

Profiting from Partnerships: Keys to Success in Alliance Strategy

Ben Gomes-Casseres

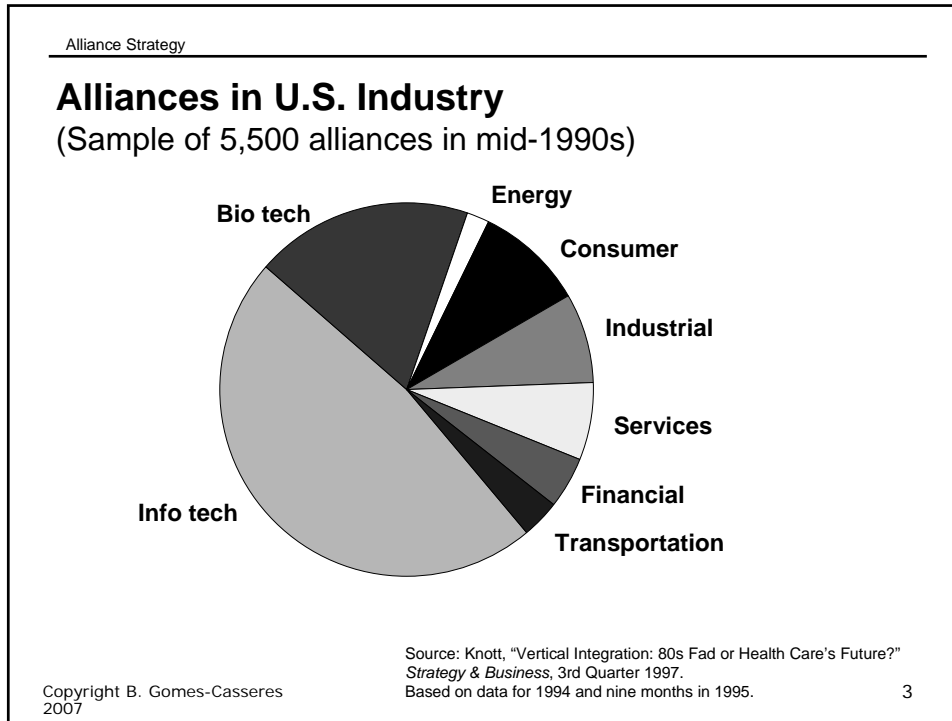
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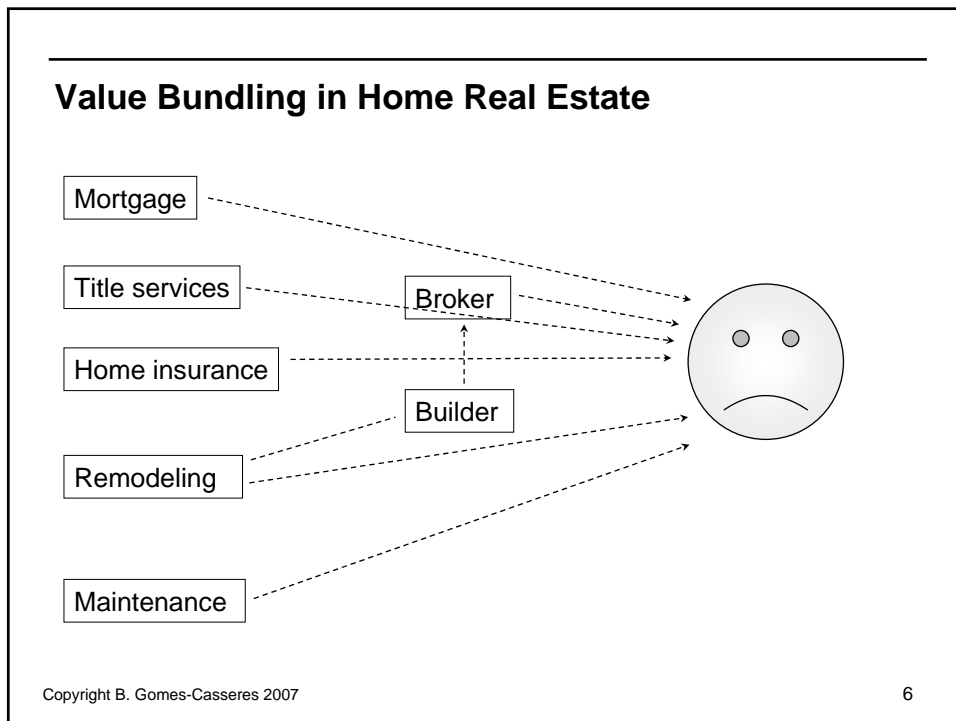
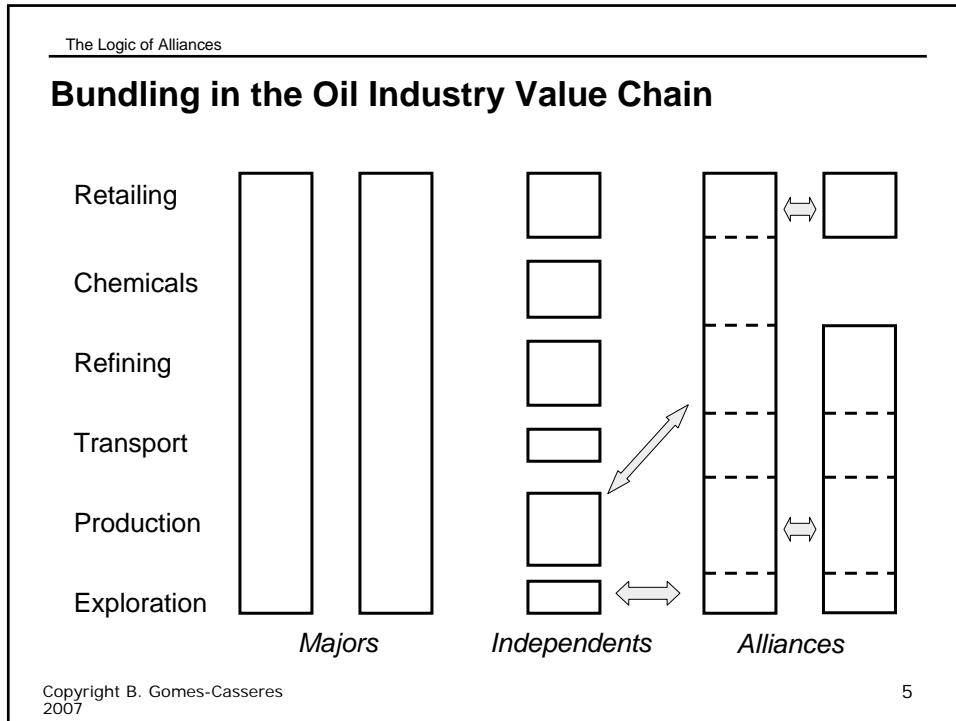
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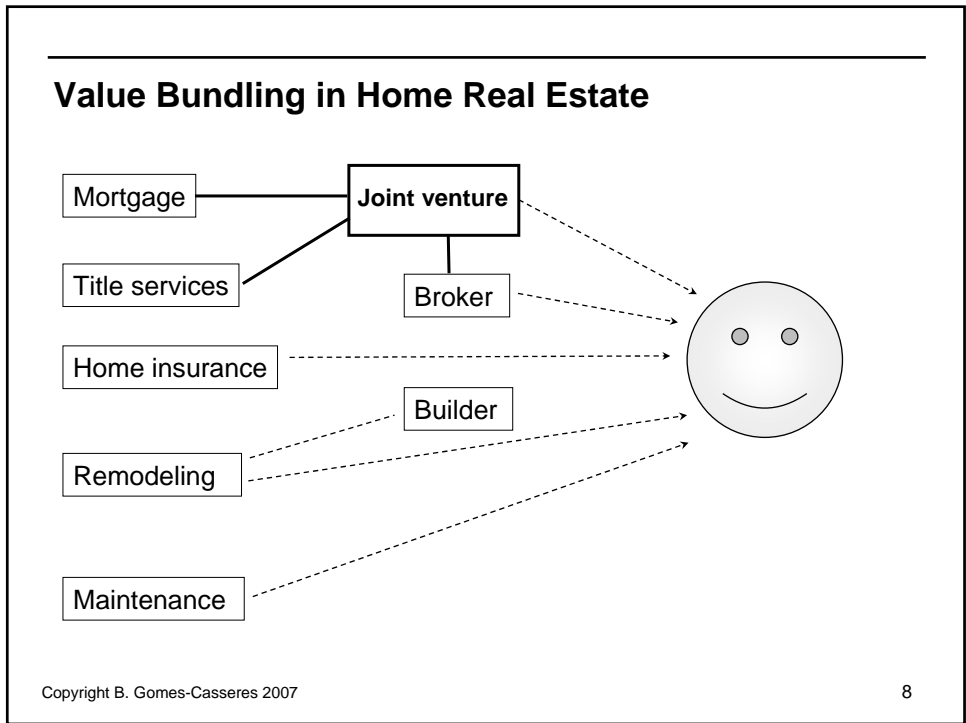
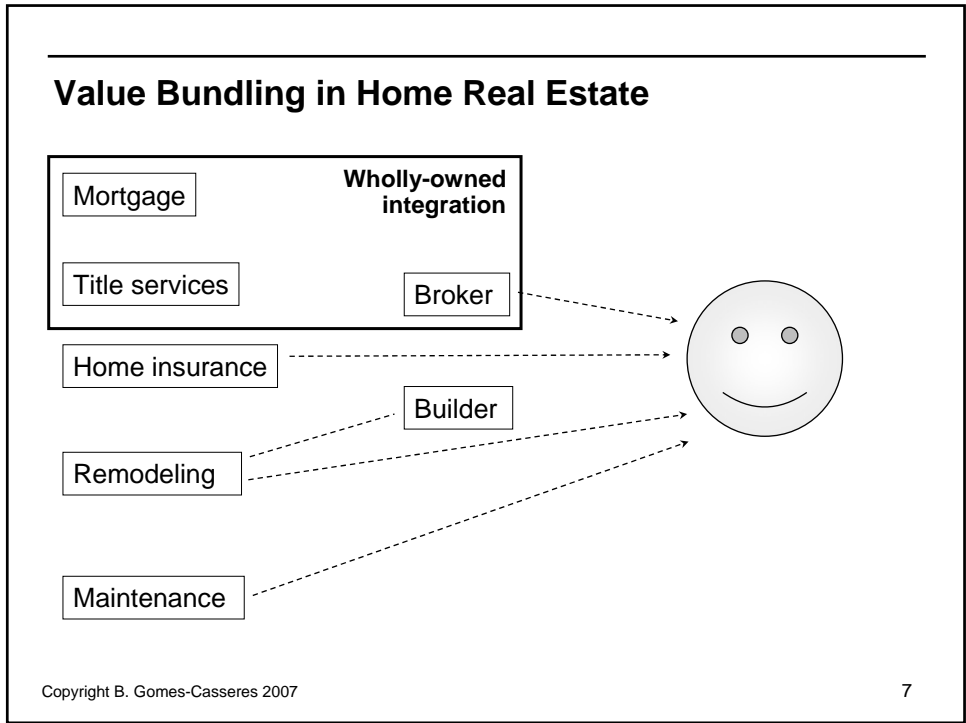
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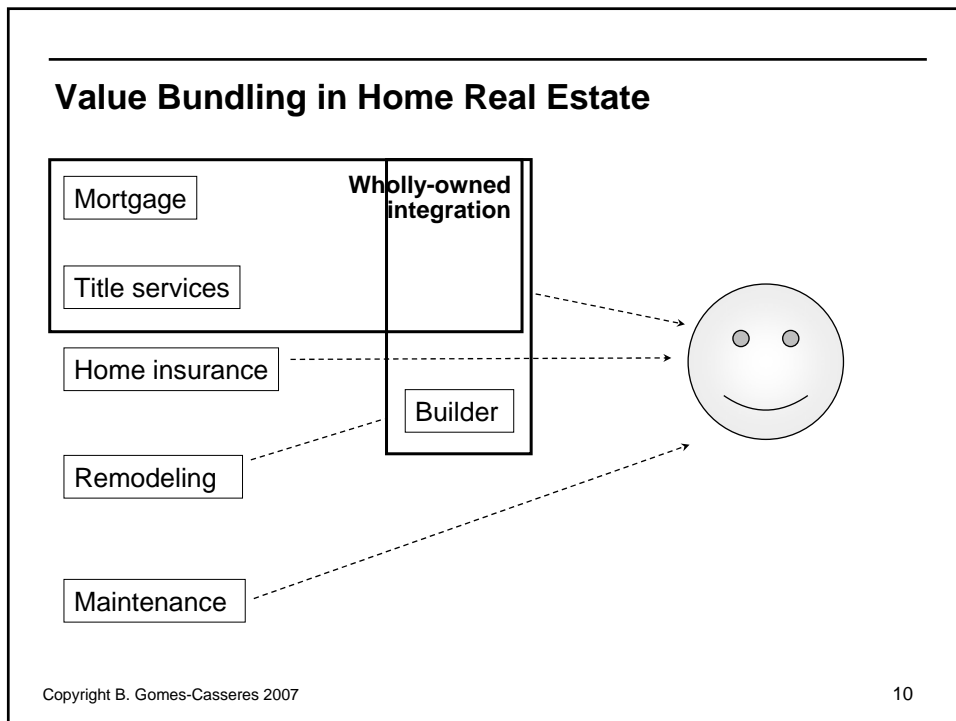
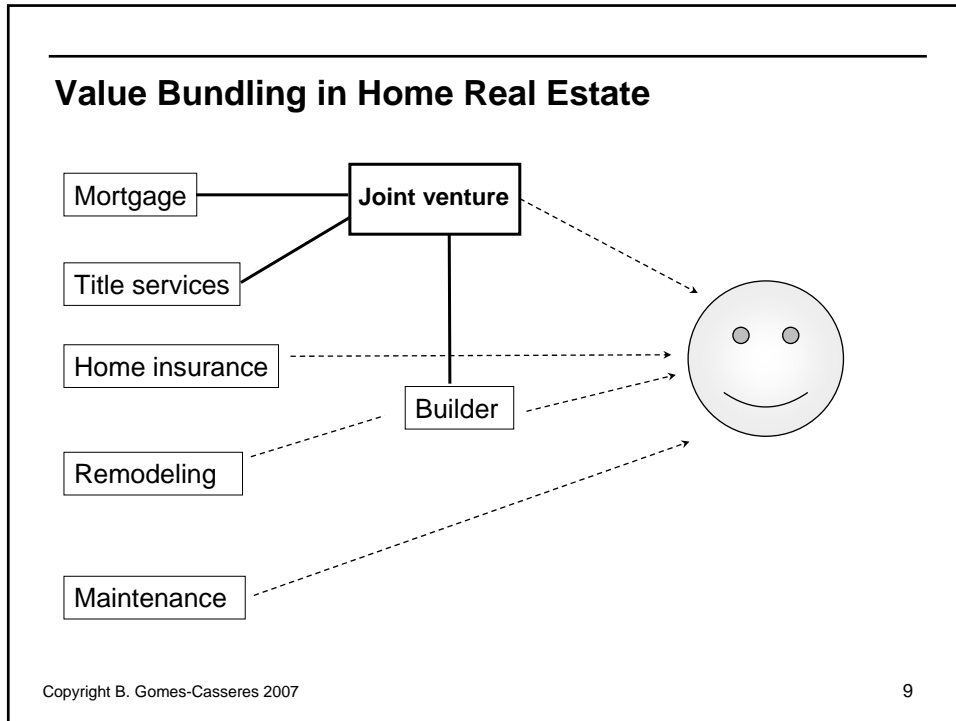


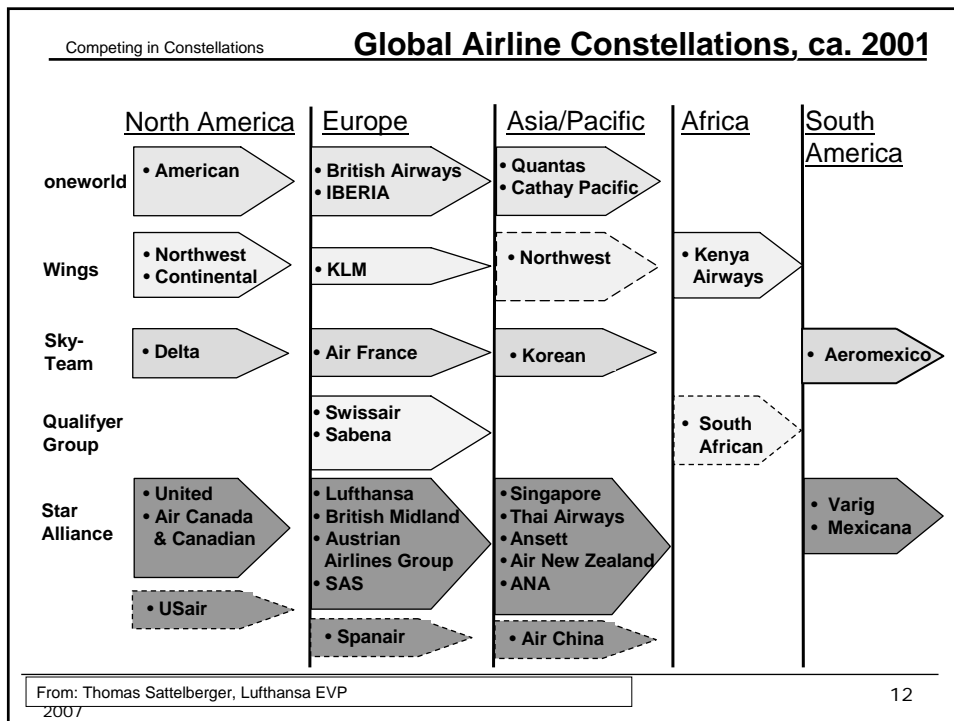
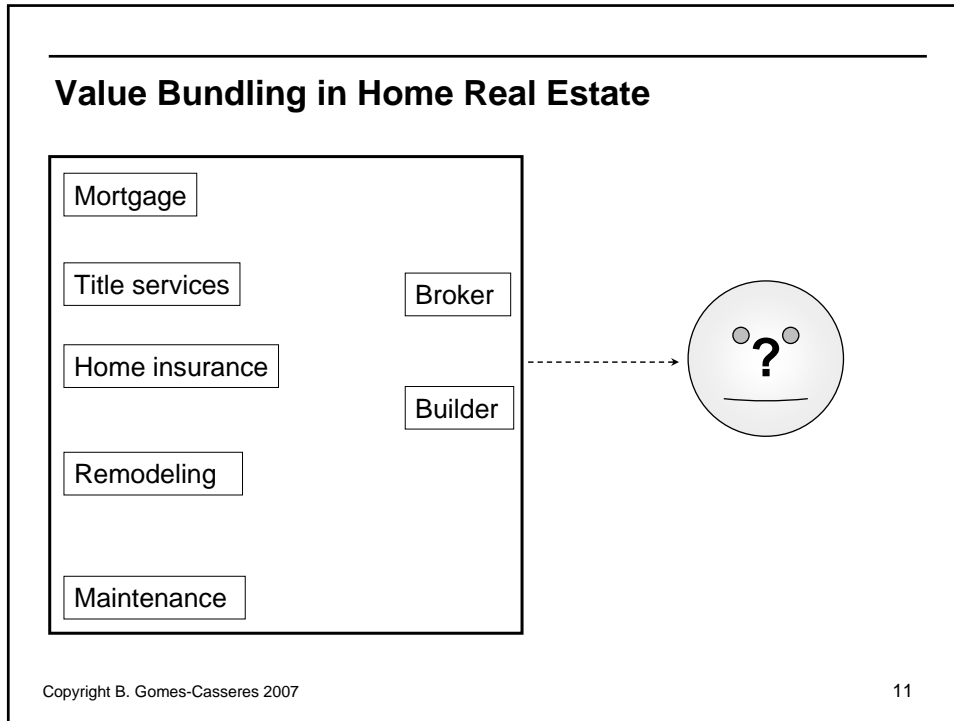


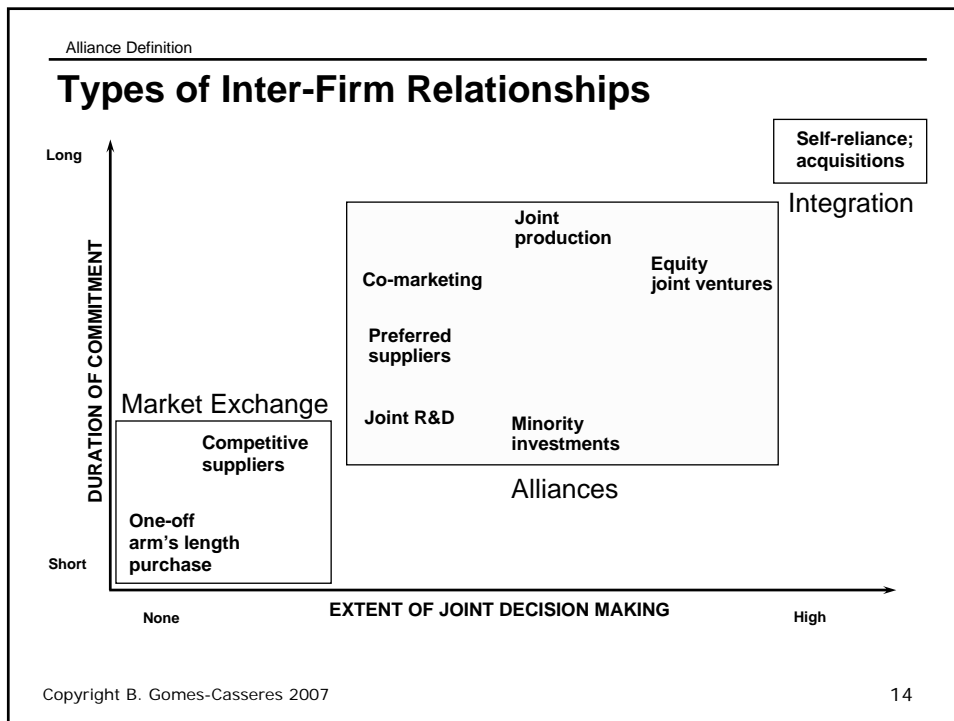
- Alliance Strategy
-
- ### Develop "alliance strategies," *not* "strategic alliances" . . .
1. Let business strategy drive the alliance logic
 2. Design the alliance to fit the strategy
 3. Grow relationships, don't just "do deals"
 4. Use constellations of alliances, not stand-alones
 5. Organize internally to cooperate externally
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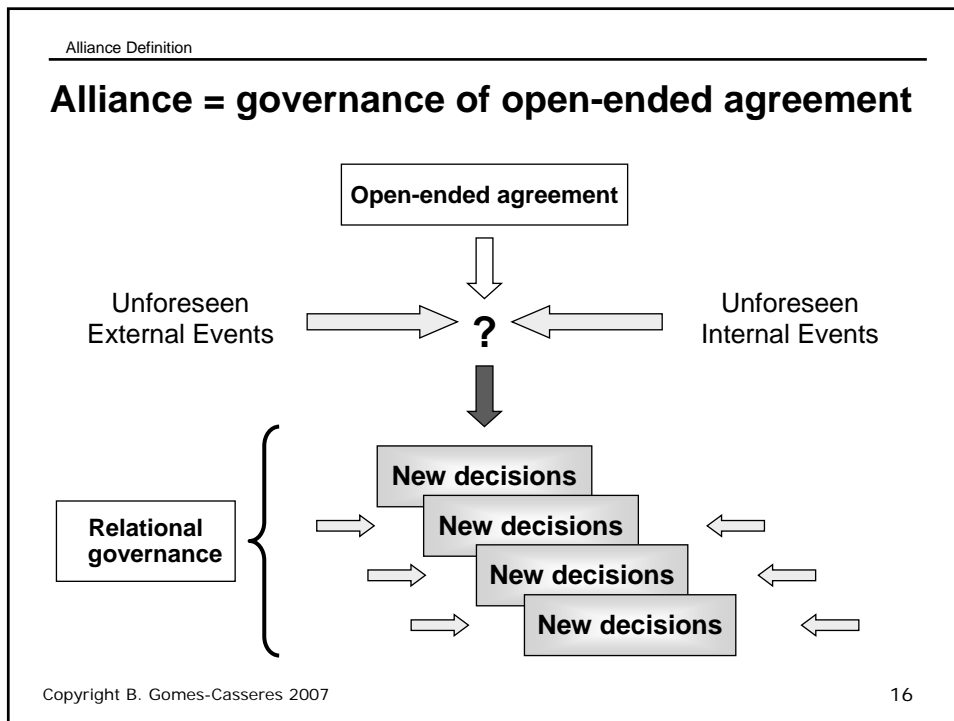
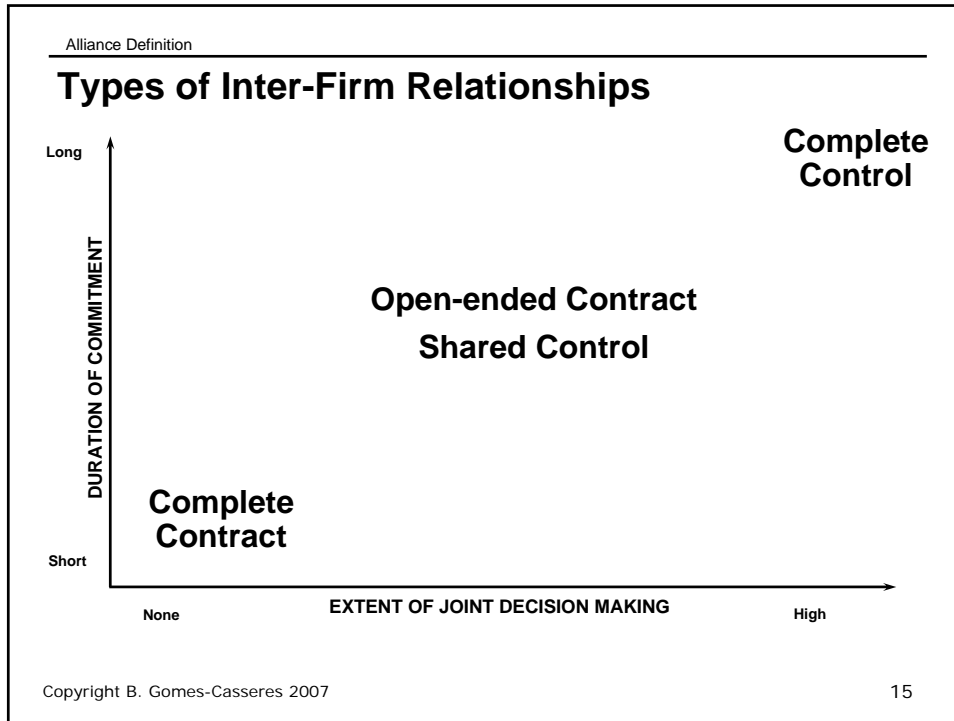


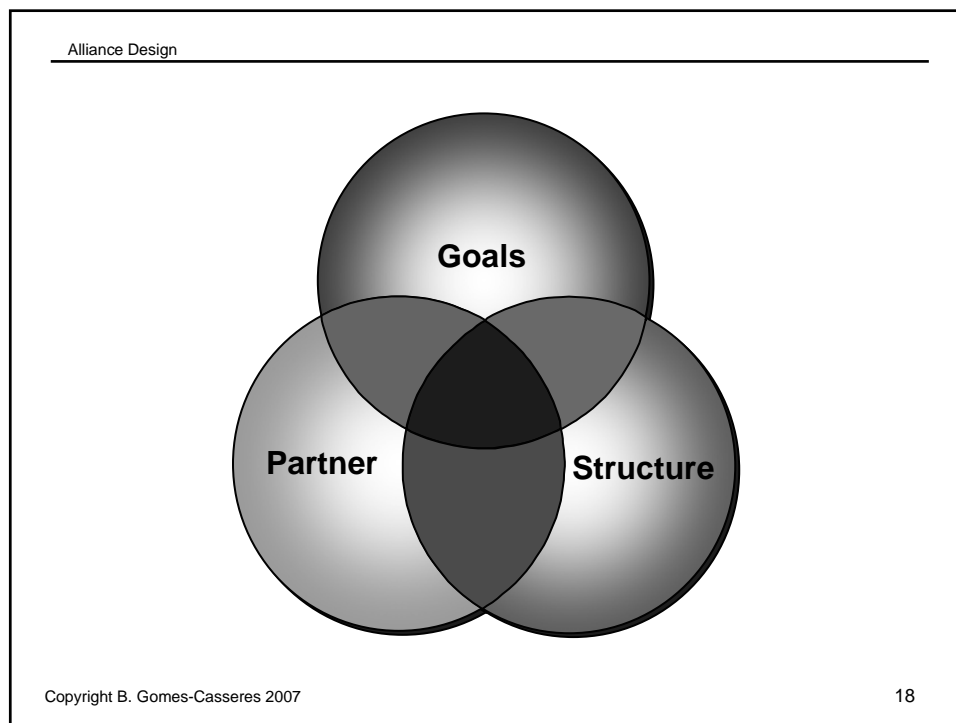
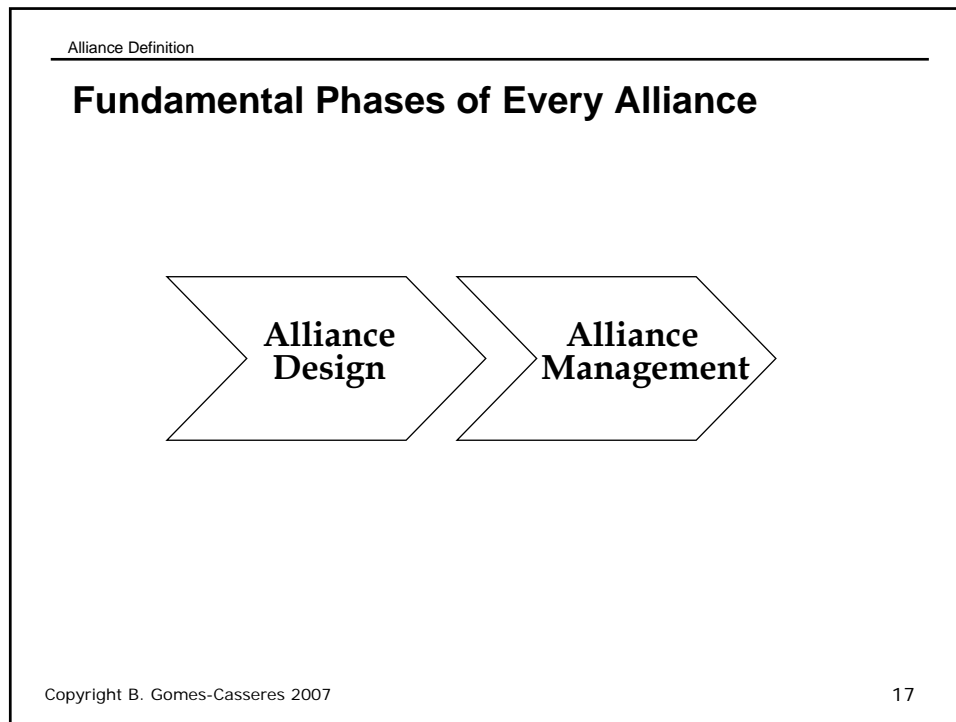













Alliance Design

Criteria for Partner Selection



- Complementary Capabilities
- Limited Rivalry
- Compatible Goals
- Common Goals

1 + 1 = 3
Value equation

1 + 1 = 1
Management equation

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Alliance Design

Structure Shapes Performance

- Identify compelling joint value
- Create clear incentives for collaboration
- Define scope: What's in, what's out
- Define roles: who does what, when
- Set up process for joint decision making
- Create "trust"

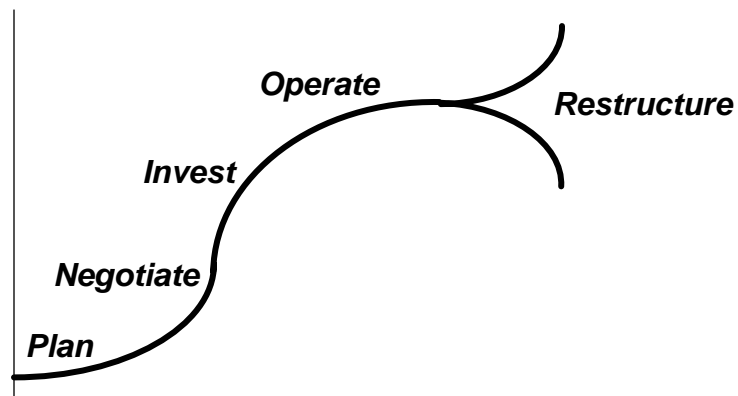
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Charles Handy's Seven Rules of Trust

- Trust is not blind
- Trust needs boundaries
- Trust demands learning
- Trust is tough
- Trust needs bonding
- Trust needs touch
- Trust needs leaders

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Source: Charles Handy, "Trust in the Virtual Corporation," *Harvard Business Review* 21.

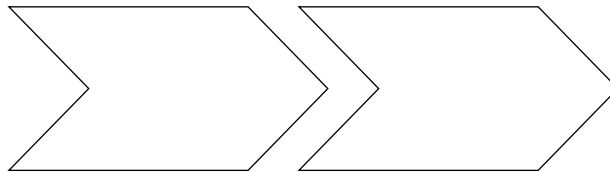
The Alliance Life Cycle

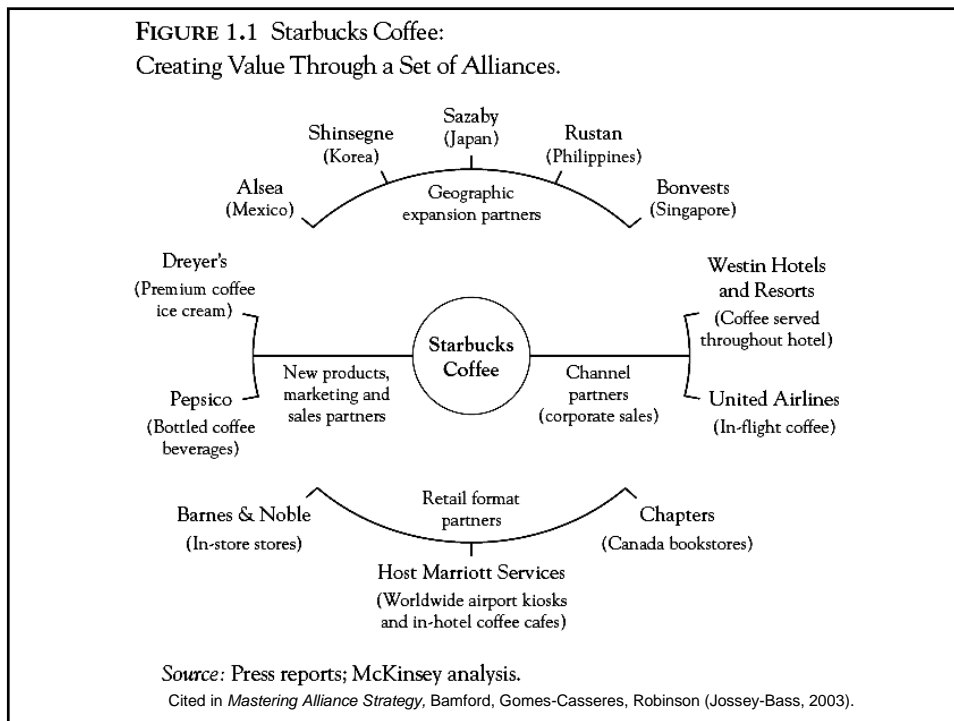
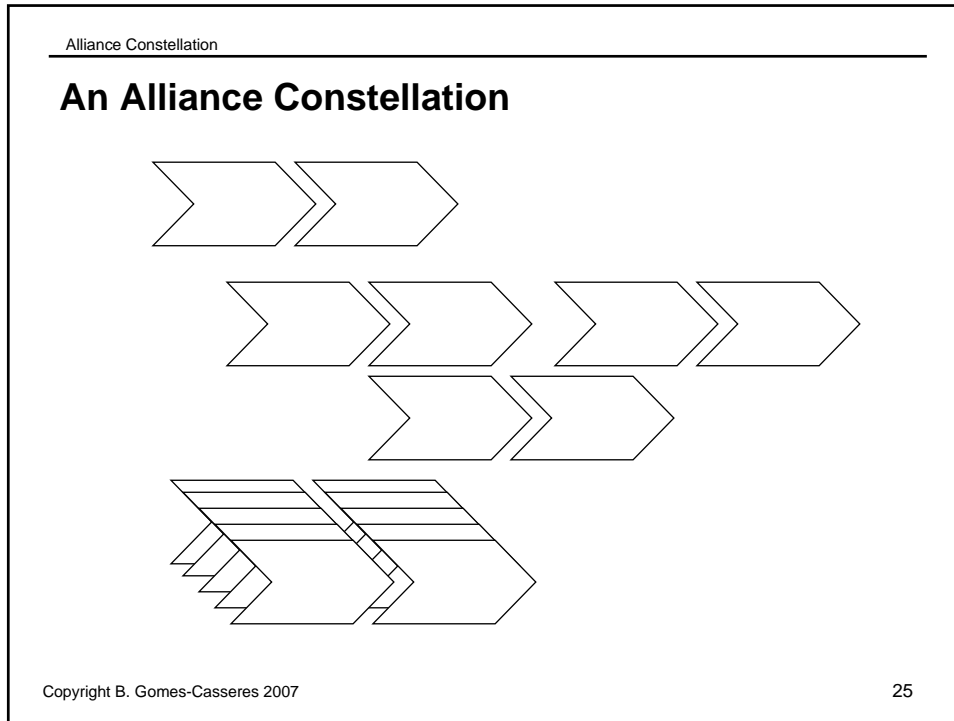


Relationship Management

- Negotiate with relationship in mind
- Assign alliance managers and leaders
- Create relationships at all levels
- Hold periodic, planned, personal meetings
- Combine vision with short-term results
- Be flexible: expect the unexpected

A Single Alliance





Alliance Constellation

- A single, ideal partner seldom exists
- Complexity demands multiple capabilities

- Select position **among** and **within** groups
- Group design may **create joint value** (or destroy it)
- Positions within group determines **value captured**

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Top Ten Preferred Pharma Partners

(PWC Survey 2000)

	<i>Research Discovery</i>	<i>Clinical Development</i>	<i>Co-Marketing/ Co-Promotion</i>
1	Pfizer	Pfizer	Pfizer
2	Eli Lilly	Merck & Co.	Merck & Co.
3	Merck & Co.	Bristol-Myers Squibb	Bristol-Myers Squibb
4	SmithKline Beecham	Schering-Plough	SmithKline Beecham
5	Genentech	SmithKline Beecham	Eli Lilly
6	Roche	Eli Lilly	Glaxo Wellcome
7	Schering-Plough	Genentech	Schering-Plough
8	Bristol-Myers Squibb	Janssen Pharmaceutica	Novartis
9	Novartis	Novartis (tie for 8th)	Roche
10	Amgen	Glaxo Wellcome	Pharmacia

Source: PriceWaterhouseCoopers, "Global Pharmaceutical Companies Partnering Capabilities Survey," September 2000.

Key Alliance Executives at Eli Lilly

- Alliance Champion

Senior exec; overall support and oversight; ensure communication w/o bureaucratic barriers

- Alliance Leader

Functional manager; day-to-day business; responsible for project planning and performance

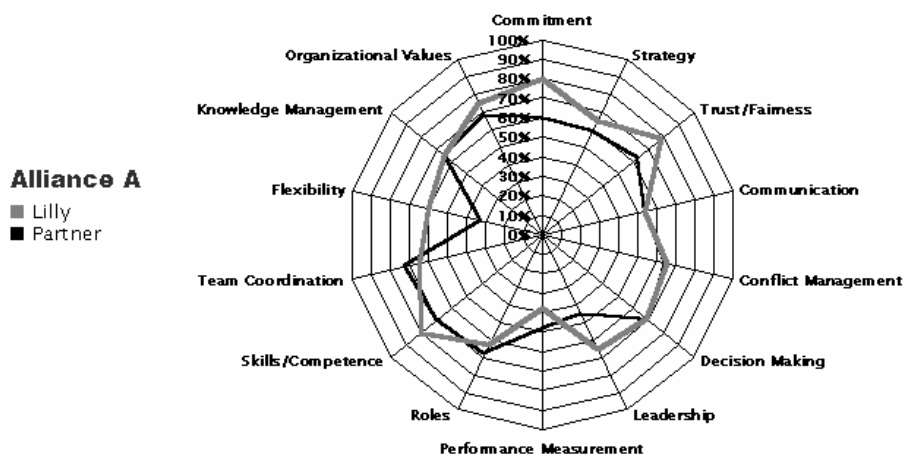
- Alliance Manager

Support Alliance Leader; advocate for alliance; relationship management and process; training

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Source: *Mastering Alliance Strategy: A Comprehensive Guide to Design, Management, and Organization*, by James Bamford, Benjamin Gomes-Casseres, Michael Robinson (Jossey-Bass, 2003).

Eli Lilly Alliance Health Evaluation Tool

% OF TEAM MEMBERS RATING EACH DIMENSION AS FAVORABLE OR VERY FAVORABLE



Source: Nelson Sims, Roger Harrison, and Anton Gueth, "Managing Alliances at Lilly," *In Vivo*, June 2001, Vol 19, No. 6.

Closing thoughts

- Assess your bundling strategy critically
- To the integrated: Stay at leading edge or fall back
- To JV provider: Compete on partnership skills
- To unaffiliated: Explore other servicing models too
- To all: Deepen your own competitive advantage