives for team members to start self-correcting their behavior.

The external consultant spent time with the alliance managers to understand the basis of the collaboration and initial perspective on the sources of misalignment. A critical first step was to discuss whether this collaboration should be saved and whether the existing agreement was still relevant. There was little use in relaunching a collaboration that would not create value or had a fatal flaw in its structure. Everyone agreed that the collaboration was creating significant value and could continue to create value under the current agreement terms. (See *"Should this Collaboration Be Saved?"*)

Next the alliance managers needed to work with the consultant to determine the scope of the assessment. In addition to the JSC, there were a large number of joint working teams to cover the strategic and operational issues supporting the marketed product and investing in continued development. The leaders of various functions (e.g. regulatory, manufacturing, drug safety, marketing, development) also played an important role in influencing the collaboration, even if they were not part of a joint team. Armed with some preliminary information, the consultant and the alliance managers agreed that an electronic survey and interviews with a cross-section of team members would be a suitable diagnostic approach. Key stakeholders, including function heads and executives, were also included to provide a full view of the collaboration dynamics.

The results of the assessment showed that there was no "quick fix" to turn the collaboration around. Team members agreed that the collaboration product was very important and that they had found ways to work through challenges under pressure. The key finding was that while individual team members had satisfactory working relationships with their counterparts, senior management was not serving as a role model for effective collaboration. Other

WARNING SIGNS: WHAT TO LOOK FOR IN A FALTERING COLLABORATION

- Each organization spends more time coming up with an internal position on issues rather than working together to find the best solution
- Communication becomes less frequent and more impersonal
- Decision making slows down and impacts the flow of work in the collaboration
- New executives and members are put on teams without onboarding them in the collaboration
- Issues get escalated to executives that should be resolved at the working team level
- People start pulling out the contract and bringing legal counsel into routine discussions

contributing factors included confusion about decision-making authority, a lack of discipline, and ad hoc teams that were created outside the formal governance structure.

A top-down approach was selected to ensure that the JSC provided the executive sponsorship and set the right example for the joint teams and each organization. The alliance managers laid out their plan to start the relaunch with an evaluation of the JSC and then cascade the work into the rest of the collaboration. This approach meant it would take more time to conduct the relaunch, but any other approach would have risked not addressing the root cause of many collaboration problems.

THE SENIOR GOVERNANCE BODY

Evaluating the JSC included looking at the level and composition of this most senior governance body. Some members were changed to include more senior executives and the alliance managers were added as JSC members. The new JSC members developed a charter that was based on the collaboration agreement and outlined specific roles and responsibilities. The discipline of putting agreements into a charter that could be used as a living document brought new focus to the important role of the JSC.

In parallel, the alliance managers took a hard look at the backlog of critical disputes that had sat unresolved for months. They worked together to understand the root cause of the disagreements and find mutually acceptable solutions. It required openness and flexibility, but within three months of starting the relaunch, the JSC agreed to the proposed solutions and work started flowing through the collaboration again.

After the JSC completed its evaluation, the consultant and alliance managers went to work on the underlying joint teams. Since the collaboration was almost a decade old, they were not surprised to find that several new teams and sub-teams had been formed over the years. The term “collaboration-creep” became used to describe the evolution from a few, small, senior joint teams, to several large, junior teams that were not clearly connected to each other.

Work with the teams included evaluating team composition, establishing charters, and restoring discipline in working together. the alliance managers kept the JSC informed of progress and facilitated communications across the collaboration. There was a new momentum in the collaboration and new ideas started to turn into proposals that obtained approval and moved into execution.

Over seven months, the teams worked together to continue to refine how to work collaboratively and identify further improvements. The key was putting the agreements into practice and calling out any behaviors that were counter to a productive collaboration. There were difficult conversations when a potential conflict started to brew, but by addressing issues head-on, they were resolved before they turned into a stalemate.

SHOULD THIS COLLABORATION BE SAVED?

Before embarking on a collaboration relaunch, evaluate the basis of the collaboration and existing agreement to determine if there continues to be a *mutual* proposition.

- Is the collaboration creating the expected value for both parties?
- Can additional value be created by working together?
- Does the existing agreement provide an adequate framework for effective collaboration?
- Has the external environment changed in ways not anticipated by the agreement?
- Does the collaboration still fit each company's strategy?

Celebrating success was important to recognize the team's efforts and create positive collaboration stories. The 10-year anniversary of the collaboration provided a significant milestone to celebrate a successful relaunch. Both CEOs attended the celebration and a spirit of renewed commitment to the collaboration could be felt throughout the event.

One year after starting the relaunch, a long-range strategic plan was built in full collaboration and provided a clear framework for making investment decisions. More new projects were started in that year than had occurred in any prior year.

Committing to periodic evaluations of the collaboration after the formal relaunch was required to ensure that progress continued to move in the right direction and any warning signs were picked up quickly. The role of dedicated alliance managers, an experienced alliance consultant, and committed executive sponsors were all key to a successful relaunch. MW

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