

*I'm glad they're finally listening to us.*

*Now that we know their objectives, this alliance will work.*

## Pharmaceutical Executive

FOR GLOBAL BUSINESS AND MARKETING LEADERS

# P&G's Guide to Successful Partnerships

Thomas M. Finn  
& David A. McCamey

**CORPORATE ALLIANCES, LIKE MARRIAGES, NEED OPEN COMMUNICATIONS AND LONG-TERM COMMITMENTS.**

**Tom M. Finn** is vice-president of strategic planning and business development

**David A. McCamey** is senior manager for alliance effectiveness for P&G Pharmaceuticals.

*"You never listen to me."  
"The workload around here isn't equal."  
"You made that decision without consulting me."  
"We never really deal with our conflicts."  
"You're not taking my needs into consideration."*

Those comments sound like complaints from people in a troubled marriage, but the partners in this relationship are companies, and it's their corporate alliance that is failing. With strategic alliances becoming the US pharma industry's "mode of operation"—the number grew from 121 in 1986 to 712 in 1998—it is critical that companies learn good partnership skills. This article describes methods developed by Procter & Gamble Pharmaceuticals (P&GP) that can help companies assess the health of their corporate relationships and avoid becoming another corporate divorce statistic.

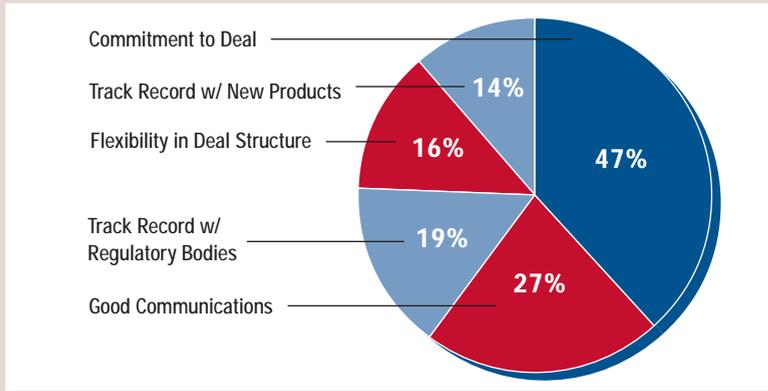
### Depending on Each Other

In today's competitive environment, many companies lack the skills, resources, or technologies they need to maximize their business. Rather than developing or acquiring those missing elements, they depend upon an alliance partner. Yet, despite their importance to innovation, industry experts estimate that more than two thirds of pharmaceutical/biotech alliances fail to meet their original expectations.

A marriage is the perfect analogy for a strategic alliance. Unlike a merger or acquisition, in which the parties become

### TOP QUALITIES TO LOOK FOR IN A LICENSING PARTNER

Cambridge Pharma Consultancy's recent survey of 39 senior biotech and pharma executives found that the level of commitment to a deal was the most important of five factors considered in choosing a licensing partner.



Source: Cambridge Pharma Consultancy, November 2001

PE Graphic

a single new entity with one set of systems and one culture, a strategic alliance must somehow join two independent entities with different backgrounds, cultures, and ways of working to form a unit that functions effectively—and endures.

Like other companies, P&GP lacks the luxury of developing or acquiring all the capabilities needed to develop new products. Its success has been—and will continue to be—heavily dependent upon the ability to create and sustain successful corporate alliances. With the divorce rate for industry alliances routinely exceeding the 50 percent rate for personal marriages, P&GP management committed significant effort and resources to studying alliance effectiveness. It examined in detail the characteristics of both successful and failed or failing alliances through interviews with industry consultants and its own executives who have been involved in day-to-day alliance activities. The objective was to create a systematic method for evaluating the health of P&GP alliances, so that the company could improve each partnership by acting on the strengths and weaknesses uncovered.

The analysis identified nine key elements that are present in successful alliances and missing in failing ones. Consider them marriage counseling for corporate relationships.

### 1 Senior Involvement

Senior management commitment may be the most critical element for alliance success. In fact, 50 percent of respondents in one survey indicated that poor leadership was the main reason for failure. Not only can senior managers anticipate and resolve fundamental issues between the companies, but the involvement of senior managers also sends a strong signal to their respective organizations that the alliance is a corporate priority.

Procter & Gamble implements that strategy by ensuring that a single, upper-level manager from each company has overall responsibility for the alliance. That leader must have strong interpersonal skills and enough authority to command the resources required from the rest of the organization. P&GP also invests in training to make its alliances work; one senior manager attended an eight-week course on working with people of different cultures to prepare for an assignment as an alliance leader.

Senior managers can use many avenues to establish and maintain relationships in support of the alliance. For example, the presidents of the companies forming one recent new alliance participated visibly in the kick-off meet-

ing, clearly demonstrating both their personal commitment and the importance of the alliance to both companies.

Senior managers need to be informed and kept up to date about the partnership's progress, both good and bad. That accelerates decision making, because senior managers can quickly intervene on an issue without the delay of being brought up to speed.

### 2 Start With the Right Stuff

One of senior management's most important jobs is to get the people and budgets right the first time. Success requires having sufficient funding and staffing in both parties to get the work done. Not just any staff will do. People assigned to alliance work need to have strong technical expertise, but they must also have excellent collaborative skills as well. One of the biggest mistakes a company can make is to use a partnership as a dumping ground for people who are hard to get along with!

When assigning staff, P&GP starts with establishing a clear understanding of the work that needs to be accomplished, then assigns—and dedicates—its best people to the project. Most important, it requires finance managers from both parties to meet and agree on how money will flow. Finance groups must present one financial “voice” to the alliance.

When the right resources are assigned, good things happen. For example, both parties in one P&GP alliance assigned top regulatory experts, who then delivered a creative and synergistic regulatory strategy.

### 3 Aligning the Stars

To be successful, even the best people need clear direction, and alliances are vulnerable to the force of entropy. Companies must prioritize and regularly update the partnership's objectives, plans, and priorities. Employees from both parties are a critical part of alliance planning, and leaders should regularly seek input and share direction with internal functions. It's critical that there be only one shared work plan for the alliance.

As one new P&GP alliance was being formed, the responsible team found that it needed to quickly revamp a Phase II clinical trail that was just being initiated. After clarifying the companies' shared objectives, the team saw that the existing clinical design just wasn't right and fixed it before further effort was wasted.

Direction and planning are so important that, as a major milestone approached for one of P&GP's biggest alliances, the key managers from both parties and from all functions met for a week to clearly define priorities, issues, and strategic plans for the next 18 months.

Having a plan is one thing; executing it well is another. P&GP's project management group has applied many of its planning tools to facilitate execution, including project management software and critical path tracking. The group has found tracking action plans and milestones especially useful. But even with great direction and specific plans, it is still possible for companies to disappoint each other if they are not clear about their responsibilities and expectations.

#### 4 Who Does What

Lots of marriages fail because the partners have unrealistic expectations, and that problem is common in corporate alliances as well. Clarifying responsibilities and expectations helps avoid misun-

### Keys to Success

Every successful alliance has nine key elements:

- Senior management commitment
- The right people and resources
- Aligned direction and plans
- Clear responsibilities/expectations
- Robust communication
- Effective decision making
- Disciplined improvement approach
- Aligned work systems
- Constructive conflict resolution

derstandings, allows people to focus on getting their work done, prevents surprises and delays, and lets both parties contribute to the joint mission in important and unique ways.

The approach works. In the manufacturing component of one of P&GP's partnerships, for example, the leaders took the time to work out clear responsibilities and operating principles. They routinely revisited those to make sure things were working. The resulting alliance team delivered spectacular results, beating all time, quality, and cost expectations.

The company uses some good, simple tools here. It encourages pairs of counterparts from the two companies to spend time discussing and developing their expectations of each other. Kick-off or join-up meetings are great for clarifying responsibilities. In such meetings, participants share the reason for the alliance, describe the work ahead for the near term, and discuss cultural issues and opportunities.

Perhaps one of the most powerful tools a partnership can use is co-location. There is no substitute for spending time in each other's facility. It doesn't have to be a permanent move for either party. In one case, P&GP had experts from both companies co-locate for several weeks to finalize a registration dossier, allowing the team to work together in a focused way and deliver a quality dossier in spite of very aggressive timing.

Setting expectations up front is critical, but if parties stop there, the alliance will be in trouble. Partnering companies need to make it easy for their people to stay in touch with the work and each other.

#### 5 Talk, Talk, Talk

Frequent, collaborative communication between all work groups is extremely important. A multiple channel approach is most effective both vertically (within each company) and horizontally (between companies). Some useful channels are internal "town meetings," joint monthly issues reports, e-mail, team web spaces, and video and teleconferencing. Having regular management team meetings forces the various work-

ing groups to talk to each other to prepare for the meetings.

P&GP plans its communications as part of the alliance management approach. The company considers several guidelines as it plans the "installation" of the right channels.

First, it nurtures both formal and informal channels. Participants communicate face to face initially, then progress to less direct approaches like e-mail. Finally, the company invests in social interactions between alliance teams to improve communication by building relationships and mutual understanding.

It's important to build in time for social interactions without adding time to an already crowded work schedule. Several of P&GP's alliances meet formally for sessions in the morning and evening, leaving afternoons open for informal interactions. If communications and information flow are working well, then the next key element, decision making, is easier to get right.

#### 6 Decisions Decisions

In corporate alliances, as in marriages, unilateral decision making can cause a loss of trust and cooperation. So collaborative decision making is critical for effective operation. Alliance teams must anticipate the issues that will arise and the decisions that must be made, then quickly find and implement synergistic solutions. One partner can't change the internal structures or decision making processes of the other; they both have to live with the processes in place and set up the partnership to make the best use of their internal structures. To do that, P&GP identifies the key decision makers, discusses how each party would make decisions on their own, then creates an alliance decision making approach that meet the needs of both partners.

The company was frustrated with how long it was taking one of its partners in Japan to make registration-issue decisions. When P&GP finally took the time to understand the other company's internal approach to such decisions, it was able to provide information and support that facilitated their partner's internal

processes. The result was faster decisions.

There are a couple of caveats for alliance decision making. First, keep internal company debates internal. Don't waste precious joint meeting time debating such issues. Second, if the alliance teams are having trouble reaching closure on an issue, they are probably working on the wrong issue. As in marriages, in which spouses may not always be willing or able to communicate fundamental concerns at the time of the conflict, corporate partners may not always be clear in expressing the real problem. Be aware that the re-opening of discussions after a decision has been made or a lengthy delay in reaching a decision may mean that the fundamental issue has not yet surfaced and isn't being addressed.

P&GP spent months debating a particular clinical trial design with a partner. Finally, it identified the real issue: the two companies had very different views of the business risk of pursuing the associated indication. Once the real issue became clear, a business solution was found, and the clinical design question was quickly resolved. One important decision the company addresses early is how the alliance will review progress and make improvements.

### 7 Reality Check

The habit of regularly assessing the alliance's performance and implementing improvements enables both parties to routinely deliver results above expectations and ahead of schedule. Although that approach requires extra work in the short term, the payoff is a change in focus from finger pointing to solving problems together, resulting in stronger partnership performance.

As the first step in P&GP's alliance improvement approach, the company developed an assessment survey based on the nine elements. To ensure that the feedback is candid and honest, the company asks key alliance members to respond anonymously. When this assessment was used in one research alliance, the partnering company offered to create new staff positions to address an issue uncovered in the survey. Commu-

nicating the assessment results and actions needed sends a clear signal to everyone that the leadership is committed to making the alliance work.

### 8 All Systems Go

In P&GP's partnering experience, aligned work systems consistently rise to the level of a critical success factor. A case in point: a seemingly minor incompatibility in e-mail systems nearly caused an alliance to blow up at the start. People assumed their counterparts were simply ignoring their requests for information, input, feedback, and meeting times. System problems led to the partners receiving very late requests, or never getting them at all. Often the replies were lost as well. A minor systems problem created a lot of turmoil and threatened to erode the trust between the partners.

The goal for integrating key systems should be to create an environment in which people can work with their partners as if they were within their own company. Examples of work systems that need to be evaluated for integration include e-mail, forecasting, safety data tracking, data access, budgeting, and quality assurance systems. It is important to be selective and identify which systems are critical to the work of the alliance. P&GP routinely plans and budgets for systems work early in the start-up phase of every alliance.

### 9 Work It Out

Conflict is a fact of life in any relationship, so it is best to plan early how the corporate partners will manage it constructively. P&GP's goal is to recognize issues early and to deal with them immediately, involving the appropriate people according to established principles.

Alliance conflicts are not always between the partners. One tough conflict P&GP had to resolve was a dispute between two teams within the same company, but that internal problem threatened the effectiveness of the entire alliance. Wherever disagreements arise, the principles and tools for resolution are the same.

Alliance teams can manage conflict by focusing on strengthening the relationship—the same way that couples can strengthen their relationship by working through a conflict together. P&GP's approach can be summarized briefly:

- clarify the issue
- seek to understand the partner's point of view
- present its own point of view
- discuss the differences
- agree to solve the problem together.

As long as both partners keep their common interests in mind, conflict doesn't have to damage the relationship. The trick to resolution is to avoid running the "stop signs":

- an issue that comes up over and over
- someone who is tuning out of a meeting or discussion
- people who seem to be avoiding each other.

One of the responsibilities of an alliance general manager is to watch for those stop signs and to find a productive way to bring the underlying issues to the surface.

### The Results

It is still too soon to determine the full potential of P&GP's approach to creating synergy and efficiency in alliances. There is no doubt, however, that the company's alliances have grown healthier, and it is not on the verge of any corporate divorces. Every time the company has used those key elements to evaluate an alliance, it has uncovered important issues that were threatening its effectiveness. In each case, P&GP identified the problems early, while there was still time to develop an action plan for the issues, and each partnership was strengthened as a result.

Successful alliances result when the company's attention is focused on the key elements and managers personally commit time and resources to ensure they are implemented. As with marriages, neglected partnerships will suffer. Only active nurturing, with constant attention and assessment, will enable a corporate alliance to reach its silver anniversary—or beyond. ■