Measuring Alliance Management

Quantify Your Value by Showing How You Mitigate Risk and Solve Problems
By David S. Thompson, CA-AM
Steven E. Twalt, CSAP
and Kim R. Fill, CSAP
Page 22

Keeping Score on Alliance Metrics
By Michael Burke
Page 18

Which Metrics Matter?
By Norma Watenpaugh, CSAP
Page 26
“It is a pleasure to work with The Rhythm of Business! They have been our partners in establishing alliance management within Astellas, growing the collaborative ability of our organization, and supporting us in expanding our influence. They are always there for us, no matter the challenge.”
Mary Jo Struttman, CA-AM
Sr. Director, Alliance Management, Astellas

Alliance Management at a Crossroads. Call +1.617.965.4777 or visit our website at rhythmofbusiness.com to access our extensive library of publications, presentations, tools, and other resources – including our 2011 Alliance and Collaboration Management Course Catalog as well as the latest addition to our Alliance Management at a Crossroads white paper series, Designing the Enterprise Capability for Managing Collaborative Relationships.
It’s a Complex World. Let The Rhythm of Business Help You Navigate It. Increasingly, alliance managers are being asked to do more with less. Larger alliance portfolios. More complex collaborations. Fewer organizational resources.

Don’t Go It Alone. When the challenges of complexity and scale threaten the success of alliance portfolios, alliance leaders turn to The Rhythm of Business for clarity, deep insights, and step-by-step help. At The Rhythm of Business, we serve as thinking partners and guides, providing cost-effective strategies, frameworks, and tools that:
+ Increase alliance performance and effectiveness
+ Drive financial results and other measurable value
+ Reduce complexity (and risk) in your alliance portfolio

Tap into Our Broad Experience and Deep Industry Expertise. Whether they’re starting from scratch or rethinking their alliance programs, alliance leaders call on The Rhythm of Business for our wealth of ideas and for our years of expertise in alliance-savvy industries such as biopharmaceuticals, financial services, information technology, and consumer packaged goods.

Take Your Collaborative Capabilities to the Next Level. The Rhythm of Business is your “center of alliance excellence,” and a resource for comprehensive support, such as:
+ Partnering program design
+ Alliance organization, staffing, and process design
+ Guidebooks, toolkits, and alliance metrics
+ Help with alliance start-ups, strategic planning, ongoing assessments, and interventions
+ Customized, targeted education for alliance managers, teams, and executives
+ Alliance portfolio analysis, mapping, and planning
+ Internal marketing and communications programs

Partner with the Collaborative Business Specialists. Our consulting, education, and research services focus on driving innovation and growth through alliances and other collaborative relationships. We’re passionate about advancing the discipline and profession of alliance management across sectors, throughout industries, and around the world.

Your Guide to the Future of Alliance Management
Contact The Rhythm of Business today at +1 617 965 4777 or info@rhythmofbusiness.com to begin, or continue, your journey down the path toward successful alliance management.
The 2011

Strategic Alliances Conference

Growing Profitable Strategic Alliances in a Complex Global Economy

October 20-21, 2011
InterContinental The Barclay New York

- Learn strategies and best practices for growing and expanding your alliances
- Find the best ways to measure the health and ROI of your alliances
- Manage your organization’s alliance innovation and risk management

Presented with assistance from

vantage partners

Marketing Partner

ASAP
ASSOCIATION OF
STRATEGIC ALLIANCE PROFESSIONALS

Use promotion code CE1 and save $300 off your registration!

www.conferenceboard.org/alliances or call 212-339-0345
THE ASSOCIATION OF STRATEGIC ALLIANCE PROFESSIONALS (ASAP) prides itself on providing the alliance community with a forum to trade best practices, learn from other industries, and even put forth differences of opinion for discussion among the world’s leading alliance professionals.

Although our webinars, global events, and Councils each play an instrumental role in fostering debates and exchanges of ideas, this edition of Strategic Alliance Magazine exemplifies how ASAP Media will provide additional key vehicles for connecting the entire alliance community so that we see the true diversity of thought among ASAP’s membership and partner community.

In this issue, we present a section exploring the metrics that prove to be most useful in gauging the past and present success of alliances, and most instructive in the ongoing monitoring of future partnerships. In illustration of the old saying “If you’ve seen one alliance, you’ve seen one alliance” popularized by former ASAP chairman of the board Mike Leonetti, CSAP our guest authors illustrate how what is valued by one industry or set of alliances might be viewed differently by others. Where Norma Watenpaugh, CSAP tells of how a Phoenix Consulting Group survey of high-tech companies revealed the importance of measuring relationships and the “soft side” of alliance management, our three authors from pharmaceutical industry leader Eli Lilly and Company remind readers not to rely too much on subjective assessments because “the promise that a partner’s ‘good feelings’ will pay off is too distant and uncertain a return on investment.”

In fact, they’re both right, and their stances are not so clear-cut as they may at first appear. Watenpaugh also delves into concrete metrics that seem to be commonly tracked by performing alliances more than non-performing ones, while Lilly only seeks to provide an objective way to demonstrate value to go along with subjective measurements, which the authors note are “certainly important.” The larger point is that each viewpoint and the contexts in which they are made provide more food for thought for alliance professionals looking for ways to improve their own alliance management practices.

The variety of perspectives can also be seen in our special focus on IT, which profiles the increasing alliance activity between the high-tech and energy management industries. In separate articles, this story is told through the eyes of a longtime leader in alliance management at Cisco, which has a well-established AM practice, and Schneider Electric, a company still feeling its way through the formative stages of its alliance function utilizing domain experience from uninterruptible power supply (UPS) company APC, which it acquired a few years ago.

In business, issues are rarely black and white, and this is probably more true in alliance management than in other disciplines. ASAP Media would not be fulfilling its role if it were not presenting an array of different slants to the same ideas and issues. As in many of the day-to-day activities of an alliance manager, sometimes disagreement without discord is what enables growth in a relationship or a profession—or as Phil Sack, CA-AM says in the context of our piece on collaborative selling, “You can agree to disagree.”

We hope you agree that this issue of Strategic Alliance Magazine presents valuable content that you can use every day as you tackle your alliance management responsibilities. At ASAP Media, that’s our goal—and we look forward to your continuing feedback on how we’re doing and how we can better respond to your needs.

Art Canter, president and CEO of ASAP, is executive publisher of Strategic Alliance Magazine.
in this issue

18  ALLIANCE METRICS
Keeping Score on Alliance Metrics
The Balanced Scorecard Gives Alliance Managers a Dashboard to Measure Alliance Success | By Michael Burke
The Balanced Scorecard is being increasingly relied upon to keep abreast of all of an alliance’s tangible and intangible metrics and goals. It ensures an alliance stays on the road to achieving overarching company goals and uncovers potential obstacles before they can thwart an alliance completely.

22  COVER STORY
Measuring Alliance Management: Quantify Your Value by Showing How You Mitigate Risk and Solve Problems
Alliance Teams Need to Move Away from Subjective Relationship-Oriented Criteria in Developing New Success Metrics
By David S. Thompson, CA-AM; Steven E. Twait, CSAP; and Kim R. Fill, CSAP
Alliance management teams looking to demonstrate their overall value need to focus less on the success of the relational elements of their partnerships and more on factors that impact the bottom line directly. By treating all stakeholders as clients and quantifying the risk mitigation and problem solving achievements of its ventures, alliance management can demonstrate its unique concrete contributions to company success.

26  ALLIANCE METRICS
Which Metrics Matter?
High-Performing Alliances Keep a Close Eye on the Strategic Intent of the Partnership | By Norma Watenpaugh, CSAP
According to a Phoenix Consulting Group survey, 87 percent of high-tech alliances are judged by the revenue they create. While revenue was universally tracked in both flourishing and floundering alliances, this same study found that performers tracked metrics that non-performers overlooked.
30  ALLIANCE IN PRACTICE
When the Alliance Manager Is the CEO
Disparities in Seniority Between
Point People in an Alliance Can Create Issues.
Here’s How to Resolve Them | By John Buckingham, CSAP

Unique challenges are presented when an alliance manager’s day-to-day contact at a partner company is the CEO and vice-versa. A panel of senior-level alliance executives examined the obstacles that arise in these instances and the solutions to overcoming them at ASAP’s BioPharma Conference. John Buckingham summarizes the key points of this conversation.

34  ALLIANCES AND LICENSING
Communication Between Alliance and Legal Teams Lays the Groundwork for Successful Deals
Increasing Interaction Between LES and ASAP Members Helps Set Course for Alliance Success After a Deal Is Signed | By Jon Lavietes

Business Development executives hate seeing their hard work developing new partnerships undone by poor execution. The Alliance Management team wants contracts structured in a way that enables them to make partnerships achieve stated company goals. By conferring with each other as contracts near finalization, both parties can ensure each side’s needs will be met.

Regular Features:

5  UP FRONT | By Art Canter
Alliance Management Looks Different Depending on Who’s Observing and Measuring It

12  FEEDBACK
Comments, kudos, corrections, and other brief thoughts from ASAP members and other readers of Strategic Alliance Magazine.

13  COLLABORATIVE BUZZ
Alliance News Briefs | People in the News | ASAP & ASAP Partner Calendar of Events | ASAP Chapter Updates

43  SOLUTIONS MARKETPLACE
Products and services for and from strategic alliance professionals.
37  SPECIAL EDITORIAL SUPPLEMENT
High Risk to High Reward
How to Dig In, Solve Problems, and Create a Valued Alliance Management Function
By David Thompson, CA-AM, and Steven Twait, CSAP

In the high-stakes, high-risk world of biopharmaceutical partnerships, the number and value of alliances are at historical peaks. Under intense pressure to fill pipelines, lower development costs, and bring products to market more quickly, pharma and biotech companies are coming together in increasingly complex ways, all of which require strategic will and tactical excellence to succeed. In response to this escalating trend, almost all major pharmaceutical companies have initiated some form of alliance management function within their organizations. But not all programs have developed at the same pace—or achieved the same results. **Sponsored by Eli Lilly & Co.**

44  SPECIAL FOCUS: TECHNOLOGY
Disruptive Forces
How Technologies Like Cloud Computing, Mobility, and Social Media Are Changing Alliance Strategy, Selection, and Formation—Maybe for the Better | By Jon Lavietes

The speed and complexity of business in the IT world has increased significantly due to the “consumerization of IT.” As tech companies evaluate how to incorporate cloud computing, social media, and mobility into their value proposition, they are finding they need alliance management leadership more than ever to help chart their strategic direction.

46  SPECIAL FOCUS: TECHNOLOGY
Collaborative Selling: Getting Sales Reps to Leverage the Power of an Alliance
How to Persuade the “Lone Wolf” to Advance the Pack Toward Alliance Success | By Jon Lavietes

Salespeople oftentimes are ambivalent about teaming up with a partner to reach their quotas. It is difficult for many to give up control of an account, delegate critical action items in pursuit of a prospect, or even share credit for a win. One of the alliance manager’s most important responsibilities is to instill a collaborative mindset—something that is in many ways unnatural to the sales department culture.
Make Your Alliances Work

Let Vantage Partners Help Your Company Negotiate and Manage Critical Relationships

Conventional advice about alliances has not reduced their dismal failure rate. By working with Vantage, companies maximize the performance of individual alliances, put under-performing alliances back on track, and ensure coordination and optimization of their entire alliance portfolio.

Success requires shifting your focus to a complementary set of principles. To help companies address and find solutions to their specific alliance challenges, Vantage Partners offers a broad range of services:

Develop Your Alliance Strategy
- Define (or refine) an alliance strategy that meets overall corporate strategy and business unit objectives

Benchmark Your Alliance Management Capability
- Benchmark your alliance management capabilities relative to competitors

Design and Implement Your Alliance Management Program
- Create an alliance program blueprint and implement a framework for improved alliance success rates and better business results

Launch Your New Alliances
- We facilitate a carefully designed set of activities between partners

Remediate and Relaunch Relationships
- We conduct comprehensive assessments of alliance performance and help revitalize faltering partnerships

Alliance Management Training Solutions
- Designing and Implementing Comprehensive Alliance Training Curriculum
- Designing and Implementing Alliance-Specific Team Training
- Training Alliance Management Groups

About Vantage Partners
Vantage Partners, a spin-off of the Harvard Negotiation Project, is a management consulting firm that specializes in helping companies achieve breakthrough business results by transforming the way they negotiate, and manage relationships with, key business partners.

To learn more about Vantage Partners, visit www.vantagepartners.com, call +1 617 354 6090, or e-mail info@vantagepartners.com.

Check Out Our New Alliance Compendium
Receive “Making Alliances Work,” our new collection of complimentary Vantage Partners Alliance Management publications—including some of Vantage’s most requested HBR articles, white papers and research findings on the topics of alliances, negotiation, relationship management, and change management. To request your copy of “Making Alliances Work,” visit www.vantagepartners.com/ASAPAllianceCompendium.aspx
Discover a World of Fun
(and Networking, PLUS Professional Development)
When You Join Your Local ASAP Chapter

Every day, you tirelessly champion the value of alliances and alliance management – but sometimes you just want to go where everybody knows your name … and doesn’t need you to explain what an alliance manager does for a living.

That friendly, welcoming place is your local ASAP Chapter.

ASAP’s worldwide network of chapters – spanning 19 regions and four continents – provides face-to-face networking and close-to-home professional development for alliance managers and collaborative business professionals. Whatever your industry, you’ll find common ground with fellow alliance professionals in your local ASAP chapter.

ASAP members convene locally for mixers, cocktail hours, seminars, training sessions, panels, speakers, and other events. Local chapter members share everything from best practices to job opportunities, discuss pressing issues and common challenges, and further develop individual and team skills.

Find your local ASAP chapter – and learn about upcoming chapter events – at www.strategic-alliances.org/content/chapters. We promise you’ll have a good time – in your new professional home away from home.

For more information about ASAP Chapters, contact Lori Gold, Manager of Member Services: lgold@strategic-alliances.org or call 781-562-1630 ext. 203.
Partnering on an Alien Planet
Alliances Are Now Counted On to Help Companies Ease into New Markets  | By Steve Steinhilber
When Cisco broke into the electric utilities market, it was entering a whole new world. How it responded suggests lessons for other alliances and industries.

Inside Microsoft’s Partner Ecosystem
ASAP Media Finds an Enthusiastic Welcome—and a Pervasive Alliance Management Presence—at the Software Giant’s “Collaboration-Inspired” Annual Conclave  | By John W. DeWitt
The alliance management profession and this new magazine that serves it now play an absolutely essential role, in high tech and far beyond.
Great magazine with excellent articles, many of which I passed along to others in our company. The production quality was excellent, and also thanks to those vendors whose advertising dollars helped make this possible.

Tom Hughes
Director, Alliances and Marketing
CIBER
Cincinnati

Well done to the authors and editorial staff on the development and production of the new Strategic Alliance Magazine. Some great content and insights. We distributed quite a number at the recent Microsoft Worldwide Partner Conference, so an even wider audience will benefit from the ASAP best-practices ethos.

As a UK Chapter Board member I would encourage my worldwide business contacts and colleagues to become involved with ASAP. To my observation, the three pillars of excellence (Professional Development, Resources, and Networking) in Strategic Alliance Management, which ASAP promotes, are key factors in enabling the development of a professional body of individuals to create greater success and added value to their respective organizations.

I would particularly encourage alliance practitioners to achieve CA-AM certification (Certified Achievement in Alliance Management). By doing so they provide their organization with higher levels of performance, by ensuring their alliances are executed expertly, as well as providing internal and external credibility to the profession together with the development of their Alliance Management staff. It also provides the individual with career enhancing credentials as an alliance professional, demonstrates their professional development in the field, and sets higher expectations for partners by applying the skills and judgment to apply best practices.

Keep up the good work.

Martin Fifield
Sales and Marketing Director
Nomadic Software
Board Member, ASAP UK
Hemel Hempstead, UK

I’ve been impressed with the magazine’s first issue. I’m encouraging our alliance product managers to read it cover to cover! Thanks for the effort that goes into making this happen for our industry.

Susan Wright, CSAP, CPW/CPMM
San Antonio

I am impressed. I am reading my first copy of Strategic Alliance Magazine cover to cover. With almost everything being online, I really appreciate the opportunity to read print material. The magazine graphics and content are nicely done. I especially like the article on “The Human Factor.” Thank you.

Steve Mattos
Senior Alliance Manager
Intel Corporation
Santa Clara, Calif.

To send us Feedback, e-mail mburke@ASAPmedia.org, call us at 781-562-1630, or write to Association of Strategic Alliance Professionals, 960 Turnpike Street, Canton, MA 02021 USA. Thanks!

Thanks to you, the vision of ASAP Media has become a reality. ASAP Media productions—including this second issue of Strategic Alliance Magazine, ASAP’s e-newsletters, ASAP TV, and our forthcoming Challenges in Alliance Management webinar series—are only possible because of the growing financial support of our sponsors and benefactors.

Sponsors are our equivalent of advertisers in a for-profit magazine; benefactors are ASAP Members who agree to pay for a subscription to Strategic Alliance Magazine (even though you get it for free if you’re an ASAP Member). So thanks to the companies and individuals below for being among the first to step up! We look forward to many others following your lead.

Follow these leaders! Learn how you can be a benefactor—and your company a sponsor—at strategic-alliances.org or call ASAP at +1 781-562-1630. Your support makes all the difference.

CHARTER ASAP MEDIA SPONSORS
Eli Lilly and Company – www.lilly.com
Phoenix Consulting Group – www.phoenixcg.com
The Rhythm of Business – www.rhythmofbusiness.com
Vantage Partners – www.vantagepartners.com

CHARTER BENEFACTORS
PLATINUM Benefactors (US $150): Esfandiar Ardalan, Yuko Baltisberger, Gad Bitton, Robin Breckenridge, Krys Corbett, Hong Hong, Henrik Jochens, Sabir Kaur, Joerg Kazenwadel, Mark Noguchi, Philip Sack, Petra Sansorn, Christoph Sarry, Urs Schleuniger, Annette Weissbach
GOLD Benefactors (US $100): Lorraine Bassett, Shelley Hansen, ImmunoGen, Dennis McCullough, Susan Sullivan
SILVER Benefactors (US $50): Ed Sullivan
Subscribers: Craig Battleman, Matthew Hammer, Pansy Lee, Philippe Regnault, James Soudriette, Vincent Turula
ON JUNE 28, 2011, THE ASAP FRANCE CHAPTER celebrated its first birthday. It was in March 2010 that Bruno Dufay, CSAP, and I met to discuss the benefits of getting France-based alliance managers from various companies—Xerox, Cisco, Ipsen, IBM, Laboratoires Servier, Hewlett-Packard, etc.—together in their own ASAP chapter.

A few weeks of consultations were sufficient to launch our first meeting in Xerox’s Paris offices, attended by a dozen or so alliance managers who responded positively to our proposal. By the end of June the association was officially incorporated, the work groups were formed, and we started to expand the circle of members. More than 70 members and nearly 20 companies, many of them pioneers in the world of strategic alliances, have already joined us.

It was with joy that we quickly welcomed the France-headquartered Sanofi-aventis and Schneider Electric to Global Sponsor membership (pretty good for a non-U.S.-based chapter!). We have also benefited from the important contributions that our academic members, the universities of Paris Dauphine and Montpellier I, brought in by joining ASAP France.

Several successful events—workshops, conferences, and webinars—took place during our first year of existence. A partnership has been set up with the Licensing Executive Society (LES) France to discuss and promote our common themes, and others will follow.

ASAP France’s ambition is not only to gather together alliance managers based in France, and to make the profession of alliance management more known and understood in France and other European countries, but also to be an active contributor within ASAP’s global membership, addressing the challenges the profession is now facing as the strategic alliances business model is increasingly recognized and used by successful companies.

Amid economic uncertainties and the rapid pace of global change, we continue to see bright prospects for the alliance management profession and for ASAP France. If you are based in France or visiting, do not hesitate to get in touch. The future is ours!

ASAP News

ASAP and the Social Network(s)

The world of strategic alliances is going mainstream. If you need proof, we can point to the Harvard Business Review’s ongoing online series on collaboration, the growing number of collaboration- and alliance-related events happening around the world, the plethora of new alliances making headlines every day, and of course, the latest happenings in the ASAP realm.

For example, ASAP now hosts a lively group on LinkedIn—5,000 members and counting at last report, with 10 to 15 new people joining every day. The ASAP LinkedIn group features links to HBR articles, job postings, and fascinating discussions of everything from alliance failure rates and their causes to what book alliance managers should give their CEOs to demonstrate the value-add of alliance management.

Other alliance-related groups to follow include:

General

- Association of Strategic Alliance Professionals
- ASAP CA-AM Certified Individual SubGroup (must be CA-AM certified to join)
- ASAP CSAP Certified Individual SubGroup (must be CSAP certified to join)

Industry

- ASAP Collaborative Innovation Group
- ASAP Global BioPharma Council Subgroup
- ASAP Global IT Community

ASAP Chapters

- ASAP Asia Collaborative Business Community
- ASAP DC Chapter
- ASAP France
- ASAP New England Chapter
- ASAP Pacific Northwest Chapter
- ASAP RTP–Carolina Chapter
- ASAP Southeast Chapter
- ASAP Texas Chapter
- ASAP Tri-State Chapter
- ASAP UK Chapter

Conferences

- ASAP BioPharma Conferences
- Global Alliance Summit
The Conference Board Strategic Alliances Conference*
Growing Profitable Strategic Alliances in a Complex Economy
October 20–21, 2011
InterContinental New York Barclay, New York, N.Y., USA (to register visit conference-board.org)
*ASAP Members receive a significant discounted rate. Please contact ASAP at 781-562-1630 or info@strategic-alliances.org for more information on this discount.

2012 ASAP Global Summit
Mastering the Art and Science of Alliance
March 5–8, 2012
Caesars Palace, Las Vegas, Nev., USA (to register visit strategic-alliances.org)

Alliance News

Pfizer Won’t “Chase Revenue” from New Partnerships—but Will Spend $100M in Alliance with Boston Hospitals and Schools

With revenues falling and patents set to expire, Pfizer may no longer seek out large new alliances or acquisitions, according to an interview the New York–based pharma company’s CEO, Ian Read, gave to Bloomberg. Pfizer has embarked, however, on a five-year, $100 million partnership with Boston-area hospitals and medical schools that will both benefit those institutions and boost the company’s R&D efforts.

Facing competition from generics and the loss of patent protection on such best-selling drugs as Lipitor, Pfizer will not “chase revenue at the destruction of capital,” according to Read. The company will still pursue partnerships with companies involving mid- to late-stage treatments. Pfizer is also in the process of selling off its animal health and infant formula units in order to focus on developing new drugs.

Meanwhile, in June Pfizer announced its collaboration with Beth Israel Deaconess Medical Center, Boston University School of Medicine, Children’s Hospital Boston, Harvard University, Partners HealthCare, Tufts Medical Center, Tufts University, and the University of Massachusetts Medical School in Worcester. These partnerships are part of Pfizer’s overall R&D network, the Centers for Therapeutic Innovation, which also includes similar collaborations with medical institutions in the New York and San Francisco areas.

California Health Care Organizations Partner to Lower Costs
Three California health care organizations—Catholic Healthcare West, Blue Shield of California, and Hill Physicians Medical Group—formed an alliance that has already sliced health care costs by more than $20 million, according to the Los Angeles Times.

With planning beginning in 2008, the three organizations were able to cut costs to 41,500 Blue Shield HMO policyholders by sharing medical and financial data, reducing hospital readmissions, and significantly decreasing the number of elective surgeries. In addition, the partnership was able to avoid a premium increase for public-sector workers employed by CalPERS in northern California.

Blue Shield benefited from about three quarters of the costs saved, while the other two organizations recouped the remainder.

X Prize Foundation Taps Former Disney AM as Partnerships VP
The X Prize Foundation has named Jon Bonanni as its new vice president of partnerships. In his role, Bonanni will be responsible for identifying and developing strategic relationships with corporate partners. Drawing on his vast business development experience, Bonanni will help the foundation maximize its relationships with both current and future partners and better support...
its mission of creating radical break-throughs for the benefit of humanity. Bonanni was formerly vice president of business development in The Walt Disney Company’s Corporate Alliances group, where he was responsible for driving value across multiple Disney divisions including the development of sponsored attractions and experiences at Disney Parks around the world in conjunction with companies such as Sony, FedEx, IBM, AT&T, Hewlett-Packard, Coca-Cola, General Motors, Kodak, and Siemens. Founded in 1995, the X Prize Foundation is a non-profit organization dedicated to solving the world’s greatest challenges by creating and managing large-scale, high-profile, incentivized prize competitions that stimulate investment in research and development that ultimately benefits humanity. For more information, visit www.xprize.org.

HBR Provides Insights into Collaboration
Harvard Business Review’s Collaboration Insight Center sheds new light on corporate collaborations of all kinds, both within organizations and with external partners. The site, which is sponsored by Microsoft, features blog posts, articles, and “ideacasts” on all kinds of collaborations, internal and external, by such authors as Don Tapscott of Wikinomics and MacroWikinomics fame, Ben Gomes-Casseres of alliancestrategy.com, and others. The magazine’s online site also featured a July 2011 “Spotlight on Collaboration.” To check it out, visit hbr.org.

Acorda and Medtronic in Licensing Deal for Treatment of Spinal Cord and Brain Injuries
Acorda Therapeutics, Inc., recently announced that it has licensed worldwide development and commercialization rights to a proprietary magnesium formulation from Medtronic, Inc., which will be referred to as AC105. Acorda plans to study AC105 as an acute treatment for patients who have suffered neurological trauma, such as spinal cord injury (SCI) or traumatic brain injury (TBI).

“Acorda has significant experience in the area of spinal cord injury and other neurological injury research. We are excited to leverage that expertise to continue the clinical development of AC105, potentially providing a new therapy to people who suffer debilitating central nervous system injuries,” said Ron Cohen, M.D., Acorda’s president and CEO. “The acquisition of AC105 is an important addition to our existing pipeline, providing a clinical stage compound to complement GGF2, which is in early Phase 1 clinical trials for the treatment of heart failure, as well as our preclinical programs in remyelination and spinal cord injury.”

Acorda made a $3 million up-front payment to Medtronic and will make up to $32 million in regulatory and development milestone payments. A single-digit sales royalty will also be paid by Acorda to Medtronic if AC105 is commercialized by Acorda. Acorda’s development and commercialization rights are exclusive in all fields (including SCI, TBI, and stroke) for certain formulations of the licensed compound. For other formulations, Acorda’s rights are exclusive for indications of interest to Acorda, including SCI, TBI, stroke, and all other traumatic and ischemic central nervous system indications, while Medtronic has non-exclusive (with Acorda) development rights in specific areas, including certain areas of pain and musculoskeletal indications.

The U.S. Food and Drug Administration (FDA) granted Fast Track designation on February 12, 2009, for AC105 to improve functional recovery of acute SCI patients. Acorda expects to apply for FDA orphan drug designation for the acute treatment of SCI and will explore orphan drug designations in Europe and in other parts of the world given its worldwide development and commercialization rights.

ALK and AllerQuest Partner to Treat Penicillin Allergy
ALK-Abelló and AllerQuest have entered into an agreement to develop and market a new diagnostic product for penicillin allergy. The new product—Minor Determinant Mixture (MDM)—currently being developed by AllerQuest will complement PRE-PEN and provide for a complete and unique penicillin allergy diagnosis.

Facing competition from generics and the loss of patent protection on such best-selling drugs as Lipitor, Pfizer will not “chase revenue at the destruction of capital”

Currently, PRE-PEN is used in the USA in combination with other diagnostic products to ensure a complete test of penicillin allergy patients. The availability of MDM is expected to improve and enhance diagnosis of penicillin allergy significantly and simplify the testing procedure with an easy-to-use uni-dosed kit for all kinds of clinics and hospitals.

At present, the Denmark-based ALK distributes PRE-PEN in the USA.

PRE-PEN was developed by the U.S.-based AllerQuest. “PRE-PEN has been acknowledged by allergy specialists to be a valuable diagnostic product. With the new product we will be able to offer an even more comprehensive and more simple test for all penicillin allergies to the benefit of both patients and the health care system,” says ALK’s president and CEO, Jens Bager.

Currently, PRE-PEN is not registered and marketed in Europe. The combination of PRE-PEN and the new diagnostic product (MDM) will have global market potential. As with PRE-PEN, ALK will become exclusive distributor with global rights.
Collaborative Buzz cont.

In total, ALK will pay up to US $3.45 million for the exclusive distribution rights to MDM as well as the extension of the exclusive distribution rights of PRE-PEN. Payments will be made in several installments linked to the successful development and market launch of MDM. The clinical development program is expected to be concluded in 2012, after which a registration application will be submitted to the FDA.

**Globe Telecom and Philippine Savings Bank to Partner**

Globe Telecom, Inc., and Philippine Savings Bank have entered into a "strategic partnership" that would result in electronic banking services being made available to more mobile phone users in the Philippines, according to the Philippine Daily Inquirer.

In a statement, the telco and the thrift banking arm of the Metrobank Group said they would jointly offer electronic banking for PSBank clients who are also Globe subscribers. Globe users with registered PSBank accounts will be able to access the bank’s electronic banking service anywhere they are, any time of the day, to do various financial transactions such as payments, account inquiries, and reloading from their PSBank account to their enrolled G-Cash wallet and vice-versa. PSBank account holders who have enrolled for subscription will receive bank alerts for debit transactions, below-minimum-balance advisories, and bill payments. They will also receive relevant and up-to-date information and important announcements through text from PSBank.

**Forma to Partner on Small Molecules with Genentech**

Forma Therapeutics has announced that it has entered into an agreement granting Genentech, a member of the Roche Group, exclusive worldwide rights to acquire a preclinical small molecule program against a single undisclosed cancer target. Under the terms of the agreement, the parties will enter into a research collaboration, after which Genentech will be responsible for all development activities and will have the option to acquire the entire program from Forma at a defined future phase of development.

Forma will receive an undisclosed upfront payment and research funding, and is eligible to receive milestone payments upon the successful achievement of certain development milestones. If Genentech subsequently acquires the program, Forma will receive a buy-out payment and will be eligible for additional milestone payments if certain sales thresholds are met.

**GSK Signs New Agreement with MolMed**

GlaxoSmithKline has announced that it has selected MolMed to develop a production process for an experimental gene therapy for adenosine deaminase deficiency—severe combined immune deficiency. Under the terms of the agreement, GSK will pay up to 5.5 million euros to MolMed over the two-year period of the agreement. Developed by the San Raffaele Telethon Institute for Gene Therapy, the gene therapy is in late-stage clinical trials and was in-licensed by GSK to develop and commercialize the therapy.

**Skyline Diagnostics Expands Its Collaboration with Janssen Pharmaceuticals**

The Dutch molecular diagnostic developer Skyline Diagnostics has announced that it will collaborate with Johnson & Johnson's Janssen Pharmaceuticals to develop a test to identify patients at increased risk of side effects from a Janssen drug. The research agreement is an extension of an earlier collaboration with Janssen to develop a method based on gene signatures to stratify patients based on their response to the same drug, a treatment for multiple myeloma.
THE ASAP ALLIANCE MANAGEMENT CERTIFICATION PROGRAM OFFERS individuals the opportunity to demonstrate a mastery of skills in alliance management as well as in managing collaborative business relationships. The certification is based on the **alliance competencies** needed to successfully manage an alliance.

There are two levels of certification—**Certification of Achievement–Alliance Management**, the basic level of certification, and **Certified Strategic Alliance Professional**, the advanced level of certification. Individuals who are CSAP certified have demonstrated a command of the full life cycle of alliance management from inception to termination.

**CONTEXT SKILLS** Business skills required in alliance management, not unique to the role.
- Communications Skills
- Conflict Resolution
- Negotiation Skills
- Financial Management
- Change Management
- Project Management
- Team Management
- Leadership Through Influence
- Problem Solving and Decision Making

**CORE SKILLS** Critical competencies specific to the role of alliance management.
- Creating Strategic Alignment
- Value Proposition Development
- Governance
- Alliance Metrics Setting
- Operating Principles
- Joint Business Planning
- Alliance Negotiations
- Organizational Alignment
- Relationship Management
- Transition
- Cultural Considerations

**COMPANY SKILLS** Knowledge elements unique to company and competitive environments.
- Company Strategic Imperatives
- Industry and Technical Drivers
- Organizational and Functional Structure
- Company Governance
- Company Partnering Culture

---

What's in your future?

Join ASAP today to validate your specialized career skills that have become increasingly critical to the business world through our certification programs. Also get valuable networking, professional development, research, and other resources that will help advance your career in alliance management.

For more information contact:
**Pam Goodell**
Director of Operations
pgoodell@strategic-alliances.org
or call 781-562-1630 ext. 202

---

960 Turnpike Street
Canton, MA 02021
Tel: +1-781-562-1630
Fax: +1-781-562-0354
www.strategic-alliances.org
FORMER NEW YORK CITY MAYOR ED KOCH was famous for asking constituents, “How am I doing?” In the world of strategic alliances, as in other relationships, the question becomes, “How are we doing?” Yet clear answers to the question of alliance health and success can be hard to come by, due to a combination of a lack of both “hard” and “soft” data and the absence of any coherent system for bringing it all together for analysis—often made worse by the perhaps unaligned, and even unexamined, interests of both parties in the collaboration. This can be a recipe for alliance disaster.

“Our research has unearthed that most strategic alliances don’t deliver the results expected at the time the alliance was formed,” said Robert S. Kaplan, Baker Foundation Professor at the Harvard Business School, in an interview on the Quintiles website. “And even though the organizations go in with the best of intentions, [and] they agree on a contract about how they’ll work together, they never really agree on what they want to accomplish, and as a result the normal centrifugal forces take place, each party pulls in its own direction, trying to maximize what it can get from the alliance, and then that doesn’t lead to the synergies the two companies hoped for when they entered into the alliance.”

But what if you could measure alliance success in an ongoing way, using criteria that delve into everything from hard numbers to the host of “soft” partnership intangibles? The answer is, you can, using a tool called the balanced scorecard.

**Origins in Operations Management**

The balanced scorecard was first introduced in the early 1990s by Kaplan and David P. Norton, now of the Palladium Group, Lincoln, Mass. Its roots, however, go back to General Electric’s research into performance measurement in the 1950s, and even farther back to French process engineers’ work on constructing a *tableau de bord*—or “dashboard”—of performance measures in the early 20th century. Although originally intended as an internal tool for strategic planning and operational performance, the balanced scorecard is now increasingly deployed as an alliance tool—probing hitherto unexamined or underquantified areas of an alliance and exposing them to the (sometimes harsh) light of day, but with the goal of measuring how well an alliance is staying on track to achieving the mutual goals of the partners—and what can be done in those areas where it’s going off the rails.

Simply put, the balanced scorecard “links strategy to management of operations,” according to Tara Mylenski, CA-AM, director of alliance management for the Durham, N.C.–based Quintiles, whose alliance with the Belgian pharmaceutical company Solvay was one of the first to use the balanced scorecard as an alliance management tool.
“What the balanced scorecard does is set up a very clear, very focused look at the big things we’re trying to accomplish, who’s responsible for them, and how are we doing against that,” said Jay Johnson, Mylenksi’s colleague in Quintiles’ corporate communications department. “It keeps us front and center on what the alliance is trying to accomplish. It boils down what used to be in binders, and then were put on the shelf and forgotten. With the balanced scorecard it’s suddenly actionable—on a monthly or quarterly basis you can track what you’re doing.”

At another large pharma company, the German-based Bayer, the balanced scorecard has become an essential methodology for managing and keeping tabs on multiple high-value alliances.

“For me, the alliance scorecard is a tool which on a quarterly level is a kind of dashboard, a checking board,” said Jens Thiedemann, CSAP, director of alliance management at Bayer HealthCare Pharmaceuticals. “I have one page where I review all the metrics and goals and can check where we are and whether we are on track. That helps me then in a systematic way when we are off track to make recommendations—what we have to do and implement to get it back on track. At the end of the day it’s the only way to get a holistic overview of a very complex construct of an alliance.”

### The Hard and the Soft

The balanced scorecard typically looks at four broad areas of measurement within an alliance. These four categories, or quadrants within the “strategy map,” were developed by Vantage Partners as a modification of the Kaplan-Norton methodology. Terminology varies by company, but essentially the four areas are:

1. **Strategic**—whether the strategic goals of the organizations are being met, whether the alliance is capable of delivering on the original strategic intent
2. **Financial**—whether the product of an alliance is delivering financial value, whether it’s on track and the expected gains from the alliance are being extracted
3. **Operational**—how well such ongoing activities as product development, marketing initiatives, etc., reflect the goals and expectations both parties have for the alliance
4. **Relationship**—how the actual partnership is going, derived from surveys of key players, health checks, data on numbers of meetings held and issues escalated, etc.

While the first three categories can be examined in granular detail using readily obtainable data—assuming there is mutual agreement and clarity on what the goals of the alliance are—the fourth category may consist of “soft,” fuzzy, or hard-to-measure “intangibles.” Nevertheless, alliance managers view this component of the scorecard as critical to alliance success, and scorecard guru Kaplan agrees on its importance.

“This kind of soft, right-brain material is actually equally as important as the analytic, left-brain material that shows up on a scorecard,” Kaplan said.

“The relationship status goes across the [other] three areas—how are we cooperating and resolving issues, to get transparency,” said Thiedemann. “You not only look at strategy, finance, and operational status, but you see everything in context. You realize these four classes are interconnected. If one area is not working, you can find sometimes the other areas are not working, or you find out why one area is not working.”

Admittedly, Thiedemann added, “it’s an area where it is more difficult to get easily quantifiable measures. It’s possible, though. One of the tools is a health check. It’s basically a survey where you ask people from both companies whether the cooperation is going well.”

### Milestones on the Journey

For Andrew Yeomans, CSAP, director of alliance management within the Global Project Management Group at the Danish pharma company ALK-Abelló, the balanced scorecard is an essential tool, a road map that guides an alliance down a path that ideally was embarked on at the outset of the alliance, when the deal was struck and the contract signed.

“What we find is it’s a journey, over a long period of time, as we travel from one oasis to the next,” Yeomans explained. “You start with internally motivated areas of interest and pressure points, what are the key items that need to be addressed in the partnership situation—that drives what kind of metrics you’re trying to get at from the balanced scorecard.”

ALK’s use of the balanced scorecard originated in one of its key alliances. “We realized we needed to be more precise about how we were managing certain key subjects,” said Yeomans. He acknowledged that when significant transitions in that alliance took place, the balanced scorecard was mainly used as a “rudder to steer the ship through
uncharted waters,” with the result that now “we have very clear goals and a better sense of common perspective.”

“The essential ingredient for us was to co-develop a common scorecard with our partners at critical junctures in our partnerships, i.e. when the motivation to seek alternative pathways is at its highest. From the outset we have clear strategic intent. We have used the scorecard to help us evolve from our initial overview into a robust operational environment. Our health checks are used to obtain feedback from our own company and respective partnerships to feed new elements into our scorecards.”

Burning Issues and Resistance
How does the balanced scorecard stack up against other measuring tools? “I think it offers a significant degree of clarity and transparency,” Yeomans said. “It really does flag where the key issues are, and allows a sense of focus like no other. You can work swiftly if you want to achieve success in those burning areas. You present a red traffic light, [indicating that] this is a critical issue, and you find that you’ve got [the partner’s] attention. The key here is to become transparent at the correct, critical moment and very swiftly move on to reach consensus mode.”

But despite the points in the balanced scorecard’s favor, there can be resistance to its use. One company may introduce it into an alliance, only to find that its partner is less than thrilled at what the results show about how it is or is not holding up its end.

“It brings transparency,” explained Thiedemann. “And if an alliance is not running very well, it might not be in favor for everybody. We’ve certainly [seen] reluctance to use the scorecards. But usually when you start to observe the different functions, see the meanings there, to measure it, you have stronger buy-in from the different functions, which allows you to be successful.”

Yeomans agreed. “It’s entirely dependent on the comfort level within the partnership and how much mutually developed trust exists, which feeds through to the mutual comfort level to share.”

Variations on a Theme
While the four categories noted above are fairly consistent among alliances using the balanced scorecard, variations abound. Some companies use it only with certain alliances, or in modified form. While the Quintiles-Solvay alliance’s use of the balanced scorecard was pivotal, Mylenski reported that Quintiles does not currently use the scorecard with all its alliances, or with all of them in the same way. “I’ve modified it since Solvay...we often modify it with each partner,” she acknowledged.

Thiedemann similarly observed that Bayer uses the scorecard mainly with the larger, more complex alliances, although it can be used in smaller collaborations as well. “We have implemented scorecards with all new alliances,” he said. “Now we also work step by step to get the older ones involved, which is usually more difficult. The strategic position is a very tricky one. In reality, over time the strategic goals change, and if you have spent some time without observing it properly, it’s hard to see the strategic goals clearly from the past.”

Furthermore, Thiedemann said, “We carefully select when we approach a partner whether they’re interested in doing it together. In some alliances the relationship status is more difficult, so we have only internal scorecards for these.”

The bottom line for alliances, according to Yeomans, is that the alliance relationship itself is “the most challenging thing of all to measure and manage, and yet it is the most significant area for enhancing collaborative productivity.”

But despite the points in the balanced scorecard’s favor, there can be resistance to its use. One company may introduce it into an alliance, only to find that its partner is less than thrilled at what the results show about how it is or is not holding up its end.

“We try to make the intangibles as tangible as possible,” he added. “We have focused on ‘corporate chemistry’—the relationships between the people in the parties involved. How much and how often do we engage with partners, [and] when [do we] escalate in a mutually professional manner? Who are the key decision makers and who are the ‘champions’? How much harmony or divergence [is there] with our partners’ way of thinking?”

This is based upon the fundamental premise of “what gets measured gets done,” said Yeomans. With measures both hard and soft, the balanced scorecard gives an overall “helicopter perspective on alliance management performance,” in Thiedemann’s phrase, that is proving to be an increasingly invaluable help to alliance managers as they strive to measure and monitor the success of their alliances.
WHILE MANY COMPANIES HAVE SET UP INTERNAL alliance management functions, few have been successful in objectively assessing the value of their efforts. Many have settled for subjective measurements, such as how alliance partners feel about each other and how well alliance programs are able to produce positive change. The corporate groups that fund alliance management then must decide whether the subjective results of subjective assessments justify their cost—and whether they translate to better financial results for the partnership.

While it’s certainly important, faring well on subjective assessments may not be enough to satisfy paying clients. For many consumers of alliance management services, the promise that a partner’s “good feelings” will pay off is too distant and uncertain a return on investment—especially when these users are focused on quarterly results. It is essential, therefore, for leaders of alliance management teams to develop and use a system of metrics that attributes value to both the subjective and objective components of their groups’ contributions.
Measuring Alliance Management: Quantify Your Value by Showing How You Mitigate Risk and Solve Problems

Alliance Teams Need to Move Away from Subjective Relationship-Oriented Criteria in Developing New Success Metrics

By David S. Thompson, CA-AM; Steven E. Twait, CSAP; and Kim R. Fill, CSAP
To make that possible, alliance management teams must deliver results along a defined continuum of services, ranging from proactively mitigating alliance risk to managing conflict and solving significant problems as they arise.

Effective metrics also must consider how well the alliance management function meets the short-term needs as well as the longer-term goals of the group's clients. Ideally, a measurement tool provides the alliance manager with a structured way of targeting resources to the areas of greatest need. Finally, the criteria can't be overly cumbersome or difficult to administer. In short, the system of metrics itself needs to create value for those who use it.

**Alliance Management Defined**

Before creating a robust alliance management metric, it's necessary to define what alliance managers actually do. In some organizations, the role looks like traditional project management, with a focus on Gantt chart creation and meeting facilitation. In others, it's about relationship management, with an emphasis on how each partner organization feels. And for many others, alliance management lives as a blend between these extremes.

The crux of measuring alliance management's value—and rewarding alliance managers accordingly—is having a structured, logical alliance management function that addresses the proactive and reactive needs of the partnership. Our definition of alliance management, which has evolved since Eli Lilly and Company founded the first dedicated office in 1999, is that alliance management should be focused on reducing risk:

- It should reduce **human (or relationship)** risk, which is created by the mix of personalities and cultures that come together in an alliance.
- It should reduce **business** risk, which is present when partners create a new product or service.
- It should reduce **legal uncertainties**, which occur at the intersection of business and human risk, where they are subject to the governing contract.

In managing each type of risk, our professionals serve the alliance as ombudsmen, viewing each risk or problem through the lens of each patron: the customer (who directly uses alliance management services), the business (the corporate entity the customer works for), and the alliance itself.

**Risks and Problems**

The term **risk** has a mathematical, future-oriented connotation; it's the probability that an undesirable event or situation will come to pass. A **problem**, on the other hand, is more current and specific. We describe categories of risk and uncertainty—human, business, and legal—but problems can be specifically named. An operational definition of a problem is a risk that has been realized.

Most people do not think in terms of risk—they think in terms of problems and consequences. When someone describes the concept of risk, they often speak about specific problems that might occur. This natural semantic division between the possibility of a future, potential problem (a risk) and an actual problem (fully realized risk) is an important distinction for successful alliance
managers and their customers—and in developing a metric for alliance management.

In business, most organizations do not recognize and reward for risk that has been avoided. For example, most firms would not distribute a bonus to senior managers for having avoided business ethics scandals. And while no legitimate group would say that avoiding business ethics scandals is unimportant, most would not pay extra for avoiding that risk.

However, many companies reward employees for solving problems. Successful marketing, sales, manufacturing, and medical organizations—often the same groups that are the clients of alliance management—all strive to solve customer problems. It should come as no surprise that these organizations are unwilling to pay a premium for the avoidance of risk. They are, however, willing to pay for solutions to their problems.

To use a familiar analogy, a spouse who fills the gas tank up before a family trip has managed the risk of running out of gas, but is unlikely to be thanked for having the foresight to keep the tank full. If that vehicle breaks down on the road and that spouse fixes or manages the problem in such a way that the family is able to continue on its vacation in a timely fashion, that spouse is likely to be praised as a savior of the trip. Both filling the tank and solving the roadside breakdown resulted in a successful vacation, but to the family, remedying the breakdown will be valued more than filling up the tank.

In our experience, successful alliance management addresses—and adds value at—both ends of the spectrum: managing risk and solving the problems of alliance risk realized.

**Full Range of Services Key**

To measure the value of mitigating risk and solving problems, alliance management must first define and communicate the services the group provides. We categorize our services along a continuum ranging from managing alliance risks to solving alliance problems, with execution midway between (see Figure 1).

Starting on the continuum’s left, risk mitigation services are the preventative activities that have no clear beginning, middle, and end. These are the ongoing activities administered by the alliance management professional to ensure a healthy alliance. Just like putting gas in the car before a trip, the idea is that preventative measures will make the realization of risk less likely. Services in the strategic influence, operations administration, and execution categories are risk mitigation activities.

On the right side of the continuum, alliance managers add value by solving problems that arise in the collaboration. Alliance professionals deal with day-to-day issues within the alliance as well as the more significant problems that manifest themselves. These activities do have a clear beginning, middle, and end, and require active participation by the alliance management professional during resolution. Services in the execution, conflict management, and significant problem management categories are problem-solving activities.

Note that execution—governance, start-up, joint process, alignment, etc.—sits between risk and problem-solving services, because execution is the linchpin in the alliance management process. Day-to-day involvement and active execution of key activities puts the alliance management professional in position to effectively manage conflict and significant legal or business issues.

Playing a key role in execution positions the alliance management professional to initiate preventative measures in operational administration (scorecards, onboarding documents, etc.) and to influence corporate policy and strategy (new policies, new partnerships, etc.). This blend of proactive and reactive services enhances alliance management’s value to both the customer and the organization.

**Measuring Service Value**

Understanding the value provided by these services starts by measuring their uses and outcomes. Highly complex alliances will span the continuum of services, while less complicated alliances might use a subset. Regardless, measuring the frequency and duration of alliance activities is critical to communicating their value to key business partners.

Two key leading indicators are used to make sure the alliance management team is providing the best service level possible and that the risk is being mitigated. The first indicator involves monitoring which services our professionals are providing, with the goal of ensuring the right mix and balance. The second is to forecast key decisions and events that could potentially affect the alliance. This indicator makes it possible to take proactive action to provide effective support in solving potential alliance problems. These indicators are reviewed on a regular basis to ensure that a balance of services is being provided and that potential problems for the alliance are being mitigated.

The next step is to translate the value inherent in owning alliance risk mitigation and problem solving to assess the contributions of alliance management. In short, if alliance management successfully

Continued on page 53
WHEN YOU ASK AN ALLIANCE MANAGER which metrics matter, more often than not you will hear some version of “revenue, revenue, and revenue.” Yet many businesses have moved to a more holistic view of measuring value. The balanced scorecard (see article, page 18) has been widely adopted as a method of looking at not only financials, but strategic, tactical, and operational performance, as well as intangibles that contribute to the capacity to generate value.

A single metric cannot give you the insight necessary to manage all the ingredients required to sustain a successful alliance.
Alliances should be viewed as business entities that create value in tangible and intangible ways, and while revenue certainly matters, it is an outcome and cannot alone give you the depth of view needed to measure the full value of an alliance. It is like trying to gauge the performance of a car by only checking the speed. The speedometer can tell you how fast you're going, but not where you're going or whether you're running out of fuel.

Companies that manage successful alliances tend to measure performance in multiple dimensions. “There are two primary components: direct impact, such as mutual, meaningful, and measurable bottom-line revenue increase, and indirect benefit via association, branding, and mindshare. There is also a somewhat intangible third component where we choose to invest in architectural engineering, co-marketing, or joint sales—if our experience tells us it will create uplift elsewhere in our business ecosystem,” said Steve Mattos, senior alliance manager at Intel Corporation.

So Which Metrics Matter?
Research done by Phoenix Consulting Group in 2009, in collaboration with IBM, ASAP, and Customer Impact, gives some insight into which metrics matter. This study examined best practices over 104 high-tech alliances and separated performing and non-performing alliances for comparison. There were distinct differences in what the high-performing alliances measured versus those that fell short of their objectives.

Revenue was an important metric and almost universally tracked. In the study, 87 percent of all alliances measured revenue, followed by other aspects of revenue production: new customer wins, major account wins, and revenue growth rate—all of which are relevant and revealing metrics.

What separated performers—alliances that achieved between 110 and 130-plus percent of their objectives—from non-performers (less than 90 percent of objectives) was measurement in the strategic quadrant. Performers measured the strategic intent of the alliance—most pointedly market share (26 percent more frequently than non-performers) and rate of technology adoption (18 percent more frequently).

Measuring Strategic Intent
Most alliances are formed with the intent to create incremental revenue. This can take many forms. New revenue streams are created by targeting new markets, developing new products, creating joint solutions that attract a new set of customers, or introducing a technical innovation that delivers competitive advantage in the traditional customer base. The strategic questions behind revenue production are “where?” and “how?”

According to Philip Sack, CA-AM and tech industry veteran of more than two decades, “measuring the strategic intent of an alliance requires that you agree on the value you wish to create, and then identify the drivers of production required to create this value.”

… it makes sense that high performers are measuring technology adoption, market share, and market share growth.

Performers Measure Technology Adoption
Performers were also found to be more inventive than non-performers: 73 percent of the performers introduced new joint offers as a response to economic adversity and consequently measured the rate of technology adoption.

Customer buying changes tend to occur during periods of economic stress, and successful alliances adjust and adapt to those conditions by offering innovations that address the new state of customer requirements.

One of the major trends in recent years is the innovations around the convergence of cloud, mobile, local, social, and payment technologies. It has been called the “Consumerization of IT,” and it is affecting all industries. Consider that:
- 50 percent of Americans who own a smart phone have purchased something with it, according to a 2011 Leo Burnett & Arc Worldwide report.
- 14 percent of all Americans have accessed a health application through a smart phone, according to IDC.
- India is piloting an initiative that will transform the telephone network into a financial institution through mobile payments.

In this fast-paced environment of innovation, it makes sense that high performers are measuring technology adoption, market share, and market share growth. They are picking partners to enable them to keep pace and grow faster to guard against being marginalized in these developing markets.
For too long, we’ve done the most important job nobody knows about.

Despite playing an increasingly critical role in industry after industry, alliance professionals have remained off the radar screens of most business media. So the story of ASAP and strategic alliances has rarely been heard by general business audiences – or even within our own profession.

Now that’s changing, thanks to the launch of ASAP Media and its flagship, Strategic Alliance Magazine. Self-publishing helps other professional associations – such as the American Marketing Association and the Project Management Institute – to share best practices, educate external audiences, and create pride in their profession. Now Strategic Alliance Magazine and ASAP Media will do the same for ASAP and the alliance profession as a whole.

But we still need your help – as an ASAP Benefactor. Please consider supporting Strategic Alliance Magazine, at one of the following levels:

- □ Silver Benefactor: $50
- □ Gold Benefactor: $100
- □ Platinum Benefactor: $150
- □ Titanium Benefactor: $500

All individual benefactors will be named – along with their company and ASAP chapter if desired – on a special page of the magazine. As a benefactor of Strategic Alliance Magazine, you support the media that support you.

Don’t miss this one-time chance to help launch your profession’s new media.

Visit www.strategic-alliances.org today!
Measuring Predictive Indicators
Strategic intent and financials are performance outcomes of successful alliances. But using only these metrics is like using only the rearview mirror to navigate your car. They tell you the success of past actions, but they do not help alliance managers optimize future performance.

“We have many services alliances that are in early stages of engagement,” said Kerri Lampard, CSAP and director of global strategic services partners at Cisco. “Revenue from these newer engagements will seem quite low if compared to our mature partnerships. We are still developing initial business models and joint strategy with these partners, so revenue is not a useful measure of value or success.”

Looking at revenue alone can also belie the size of these newer partners when, in fact, some are the same size as Cisco and are market leaders in their categories. It could lead management to cut these alliances based on a misperception that they are less significant or underperforming, “yet these new alliances will ultimately drive future revenue and potentially replace that of the current partners,” added Graham Dunn, CA-AM and strategic partner development manager at Cisco.

“For all of these reasons, we focus on other leading indicators aligned with our strategic priorities when measuring the success of newer partnerships,” concluded Lampard.

To optimize revenue production, one needs to understand the production process and measure the leading indicators that correlate with future success. Most frequently measured indicators of marketing and sales effectiveness are leads generated (81 percent) and joint pipeline (66 percent), according to our study. If you understand your sales funnel—that is, how many leads will ultimately convert to revenue—you have better insight into how to manage revenue generation.

“We measure leveraged dollars,” explained Aimee Catalano, senior director of alliance marketing at Citrix Systems. “So for every dollar of Citrix marketing spend, how much is each partner contributing toward joint marketing campaigns? We also measure return. For each campaign, we measure prospect ‘interactions,’ leads, opportunities, and opportunity dollars. Opportunities are owned by the sales team, and they have assigned a dollar amount to the deal. This gives us the ability to measure our return on investment for joint go-to-market campaigns with partners, and justifies an increase in budget allocation for future spending.”

“It doesn’t do any good just to measure pipeline if nothing ever comes out of it. We track pipeline velocity. We break the pipeline into twelve stages and look at how long it takes a deal to progress through each stage,” said Amir Sohrabi, Middle East alliance manager at SAS Institute.

If you understand your sales funnel—that is, how many leads will ultimately convert to revenue—you have better insight into how to manage revenue generation.

Relationships Matter
One area frequently overlooked in alliance metrics is the strength and health of an alliance relationship. In a world where hard dollars and bottom-line analysis dominate, measuring the “soft side” of the business is often dismissed—at great cost. When an alliance is not operating effectively in the human dimension, it will cost the business in time and in fiscal performance.

“I measure happiness!” said Daniele Zarka, partners and alliances director at EMC. “It’s a question on our quarterly partner surveys: Are you happy working with us? We know if partners don’t like working with us, the revenue won’t come. It’s best to know early whether you’re going to be able to work with a partner and produce results. If I don’t feel comfortable in picking up the phone to call a partner, we aren’t going to get there, and it would be the same for our partners.”

Norma Watenpaugh, CSAP, founding principal of PhoenixCG, is an acknowledged industry expert in partnering best practices and has had extensive experience in partnering, alliances, and channel development. Her 25 years of professional experience includes executive positions at Sun Microsystems, Amdahl Corp, and BEA Systems. She is also a global board member of the Association of Strategic Alliance Professionals and chair of the organization’s Best Practices Committee.
A recent thought-provoking panel of senior executives at ASAP’s BioPharma Conference in New Brunswick, N.J., tackled the thorny issues this increasingly commonplace situation involves. We then called upon a thought leader outside of the biopharma realm to shed some light on the IT industry and its perspective on these situations, which are becoming more frequent in tech circles as well.

**Are You Prepared?**

We found that the subject is increasingly relevant to ASAP members in that many of us have landed suddenly in one of the following three categories:

1. Your AM counterpart in a partnership is a C-level executive.
2. You are called on to coach your own company’s C-level executive on how best to manage a relationship for which he/she is the AM.
3. You are the C-level executive who takes on such AM responsibility.

In these types of challenging situations, alliance leaders have to find their footing fast. The following insights, gleaned from senior-level veteran biopharma and IT industry alliance management experts, help summarize the main concerns, issues, and potential challenges facing a senior executive who has the AM role for one or more relationships, particularly when the AM for the partner company is at a significantly lower organizational level. When faced with this same situation in the future, will you be prepared?

---

*Grinding Gears: Switching Between Strategic and Tactical*

The appropriate role and behaviors of a senior executive who works with an alliance manager in his/her own company to manage the partner relationship and achieve alliance goals are probably very familiar to most alliance managers. However, when a senior executive also serves in the role of the direct alliance manager, he/she also acts as the day-to-day alliance manager. And when his/her counterpart is at a significantly lower organizational level, the senior executive can find some interesting challenges ahead.

You need to work with whoever is assigned to be the point person, but you should also have multiple points of contact between companies.

The panel was asked about this gear-switching challenge, as all of them had been senior executives acting as the alliance manager, or primary liaison, for their company with another organization in some form of collaboration. Asked how they found a relationship works if there is a significant disparity between the level of executive in their organization and that of the point person assigned.
by the other party in the alliance, they responded by choosing a mix of the two available pathways: either to try to work with that individual, at least initially, or to try to seek out someone at a more comparable, i.e. senior, organizational level to work with early on.

All “official contract business” should go through the alliance manager, but when issues do arise, the management teams can rely on personal interactions to address an issue. However, the alliance manager should always be in the loop.

“You need to work with whoever is assigned to be the point person but you should also have multiple points of contact between the companies, as there are many changes that happen within larger organizations that can make relying only on one point of contact not advisable for a successful partnership,” counseled Todd MacLaughlan, CEO of Eclipse Pharmaceuticals, in his advice to senior executives. “The role of alliance management should be to coordinate information flow and to address any concerns early while staying focused on the strategic and tactical objectives of the collaboration.”

Ruhi Khan, vice president of business development at Acorda Therapeutics, advised that in coaching a team through these situations, “It is important to understand the organization culture and operating environment. This is where alliance managers can play a critical role, as they are on the front line. Once this has been established, the management teams can and should try to build their own relationships with their counterparts. All ‘official contract business’ should go through the alliance manager, but when issues do arise, the management teams can rely on the personal interactions to address an issue. However, the alliance manager should always be in the loop.”

Giving an IT industry perspective on this issue, Pat Horgan, vice president of manufacturing, development, and operations for IBM Canada, indicated that there may be a third way, apart from seeking a similar-level senior executive. “Some cases may need the appointment of a third-party AM leader to ensure balanced focus,” Horgan stressed. “This requires respect of all parties. If possible, while it is great to have senior executives in the group, it is also good to have a backup representative to ensure continued momentum.” Still, he added, “in the end, this kind of situation really needs partners who are brought into the end objective, and the view that by combining resources everyone will come out further ahead—both the individual members and the collective group. If they are engaged at that level, we can power through the hurdles that present themselves in any project.”

Refreshingly candid in his approach, Bruce Williams, CEO of WellGen, Inc., noted that sometimes the situation does call for the senior executive to “respect the relationship…but not too much.” He explained that on at least one occasion he found it necessary to work around the partner AM, discussing an issue directly with partner senior management, and only later informing the AM. He recognized that this kind of behavior generates its own set of issues, but in this case urgency trumped protocol. Williams cautioned, “Use this approach very sparingly so as not to break trust, but at times it can be both effective and very important. It helps define boundaries when they have not otherwise been accepted.”

Overall, the group of experts seemed to agree that discovering that the senior executive counterpart is aggressively seeking a senior peer at the partner company can be a hard situation for the partner company’s more junior AM to deal with when it happens. An alternative for the senior executive to consider is to bring the AM along for the senior management discussion—unless the AM is considered to be the problem! Including the AM can ensure that the necessary trust and respect in this critical relationship do not erode.

Overcoming Disparity in Decision-Making Authority

The panel explored other obstacles they have seen with a junior-senior mismatch in alliance managers. For example, how do you proceed when you have a key decision that needs to be made for the collaboration to go forward, yet you and your counterpart have been unable to reach agreement, and one of you is empowered to make a decision for his/her company but not the other?

“Clear communication between the parties is key at this critical juncture,” said Khan. “Alliance managers have to relay the nature of the decision and potential solutions that can be addressed and involve the decision makers who can resolve the issues. Contracts
may not cover all details at the time of signing,” indicating that another best practice might be to clarify and resolve the situation by bringing the other empowered individuals into the dialogue as quickly as possible.

Although there may be a place for unilateral escalation, in my own work at Buckingham Alliance Partners I have found it useful to employ a best practice of involving both sides in producing a single, but jointly produced, document that articulates the disagreement and the potential solutions considered together with the problems either partner has with each of these. This method ensures that the nature of the disagreement is clarified and often illuminates paths to resolution before going to senior management.

**Bridging the Gap**

Finally, the panel tackled the importance of purposefully fostering a working relationship between the partner companies’ CEOs or other key executives with responsibility for the success of the collaboration, in advance of having to work through a difficult issue or dispute. Difficulties exist when such a senior-level, peer-to-peer relationship is lacking, and can impact the effectiveness of an alliance manager for the project who may be at a (much) lower level.

MacLaughlan observed that “the CEO’s relationships are important, but the sponsor of the relationship may also come from other senior leaders such as R&D and/or marketing, or even a country manager. The organizational level is not as important in an alliance as is the ability to get things done.” He pointed out that “competence and incompetence can occur at all levels, so developing the right relationships is key in multiple functional areas.”

According to Williams, although the CEO relationship may or may not be critical, “senior executive” relationships are. “Periodic check-ins, even if the partner company senior exec is not directly involved in the alliance operations, are critical to send the message to the team that the alliance is important,” he said.

Khan summarized her viewpoint on connections with the partner another way. “Developing multiple relationships is also key, as individuals do tend to move around, especially in large organizations,” she said. “So not only alliance managers but the management team involved should bear in mind that they should invest in developing multiple working relationships.”

In the end, senior executive maintenance of bonds with the partner are critical at any level. They can be built and maintained even if there is an intimidating distance in seniority between alliance managers of large and small partners, and best practices can be readily identified. For example, develop a working relationship before you need to test it on the firing line of dispute resolution by establishing and maintaining backup relationships at many levels and across many functions. Try to determine, in advance, who is likely to succeed the current C-level “champion” for the alliance, so as not to be blindsided when he or she moves out of that role. Finally, look for opportunities to connect with partner senior executives at least once per quarter at industry conferences or during trips for unrelated reasons that take you nearby the partner’s site. The end result should be continuity, mutual respect, and transparency in spite of what may have been seen as intimidating gaps in seniority.

The CEO’s relationships are important, but the sponsor of the relationship may also come from other senior leaders such as R&D and/or marketing, or even a country manager. The organizational level is not as important in an alliance as is the ability to get things done. Competence and incompetence can occur at all levels, so developing the right relationships is key in multiple functional areas.

---

**John Buckingham, CSAP**, is founder of Buckingham Alliance Partners (www.BuckinghamAP.com), which works with clients to establish and maintain effective external partnering to help companies achieve better business results, with reduced use of internal resources and with lower business risk. He can be contacted at JohnB@BuckinghamAP.com.
Today, Zulauf is taking matters into his own hands. In his role as vice president of alliance management for biopharmaceutical services company Quintiles, he sees negotiated deals with alliance partners to fruition and is a strong advocate for incorporating alliance management’s needs into the deal-making process. He has watched partnership deal success improve visibly compared with that previous life on the licensing side securing deals when formal alliance management practices were rare.

However, even with the proliferation of alliance management best practices, there is sentiment in both the alliance management and licensing executive communities that there is still some work to be done in getting the two parties on the same page.

Jason Wood, a partner at Wyrick Robbins Yates & Ponton, LLP and incoming president of the Research Triangle Park chapter of the Licensing Executives Society (LES), says most of the legal community’s dialogue about the finer points of partner negotiation is too narrow in scope.

IN THE 1990s, TOM ZULAUF, CSAP, WAS ON THE BUSINESS development side of the biopharmaceutical industry, too often watching his hard work go for naught. “Having a deal get tossed into the organization to live on its own without any kind of professional oversight—they so often failed as a result right and left,” he said. “I used to get so frustrated seeing the work and sometimes the sheer luck that went into striking a deal with another pharma partner [go to waste].”
...Lays the Groundwork for Successful Deals

"The focus is often on how do you get a deal, what do deals look like, how to negotiate a deal, what are partners looking for so you can have the discussion," he said. "We all view signing off as a finish line, but really that's the starting line."

For a few years now, LES and the Association of Strategic Alliance Professionals (ASAP) have moved forward together both on the national and chapter levels in their own partnership to educate on how each side can help the other in their quest to create and execute successful partnerships.

There is a growing awareness of the importance of this nexus between dealmaker and partnership driver as agreements are finalized.

"Licensing folks want to know that their deals will be successful," said Rob von Alten, CSAP, senior director of alliance management for Quintiles. "The alliance folks definitely want to get a deal that can be managed to a successful outcome. It's a nice meeting of the minds between these two groups in the handoff that's very critical."

The discourse between the two groups has brought to light the challenges in transitioning from closing to execution, such as getting negotiators to think about the long-term success of all parties in the alliance rather than focusing solely on getting the best deal for the licensing rep and his or her company.

Yonnie Butler, assistant director of career services at Duke...
In the high-stakes, high-risk world of biopharmaceutical partnerships, the number and value of alliances are at historical peaks. Under intense pressure to fill pipelines, lower development costs, and bring products to market more quickly, pharma and biotech companies are coming together in increasingly complex ways, all of which require strategic will and tactical excellence to succeed.

In response to this escalating trend, almost all major pharmaceutical companies have initiated some form of alliance management function within their organizations. But not all programs have developed at the same pace—or achieved the same results.

University–Fuqua School of Business and president of the LES Research Triangle Park chapter, was once given a stern mandate by a former employer: achieve favorable terms on at least two of three major sticking points in the current negotiation or shutter the deal entirely.

"It didn't matter what was really at the core of the best interests of both parties. It boiled down to a pure competition at that point," said Butler, whose career has included business development roles at North Carolina Biotechnology Center, Tunnel Consulting, and PharmaDirections, Inc.

"They essentially wanted to use paper to dictate what they did, when they did it, [and] to bring their own group into alignment with the overall terms of the deal." Regardless of each party's level of domain expertise, Zulauf champions use of a "team charter" to detail up front the alliance's mission, executive committees, governance procedures and rules of engagement, escalation paths, and other key elements of the partnership's framework.

Of course, there are many opinions on how much the contract should explicitly state about the structure of a partnership, and this is an ongoing conversation between ASAP and LES members. Wood, for one, believes you should specify the particulars of meeting schedules and cadence measures when your company is handing over an asset and a large percentage of the responsibility to the partner. This may not be as important in cases where the workload is split 50-50 or tilted toward your company.

"It is not them versus us or us versus them. It's 'we together'. It's setting that right mindset of, 'We're in this together. We're going to make this work together.'"

In addition to selfishness, inexperience, miscommunication, or just plain misunderstanding can get a deal off on the wrong foot. Zulauf said business development executives commonly make the mistake of not involving the folks charged with executing the agreement in the latter stages of the negotiation. Wood has seen smaller companies with no formal alliance management practice unwittingly ask for concessions that are impractical or operationally challenging.

However, as executives from both occupations share their war stories, both sides are finding solutions to their problems. For instance, Butler tells of a midsize company that voluntarily put in more stringent measures than its partner was asking for in order to compensate for its lack of alliance expertise.

Regardless of what is said in these discussions, the mere fact that the two groups are communicating regularly goes a long way in steering partnerships to their ultimate goals.

Other contract issues bring different complementary perspectives from the two sides. Where Wood feels the threat of involving high-level executives to get ground troops to resolve disputes and issues is more effective than their actual involvement, von Alten reminds the community that senior officers still need to meet regularly so that when a problem does arise "they're not meeting for the first time. They already have a relationship."

"It's a nice component to our professional education," said von Alten of the increasing activity between his local Research Triangle Park ASAP chapter and its LES counterpart, including a recent panel on how to make deals successful after closing that was assembled at the behest of Butler and Zulauf.

Because if the company's negotiator and its alliance manager fail to collaborate, so will the company.
In the high-stakes, high-risk world of biopharmaceutical partnerships, the number and value of alliances are at historical peaks. Under intense pressure to fill pipelines, lower development costs, and bring products to market more quickly, pharma and biotech companies are coming together in increasingly complex ways, all of which require strategic will and tactical excellence to succeed. In response to this escalating trend, almost all major pharmaceutical companies have initiated some form of alliance management function within their organizations. But not all programs have developed at the same pace—or achieved the same results.

In the high-stakes, high-risk world of biopharmaceutical partnerships, the number and value of alliances are at historical peaks. Under intense pressure to fill pipelines, lower development costs, and bring products to market more quickly, pharma and biotech companies are coming together in increasingly complex ways, all of which require strategic will and tactical excellence to succeed. In response to this escalating trend, almost all major pharmaceutical companies have initiated some form of alliance management function within their organizations. But not all programs have developed at the same pace—or achieved the same results.

In this series, Thompson and Twait articulate the company’s alliance strategy and its tenets for a successful and highly valued alliance management function. The first part of this series defines the different roles and levels of influence alliance management normally finds itself playing in biopharmaceutical companies. It shows how an alliance is functioning at its highest level when it is proactively forecasting and managing risk factors that can not only potentially derail an alliance but also thwart larger company and partner goals. This part begins to describe the necessary elements of effective risk management according to Lilly’s philosophy, the first two of which are:

1) provide leeway for alliance managers to raise, solve, and otherwise own real and potential problems that can arise during the course of a partnership, and
2) make evaluation and compensation models commensurate with the qualitative and quantitative contributions that result from active risk mitigation and problem solving.

This is the first of a two-part series of articles sponsored by Eli Lilly and Company and written by Lilly senior alliance executives David Thompson, CA-AM, and Steven Twait, CSAP. In this series, Thompson and Twait articulate the company’s alliance strategy and its tenets for a successful and highly valued alliance management function. The first part of this series defines the different roles and levels of influence alliance management normally finds itself playing in biopharmaceutical companies. It shows how an alliance is functioning at its highest level when it is proactively forecasting and managing risk factors that can not only potentially derail an alliance but also thwart larger company and partner goals. This part begins to describe the necessary elements of effective risk management according to Lilly’s philosophy, the first two of which are:

1) provide leeway for alliance managers to raise, solve, and otherwise own real and potential problems that can arise during the course of a partnership, and
2) make evaluation and compensation models commensurate with the qualitative and quantitative contributions that result from active risk mitigation and problem solving.

Lilly
While it’s clear that some programs have fared better than others, what is not as obvious is the all-important why. For example, why has the alliance management function in some pharma and biotech firms been able to expand its influence, while others have seemed to spin their wheels? Why are some alliance management groups constantly defending their existence, while others are being invited to increase their input?

We believe the answers to these questions can be found in a combination of theory and experience, influenced strongly by common sense and good business practices. In essence, we believe that success in today’s challenging environment relies heavily on the ability to proactively mitigate and manage the business risk, human risk, and legal uncertainties that surface in an alliance. Our experience has shown this is most achievable when alliance management reduces the likelihood of future, escalated conflict by actively anticipating and solving tough problems, including key business issues that would otherwise fall through the cracks or those that require an objective party to facilitate discussion. And when alliance managers further the alliance’s vision through hard work, consistently good judgment, and positive use of influence, they create a virtuous cycle of trust, loyalty, and commitment that adds measurable value and greatly increases the partnership’s probability of success.

We will take you through a brief overview of alliance management’s various forms and then focus on the strategies, approaches, and tools that have enabled Lilly’s Integrated Alliance Management group to play an increasingly important role in implementing strategic partnerships.

We hope that by offering you a different perspective on the purpose and potential of our profession, you will be able to apply these concepts to your own practice—including the who, how, and what it will take for you and your group to reach the next level in alliance management.

**The Alliance Management Continuum**

The term *alliance management* means different things to different people. The practice is just now being introduced in many firms around the world, and the profession itself is still in its infancy. Since 1999, when Lilly was the first to establish an office specifically responsible for alliance management, we at Lilly have seen growth and evolution in our role that not surprisingly corresponds to the increase in number, scope, and value of our alliances.

As you seek to enhance your own alliance management capabilities—as an individual or as an organization—the first thing you need to do is establish a baseline. While there is no scientific process or test that will definitively determine your current position, we’ve assembled three categories that in our experience represent the continuum of alliance management as it has developed across the biopharmaceutical industry during the last 10 years. (See figure, right.)

As you review the elements in Figure 1, you might find that your group’s efforts fall mainly into one category. And while your first tendency might be to rank these categories from low to high or from bad to good, it’s important to recognize that alliance management is a build, not an on-off switch that can be thrown to achieve immediate results. Just as a child learns to crawl, walk, and then run, so too must alliance managers learn from experience—their own and that of those who have been there before.

If you’re not satisfied with your self-assessment, here’s the good news: Now is the perfect time to determine how to influence your own role and to decide how to increase the value alliance management brings to your entire organization.

**Owning Risk Management**

With so much emphasis typically placed on people skills and operational facilitation, risk might seem an odd starting point.
point for a discussion on effective alliance management. But in fact, as we posited earlier, the willingness and ability to proactively manage risk is at the core of valued, valuable alliance management.

Why do we believe that risk management is so critical? The answer is a straightforward argument that proceeds from the very purpose of alliances: to create something of value from what would otherwise remain latent risk for both partners.

As Background, Let’s Look at Two Basic Alliance Scenarios:

One organization has a product or service, but for business-related reasons chooses not to independently develop it.

One organization has cash and/or idle resources and needs a particular product or service, but for business-related reasons chooses not to develop that product or service internally.

In either situation, there is an element of risk assumed by both companies that must be managed. An alliance is finally formed when, after much discussion and due diligence, the organizations decide to come together under a legal contract that establishes and governs the relationship for a set period of time. In a majority of cases, the written agreement does not clearly define how the two organizations will operate, and it is in this contractual silence that the voice of alliance management is so important.

The business of the alliance must be laid out, and timelines, deadlines, probabilities of technical success, and other elements associated with developing the product or service must be determined. The principal working team meets, and people begin the intricate process of forming the relationships that will be crucial to a positive alliance outcome.

As you can infer from the preceding description, risk is not eliminated when two groups come together; in fact, one could argue that risk intensifies. In an alliance, you now have a combination of business, legal, and human factors that previously did not exist, along with the inefficiencies of coordinating activities between parties.
To make it even more interesting, expectations in these situations are high, and the executive management of both companies—who may or may not have had previous alliance experience—often has a lot riding on the deal’s success.

So if creating value from risk is at the heart of alliance work, it follows then that managing risk—and positively channeling the unknowns—should and must be the primary objective of alliance managers. The obvious lesson is that risk well managed leads to the greatest rewards: the creation of value through a successful alliance, and the creation of a valuable alliance function that is seen as an organizational asset.

**Redefining Critical Success Factors**
Once you’ve established that managing risk will be a primary focus in your alliance efforts, the question becomes how that can best be accomplished. In our experience, the ability to successfully manage risk requires not only a shift in mindset, but also a comprehensive framework and set of skills that must be cultivated and rewarded.

**Request Problem Ownership**
In the nominal and relationship states of alliance management (see Figure 1), form often is prioritized over substance for a variety of reasons. Sometimes the program’s strategic intent is not defined, or sometimes people have the right title without the inclination, ability, or motivation to implement an otherwise sound plan. In these cases, the alliance manager remains at the periphery of the group—voluntarily or not—where he or she monitors administrative functions, offering intermittent coaching and generally “making sure the trains run on time.”

Such an approach is simply not sufficient under the risk management model. What’s needed—on a functional and individual level—is a desire to anticipate, address, and then solve the business and legal issues that inevitably arise during the course of alliance work.

When you are willing to roll up your sleeves and take on problems—whether they are issues no one else wants to or is able to own given their complexity or multifunctional nature—you become a necessary, legitimate part of the team. By committing yourself to solving problems early, you not only lighten the load of line management and enable leadership to focus on running the business; you also help yourself by reducing the chance that larger conflicts—business, legal, and interpersonal—will arise down the road.

**Reward Risk Management, Problem Solving**
In simplest terms, alliance managers historically have been evaluated and compensated based on their ability to keep everyone happy and to keep the project moving along. These are still relevant goals, but when risk man-
agement and problem solving are the core work products of the alliance manager, then the results of those activities must form the basis of evaluation and compensation.

At Lilly, for example, our model of alliance manager as corporate ombudsman (which we define as a person who acts as an independent commissioner or referee between individual parties) provides a unique opportunity to represent the pure interests of the alliance during problem solving. The ombudsman perspective allows the alliance manager to work on behalf of all parties—and most important, on behalf of the goals of the alliance itself. Measurement of an alliance manager’s value should take into account one’s ability to approach and solve the problem independent of parent-company biases.

While annual measurements, including Lilly’s Voice of the Alliance™ health assessment, can still offer important data, evaluation by those closest to the process can offer more frequent, pointed insight on individuals’ roles and relative contributions. In some cases, achievements can be measured quantitatively in dollars saved or qualitatively through reported examples of legal issues solved or business crises averted. Alternative measurements such as these enable alliance professionals to be compensated based on the real value they are generating for the greater organization.

Coming in Q4 2011
High-Risk to High-Reward:
The Skills and Tools of Servant Leadership

In Part II of this sponsored special supplement, forthcoming in the Q4 2011 issue of Strategic Alliance Magazine, Thompson and Twait will delve into the remaining components of managing risk in the context of an alliance portfolio, including the requisite skills for alliance managers implementing a risk management–based methodology to alliance portfolios and the usefulness of the “servant leadership” approach in doing so. It will also examine the wide variety of tools alliance managers need at their disposal to carry out this type of alliance management.

David S. Thompson is chief alliance officer at Eli Lilly and Company and is a member of the ASAP board of directors. At Lilly, Thompson is responsible for establishing and maintaining all major development, commercial, and partnerships and oversees the integration of companies brought into Lilly via mergers and acquisitions. In the field of alliance management, Thompson is recognized for his pioneering use of decision sciences and as an expert in managing alliance conflict. He also has developed a suite of innovative training materials for executives whose role includes the management and implementation of strategic partnerships. A graduate of the University of Arizona, Thompson earned degrees in chemistry and Spanish literature as well as an MBA at the Eller School of Business. He can be reached at Thompson_David_S@Lilly.com, +1-317-277-8003.

Steven Twait is director of alliance management and M&A integration at Eli Lilly and Company. Twait leads teams focused on maximizing the value of partnered assets at each stage of the development cycle of development, commercial, and manufacturing alliances. A founding member of Lilly’s Office of Alliance Management, Twait has played an integral role in some of the largest development and commercial alliances in the company’s history, including worldwide partnerships with Bristol-Myers Squibb, Boehringer Ingelheim, and Daiichi Sankyo. He serves on ASAP’s BioPharma Council as well as the advisory committee for the ASAP Certification and Standards Project. Twait earned a bachelor of science degree in electrical engineering at Valparaiso University and an MBA at Indiana University’s Kelley School of Business. He can be reached at stwait@lilly.com, +1-317-276-5494.
In partnership, there is strength

Since 1999, Lilly’s Integrated Alliance Management professionals have helped companies maximize the value of partnered assets. With strong roots in governance and relationship management, we excel at problem solving and value-chain integration at all stages of discovery, development, and commercialization.

As an organization and as individuals, we are committed to the success of every partnership we manage. By staying true to mutual goals—and by doing everything necessary to achieve them—we help partners realize the value inherent in every strategic alliance.

An Office of Eli Lilly and Company

E-mail stwait@lilly.com for more information.
AlignComm Delivers Perfect Partner Alignment

With even the most traditional partnerships increasing in complexity, the task of aligning partners takes more time, effort, and specialized expertise. Today’s business world is forcing organizations of all sizes to dramatically shift their core competencies, thereby increasing reliance on partnerships.

Redmond, Wash.-based AlignComm’s Perfect Partner Alignment offering synchronizes the strategic intent of alliance participants and helps create the common financial, organizational, and cultural platforms on which their alliance can function optimally. Perfect Partner Alignment’s principles enable companies to maximize external alignment with outsourcers, contract manufacturers, service providers, systems integrators, channel partners, joint ventures, distributors, OEMs, and major suppliers.

AlignComm promotes clear, consistent, and compelling communications among all stakeholders to accomplish the following goals:

- Get partners to understand, agree with, and reinforce each other’s strategy
- Identify forces in play that threaten partnerships
- Evaluate why competitors can sometimes make the best partners
- Reduce dependence on a few key partners or keep them closer when lessened dependence is not realistic
- Create a shared vision for end customers
- Determine whether a partnership represents a threat elsewhere in the organization
- Increase consistency in partnering success

For more information, please visit www.aligncomm.com/services/partnership-alignment.

Alcandal Brings Alliance Training to Spain

Spain-based Alcandal provides comprehensive training for individuals and companies encompassing nearly all aspects of alliance management. The company tailors its programs using a four-step process.

First, Alcandal walks clients through a thorough assessment of their processes, culture, and skills. It helps companies develop executive sponsorship of their alliance program and gets the rest of the organization to acknowledge the alliance function’s importance. In the second phase, Alcandal designs the specific elements of each client’s training program—MBOs, management models, processes, etc.—based on this assessment.

The third phase entails the actual execution of the new alliance management program. This involves identifying “champions” in the day-to-day operations of the company who believe in the value of alliance management.

Last, regular follow-ups are conducted to account for changes in priorities and personnel.

For more information, visit www.alcandal.com/web_documents/alcandal_alliances_training_datasheet.pdf.

Alliance Managers Build Skills Through Alliance Skills Mastery & Best Practices Workshops

Formal training in alliance capabilities and best practices is essential for companies looking to gain competitive advantage from their strategic alliance practice. Amsterdam-based consulting organization Simoons & Company’s Alliance Skills Mastery & Best Practices workshops teach attendees the required skills for managing the complex relationships in alliance management.

In an interactive format, the participants apply best practices and principles to alliance management situations and learn to choose the best courses of action in solving difficult situations. These full-day workshops focus on team problem solving. Workshop participants are challenged to apply what they have learned in case study scenarios that simulate situations alliance managers face every day.

The workshop is designed to prepare participants for the ASAP CA-AM certification examination. Workshops can be tailored to an organization’s specific needs. Companies often combine these in-house team workshops with additional on-the-job coaching to ensure maximum results from the education effort.

For more information, please visit www.simoons.com.
YOU CANNOT GO ANYWHERE IN the world of IT without encountering a discussion about mobility, social media, and cloud computing. They are being referred to as “disruptive technologies,” and why not? As Callum Bir, a director at Deloitte Consulting, Southeast Asia, said about cloud computing, these technologies “put traditional businesses upside-down.”
While longstanding tech industry giants scramble to adapt their business models and offerings to incorporate these technologies with varying degrees of success, senior-level executives at consultants and integrators agree on one consequence of the resulting sea change: the alliance management teams are getting an opportunity to play a bigger role in plotting company strategy and direction—and so far they are seizing it.

**Alliance Management Gets a Seat at the Big Table**

“The seniority of the alliance manager is becoming greater, the emphasis on it greater, and not just at a worldwide level but also at a geo level,” said Sandy Carter, vice president of social business evangelism and sales at IBM. “You are really going to be looking at an ecosystem that’s different than what you had in the past. Therefore, your alliance manager needs to be more savvy and senior and search out new types of partners.”

From the integrator and consultant’s perspective, whether you are helping a major soft drink vendor integrate warehousing applications to their truck drivers’ tablets, converting a large retailer’s capital-intensive printer setup into a less-hardware-dependent pay-per-use model, or architecting a system in which storeowners can blog about the issues they are having with products they carry, getting the right alliance combinations will dictate whether your customer survives the decade.

“Alliances are getting a seat on the board. They’re being told, ‘This is our business objective, this is what we are trying to do. You tell me what are the partnerships I need to stitch,’” said Anubhav Saxena, vice president and global head of HCL America.

In other words, the more tactical role of alliances a decade ago, in which they were asked to simply improve a product or service—make “1+1=3,” according to Saxena—is giving way to what Saxena dubbed “Alliance 2.0.” Now senior alliance executives need to stay one step ahead of the industry when it comes to forecasting the right partnerships.

“You have to stitch [the partnership] even if the OEM technologies haven’t stitched it themselves. Has Apple spoken to SAP to get the mobility client interfaced with the SAP system? It’s not happening. You as the integrator have to forecast or predict if this is going to happen or be nimble enough and fast enough to make the partnership happen,” said Saxena.

**Forecast: Cloudy and Disruptive**

Trying to find the right hardware–software–service combination was complicated enough, but with the new layers of technology and complexity presented by disruptive technologies, integrators, consultants, and vendors are tasked with filling product and service gaps they have rarely, if ever, encountered before.

“With cloud, software vendors are not necessarily used to having infrastructure as a core expertise or a core business,” said Bir. “You cannot provide a full implementation of SaaS or cloud computing–based solutions to clients without having everything end-to-end worked out up front.”

The impact on technology and service offerings is just the beginning of where and how these technologies transform business in general, and the alliance management function in particular. Arguably the biggest impact cloud in particular has had on alliances has been shifting the product sales–oriented industry to a subscription revenue model.

Although longstanding software giants like Oracle and SAP have made some progress around figuring out a model around SaaS, the two companies’ technologies are “still not as necessarily accessible and ready pricing-wise as the SaaS players are,” according to Bir. “Not all their technology is natively SaaS-enabled, and as a result the access to markets and price points is still not as available across the emerging companies in the Asia Pacific region.”

**Arguably the biggest impact cloud in particular has had on alliances has been shifting the product sales–oriented industry to a subscription revenue model.**

**Problem = Opportunity**

Of course, challenges are always accompanied by opportunity. The more savvy alliance-oriented organizations are already finding partners in places they never previously thought to look. For example, IBM has gained revenue through an advertising agency partner that kept receiving inquiries about technology platforms from clients evaluating how to integrate social media into their brand strategy. IBM now has a full ad agency influencer program where Big Blue accompanies ad agency partners in new business meetings to provide information on its technology, methodology, and adoption techniques.

“It can’t just be, ‘Okay, we have always recruited these 10 partners or these three partner types.’ [Alliance managers are] now looking at, ‘Who are the new trendsetters? Who are the new influencers?’” said Carter.

Solving the problems of traditional players, of course, is also still as much a source of business as it ever was. Consider the traditional telco, which once enjoyed protection in the form of monopoly and ownership of infrastructure. With smart phones having penetrated even the most conservative of verticals—“Healthcare clients are probably the most conservative clients across all other industries,” said Bir. “[Their adoption of smart phones is] a trendsetter and the market telling me that we’re no longer at the innovation curve, we’re now talking about mainstream technology”—telcos need partners that can connect them with vertical industries if they want to survive.
PHILIP SACK, CA-AM, IS NO MALCOLM GLADWELL, but he has made his two-decade-plus career in the tech world—which has included stops at Canon, Siebel, Sun Microsystems, and Oracle—coaxing alliances into reaching a “tipping point,” the moment when an organization’s sales team and its counterparts in partner organizations believe in each other, work seamlessly together, and eventually bring in more sales than each could have achieved individually.
“The tipping point for me is when suddenly or over time the field teams are actively reaching out to partners to engage, to share stories, to discuss opportunities so we actually start to get traction in the field,” said Sack. “It evolves from the initial well-structured alliance engagement, supported by the alliance and executive teams, and has reached an acceleration point, a type of flywheel effect where the joint sales effort begins take off.”

Once up and running, a well-functioning partner selling team can eventually generate several times the revenue, often with less effort. However, it takes lots of time, energy, and alliance manager savvy to reach this tipping point.

Most notably, to get salespeople to work with other companies, you have to overcome sales reps’ inherent independent streak and their proclivity toward autonomy—the antithesis of the collaborative mindset.

“They’re bred to be a lone wolf, to talk in terms of account control and who owns the customer,” said Tom Halle, CSAP, senior director of global alliances at Savvis. “It’s probably the biggest challenge an alliance manager faces: How do you shift the sales culture at your employer to be more partner-friendly?”

“I think it has a lot to do with how we hire sales reps in this industry and how we compensate them, and we compensate them to be maniacally focused on their quota,” said Norma Watenpaugh, CSAP, founding principal of Phoenix Consulting Group.

Even when you have accomplished what Sack calls the first step to achieving collaborative selling success—gaining agreement from executives, sales managers, and other high-level stakeholders on shared goals and vision and then driving commitment to achieving those outcomes—getting those sales representatives to take ownership of partner selling success is still challenging for many reasons.

For one, sales reps may not see eye-to-eye with upper management’s vision, especially in cases where they are already hitting quotas on their own.
“Companies enter into [an alliance] because, although it will create a little friction in the field, they get that there’s some larger strategic objective [they] want as an organization,” said Halle. “If a guy is doing really well and you tell him he has to do it completely differently now, he’s going to look at [management] like ‘you’re crazy.’”

Gregory Burge, CSAP, principal of Corporate Partnering Services and former global alliance executive at IBM, illustrates how the aforementioned account control issue often proves to be a formidable barrier in these early stages.

“Getting Sales Rep Buy-In

The most important tactic for overcoming the “sales mentality” hurdles is to create positive examples with a few reps who understand the power the right partner can have in generating new leads and cashing in on existing ones. These are usually veteran salespeople who have already experienced the great long-term gains that result from building a solid relationship with a partner.

“There’s an interesting saying, ‘You can lead a horse to water, but you cannot make it drink.’ That’s very true, but a horse often will drink when it sees other horses drinking from the same location,” said Sack.

Together, the alliance manager and the alliance-minded rep identify the low-hanging fruit and set about to net a quick win or two.

“In any alliance, it’s the first few wins that are the most important, and usually that’s done with a lot of hand-holding,” said Watenpaugh.

Sack agrees.

“[You have to] really focus on assisting [the sales teams] in overcoming hurdles, engaging with them, and driving them to a joint outcome. They’re going to be in effect your poster children.”

It is in this stage that many alliances fail, according to Sack, in part because time is of the essence. These first few wins are so important, companies even go so far as to offer perks and financial incentives to get them, albeit on rare occasions.

“The quicker you get to a win in selling, the easier it is to promote it, replicate it, and drive more momentum.”

Once that first deal is signed, it is time to simply “promote the living heck out of it internally,” according to Halle.

Formal and informal communications throughout the company announcing “not just that you won, but how you won and why a partner was instrumental” are a must, according to Watenpaugh.

“Give all the credit to the sales rep. It was their brilliant salesmanship and arm-in-arm collaboration that brought in this giant deal,” added Halle.

You can use traditional internal marketing tools such as a case study of the two companies’ successful customer win. Or, an alliance manager may just have to resort to less conventional means to ensure that the counterpart organization helps shamelessly self-promote.

“I started sending a case of jelly beans to the rep to assist us in requesting a client testimonial,” said Burge. Turning the focus to the internal sales reps, Burge adds, “Once they’re bought in, they’re your best advocate. They’re doing [the internal promotion] for you.”

Governance Measures Help Sustain Momentum

As the rest of the sales team falls into line, governance measures need to be in place to keep everyone on the same page and resolve issues that come up. Regular cadence review programs between high-level executives and ground troops are essential to review goals and evaluate whether the chosen metrics “are leading or lagging alliance success,” said Sack.

Certain administrative forms also help crystallize procedures. For example, the joint account planning form clarifies your roles and responsibilities and those of the partner’s sales reps at the outset of a sales pitch. Some companies use lead registration forms to illustrate the partner’s contribution, although other companies eschew them because “people game it,” according to Burge. The end goal of both forms is to prevent any party’s “selective memory” from minimizing the partner’s role after a lengthy sales process—sales engagements commonly last several months.

Rules of engagement and the corresponding escalation path are also critical. Halle outlined three basic rules he has his sales teams live by:
1. If your partner brings you a lead, always be loyal to your partner,
2. If collaborating with a partner who did not bring you the lead, show them preference; all other things being equal, go with that partner, and
3. If you only engage your partner for basic intelligence but they are not actively involved in the sales cycle, then quote whatever is right for the customer, but always keep that partner informed.

Sometimes the mere existence of rules of engagement serves a purpose, even if they are not eventually invoked by either side.

"The example I use [comes from] when I was a basketball referee. We had a rule that a coach couldn't come outside of their coach box. They always did, but the rule was there if we chose to enforce it," said Burge.

However, rules can only take you so far if they are not accompanied by what Sack calls an "active relationship development plan," a series of initiatives designed to build trust at all levels throughout all organizations in the alliance.

"Unless you've got that trust-building piece of the puzzle between organizations and individuals, it's very hard for them to defer to formal escalation processes and rules of engagement," said Sack.

**Anticipating and Handling Conflicts**

Alliance managers rarely get an entire sales team to trust that partners can help get them to their quota, and these rogue sales reps are often the source of bumps in the road to successful collaborative selling. For instance, these reps might stop looping in a partner in the middle of a sales engagement.

"That stuff is really damaging to trust," said Halle.

"That's the biggest red flag if there ever is one," said Burge, adding that it can work both ways when reps claim the partner cut them out of the communication loop. "The seed of distrust has already been planted, whether it is true or not."

"Coopetition" often breeds other sticky situations.

"[If] we conclude that partner A is the right computing platform for that customer deal, I'll get a phone call from an executive at competitive partner B asking me what the heck my problem is," said Halle. "We have to say, 'Look, we're heterogeneous. We represent the right technology for the customer.'"

Conversely, some sales reps may fail to understand the concept of a "win-win" deal.

“They think you can force partners to do things that are in your interest that may not be in their interests or those of their customers,” said Halle.

Even well-intentioned reps will butt heads with partners and others within the company over an alliance's role in the overall sales effort. Rules of engagement and regular meetings between key stakeholders are particularly critical in managing these disputes.

"You can agree to disagree and define a path without derailing the whole entire relationship," said Sack.

Conflict is not only inevitable but also commonplace, adds Sack. It’s how you manage it, not whether you eliminate it, that helps determine success.

"To some degree, you need to accept [that] conflict management is a day-to-day part [of an alliance manager’s role]. Your goal really is to minimize the effect of that conflict on the people involved, on the alliance itself, and also on you,” he said, likening the alliance manager’s role to a guidance counselor at times. “Listening to conflict all day won't get you anywhere unless you have a plan how to address the issues and move on.”

**Well-Rounded Skills**

**Get Sales on Board**

Many alliance managers have sales in their back-grounds and understand the inner workings of a sales organization's structure. However, the alliance manager's multifaceted perspective is what really helps him or her drive value from sales.

“You have to have more than just sales skills because you're in effect managing a business collaboration. You have to understand the front end: Why are you in this alliance? How are you creating value in it? How do you deliver it and take it to the field?” said Watenpaugh.

Sack goes so far as to call collaborative selling efforts start-ups in their own right.

“They suffer similar issues to all other start-up ventures—failures and successes along the way," he said. "To be good at collaborative selling, you really need a long-term vision of the objectives of the alliance. You need to have faith in this vision during execution.”

Then, just maybe, leveraging your partner will be an easy sell. ■
In the new millennium, however, the area undergoing the biggest change is change itself. The industry is now transforming at a faster pace than it has ever known. Smart grid, smart buildings, and smart infrastructure are ushering in a new world where companies and individuals can access their current consumption rates, charges incurred during the current usage cycle, and detailed breakdowns of their energy utilization patterns. In addition, alternative energy sources and culture-altering consumer technologies such as electric cars are presenting new challenges in energy storage and load balancing.

"If you look at the way electricity was generated, transmitted, etc., it hasn’t changed in 100 years—it hasn’t really changed back to Edison," said Emmanuel Lagarrigue, senior vice president of corporate strategy and development at Schneider Electric. "The good old world is shifting as a result of pressure on the system—from renewables, from customers."

For Schneider Electric, a Rueil Malmaison, France–based company whose roots date back to 1836, this evolution is reflected in its own growth strategy in recent years. When the company looked to fill product or service gaps, for many years it would rely on two options: "the organic way and M&A," according to Lagarrigue.

Now, of course, smart technologies and the new capabilities that come with it, such as demand response and outage management, are digitizing the world of energy management, which means IT products are central to its future. However, with no domain expertise, M&A and R&D cannot take energy management companies far and fast enough to fully tap the vast potential of these emerging technologies.

"That’s the reason why a company like ours needs to develop a mindset of alliances—because the playground of energy management will be so huge that it’s not realistic to do it by ourselves," said Lagarrigue.

APC Opens Tech Doors, Instills Alliances in Schneider Electric’s DNA

A little over a year ago, Schneider Electric drafted and disseminated its first alliance management process and began pursuing partnerships that could foster company goals. However, the process of developing an alliance management practice started much earlier. In the fall of 2006, the organization acquired uninterruptible power supply (UPS) company APC to obtain a critical piece of software for a new world demanding instantaneous power outage detection and quick action to minimize downtime. Founded in 1981, APC rose to prominence keeping Novell PC servers running after losing their power source and recently found another niche doing the same for data centers.

Along the way, APC had honed its alliance management practices and formed successful partnerships with the likes of Cisco, VMware, and Microsoft, among others. Schneider’s plan was to tap APC’s domain expertise to find its way in alliance management.
“We try to learn a lot from the companies we acquire,” said Lagarrigue. “The alliance culture is one thing we’ve learned a lot from APC.”

Specifically, Schneider Electric embarked on a three-step process. First, it leveraged APC’s alliance team to introduce leaders of its key business units to the big IT players in APC’s partner ecosystem. Second, Schneider Electric created dedicated alliance management positions within its buildings business units. The last part of the start-up process was to create a formal corporate alliances function that would have power and influence equal to the M&A team. Its anointed leader, Alistair Pim, was a longtime alliance executive who led APC’s IBM alliance just prior to its acquisition by Schneider Electric.

Pim, a CSAP who already had experience coordinating alliance training for APC teams in 2004, was granted access to all of Schneider Electric’s business units and its strategic account teams. His job was to overlay best practices in strategic alliance management onto the current corporate culture. Pim found some common ground with the existing staff. In the global account teams’ operations structure, for example, there were many similarities to a typical best-practices-driven alliance methodology.

“Schneider is quite willing to embrace well-defined processes,” Pim said, adding that Schneider Electric’s account processes already included “understanding customers’ particular needs, trying to tailor solutions, needing executive sponsorship, working across silos in different countries. Many things you do there are very similar to what you’re trying to achieve with alliances.”

**Challenges to Charging Up an Alliance Program**

Still, change management almost always entails leaping a few hurdles. Differences in the electrical and IT industries have proven to be challenging for the new alliance practice. For one, IT has always moved at a blazing pace. Energy and infrastructure businesses? Not so much.

“IT moves very quickly. We’d be quicker to make decisions and tweak products. Industrial companies work on a much longer time scale. That cultural dimension is something we’re working on,” said Pim.

Another obstacle is Schneider Electric’s inexperience with horizontal integration, a practice inherent to surviving in IT, where hardware/software stacks are the rule. Without that understanding, the energy management giant still exhibits a “not invented here’ syndrome,” according to Pim.

“Because of emphasis on acquisition, there is a desire to have control of the complete solution,” he said. “Dealing with that culture of wanting to have control and not trusting partnerships is one of the big challenges we have.”

Lagarrigue conceded that, although obtaining executive buy-in for an alliance program was very easy, executing has been a little tougher.

“When the rubber hits the ground, people realized this is really serious,” he said. “That’s when they had to engage resources, commit budget. That’s when it’s a little bit difficult sometimes.”

And while Schneider Electric is currently using qualitative success metrics like number of people trained to gauge progress today, Lagarrigue feels its alliance processes will be so mature a year from now that it will be measuring its success by value creation metrics like revenue generation and partner sales.

Pim fully expects to be tracking revenue and sales as success metrics for the company’s collaborations with Cisco and IBM; on the other hand, he respectfully tempers expectations of maturity.

“For Emmanuel to say we can be a mature alliance company in a year, I don’t think so,” he said. “I think we’ve had some good successes, but we are a far ways away from that.”

Pim adds that Schneider Electric will know its alliance program is successful when it announces more partnerships in a one-year period than acquisitions.

**Schneider Electric Begins Conducting Electricity Partnerships**

Nevertheless, there have been some promising returns in the program’s first year. An extension to the existing alliance with IBM was signed, leveraging APC’s relationship, plus a new partnership with Cisco was formed a month later. Between Big Blue’s Smarter Planet initiative and Cisco’s EnergyWise technology, Schneider Electric now has access to millions of dollars’ worth of market potential.

Schneider Electric is also optimistic about integrating the academic community into its business plans, taking the unusual step (for European companies and academic institutions) of collaborating with France’s Paris Dauphine to foster alliance research and coursework. This further builds on what Schneider Electric and its alliance managers have gained through membership and active participation in ASAP from global to local chapter level.

“In this learning experience, the collaboration with organizations such as ASAP is just key,” Lagarrigue says. “Organic growth, M&A—you learn that at business schools. Alliances you don’t learn about in school. We need someone to tell us what to do and what are best practices.”

Moreover, as the company seizes every opportunity to get smarter about alliance management, Lagarrigue sees potential for the approximately $26 billion company to utilize its newfound capability to ally with non-IT start-ups in order to preserve and benefit from their entrepreneurial spirits that might otherwise be dampened by an acquisition.

Until then, the onus is on Schneider Electric to be the first to realize the full vision of a digitized energy management world. How soon its alliance program delivers a high-voltage jolt will determine whether it is successful.
Measuring Alliance Management: continued from page 25

performs the defined range of alliance services, how do we measure the outcomes’ worth? We use these four criteria:

1. **Dollar savings**: Has the alliance management team helped realize specific savings or avoid certain costs?
2. **Increased portfolio value**: Are there key decisions or events the alliance management professional has influenced that increase the value of the organization’s portfolio?
3. **Alliance health relationship surveys**: Are alliance teams functioning as planned? Are relationships healthy?
4. **Customer satisfaction**: Are customers seeing the value provided by alliance management professionals?

**FIGURE 3:**
**VALUE IMPACTS**

<table>
<thead>
<tr>
<th>Increased Portfolio</th>
<th>Cost Advantage</th>
<th>Cost Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Alliances A</td>
<td>Alliances A</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>C</td>
</tr>
<tr>
<td>0.0</td>
<td>50.0</td>
<td>100.0</td>
</tr>
<tr>
<td>150.0</td>
<td>200.0</td>
<td></td>
</tr>
<tr>
<td>250.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Dollar Savings and Increased Portfolio Value**

By diligently implementing the defined range of services, alliance management professionals can implement improvements to the alliance that result in cost savings or cost avoidance. In addition, the alliance manager can influence key decisions that increase the value of the organization’s portfolio.

**Alliance Health Relationship Surveys**

A standard survey and health check provides an opportunity for the alliance to improve its relationships. In addition, it can be used as a diagnostic tool to understand the current state of the partnership and the perceptions the partners have of each other. It is conducted from an alliance perspective, with questions phrased to seek opinions about “our partner” and “the alliance.” Three dimensions are covered by the survey:

- Strategic fit (commitment, strategy, trust/fairness)
- Operational fit (communication, conflict management, decision making, leadership, performance measurement, roles, skills/competence, team coordination)
- Cultural fit (flexibility, knowledge management)

**Customer Satisfaction**

The alliance management group can use customer surveys to help identify how their services are valued. Mapped directly to the spectrum of alliance services, survey categories include:

- Risk identification (strategic and operational)
- Execution activities (governance implementation)
- Managing conflict
- Responding to significant business and legal events
- Problem management and resolution

After data specific to each alliance are gathered, the results of these metrics are delivered to business partners each quarter. This process provides an excellent feedback mechanism, enabling us to adjust our level of service to best meet our clients’ needs.

**Next Level**

To evolve and achieve the goal of demonstrating value, alliance management groups must define their range of services and deliver those services effectively. By focusing on active alliance execution, the strategic influence of decision-making processes, and heavy problem-solving involvement, alliance professionals can contribute to the overall value of their organizations.

And while risk mitigation, governance implementation, and problem solving often require very different approaches, this ongoing range of engagement gives alliance managers the opportunity to truly understand the partnership, enabling them to resolve key issues and influence corporate policy and strategic decision making. This in turn generates the measurable benefits provided by a strong alliance management function: dollar savings, increased portfolio value, healthy alliance relationships, and satisfied customers.

**David S. Thompson, CA-AM**

Chief Alliance Officer, Eli Lilly and Company. Thompson has played a key role in many major alliances at Lilly, working with Boehringer Ingelheim ( duloxetine in 2002 and diabetes in 2011), Amylin, and Daiichi Sankyo. His involvement begins during the due diligence process and continues throughout each alliance’s lifecycle.

**Steven E. Twait, CSAP**

Director, Alliance Management and M&A Integration, Eli Lilly and Company. With responsibility for M&A integration as well as alliance management for development, commercial, and manufacturing alliances, Twait leads teams focused on maximizing the value of partnered assets at each stage of the development cycle. His experience also includes the post-acquisition integration of ImClone Systems, Alnara Pharmaceuticals, and Avid Radiopharmaceuticals.

**Kim R. Fill, CSAP**

Manager, Alliance Management, Eli Lilly and Company. With a concentration on development alliances in oncology and biomedicines, Fill leads teams that maximize the value of partnered assets at each stage of their lifecycle.

In 17 years of solution delivery experience (business process, system design/implementation, change transformation), Fill has worked with clients in a variety of industries, including defense, finance/pension, commercial retail, information technology, research, and pharma. She has played an integral role in delivering significant new business solutions with complexities involving external customers, geographical locations, multiple business functions, quality regulations, and new technologies that have required her to transform the way her customers work, think, and behave.
WHEN CISCO ENTERED THE ELECTRIC UTILITY MARKET two years ago, it represented an enormous growth opportunity. By applying our computer networking technology of switching and routing to the electric utility grid, we could help utilities better manage and distribute their energy. With Cisco gear from the power plant all the way to a consumer’s home, utilities would be able to monitor electricity needs, optimize power delivery, reduce consumption, and ultimately benefit the environment.
But while we are recognized as a leader in computer, telephone, and video networking, we were now landing on an alien planet. Electric utilities are wrestling with massive changes in energy conservation, new pricing schemes, and consumer demands for new services. Niche players are jumping in, igniting new competition. The industry is heavily regulated, with business models and players that we weren’t accustomed to—even the industry lingo was foreign.

We decided early on that Cisco would need to work in new ways with new partners to crack the market. While we’d had remarkable success in developing technology- and IT services–focused partnerships that helped customers manage their computer networks and data centers, we needed to partner with a range of new companies from across the utility landscape. But as we set up these new relationships, we needed to know how we could all derive value from them. Would our new partners’ visions match ours, and how would we work together? How would we leverage our technology knowledge and apply our business and alliance models to the utility industry?

The answer: we set about to create a sophisticated ecosystem of partners from across the industry that go beyond our traditional alliance models. In the process, we’re developing new types of partnerships that can tackle even the most dynamic markets.

Over the last few years we’ve pushed into other uncharted (for us) markets like healthcare, industrial, and building automation, using similar partnership strategies. Our experiences, and those of other industry leaders, provide a blueprint for companies trying to penetrate new areas or fend off emerging competitive threats.

The challenges—and opportunities—are huge, and the issues apply to almost all industries as the value chains and players are changing rapidly. They require a new type of adaptable enterprise—nimble, strategic, and able to connect dots inside their companies and across multiple partners.

The Five Pillars of a Strong Alliance Framework

When we explore any new potential partner ecosystem, we start with five pillars:
1. The market environment: what do our (new) customers need?
2. How do customers make their decisions and how do they buy?
3. New disruptive forces.
4. Our own company’s priorities.
5. The changing competitive landscape.

How all of these elements come together will shape how we deliver our services and how we position and build our alliances—which in turn will determine the partners we’ll need to align with to enter any new market.

We’ve learned a lot by looking at the challenges addressed in the content industries: music, book publishing, magazines, movies, and television. Over the past decade they’ve had to explore new ways to distribute and monetize valuable content, and find new ways to attract advertisers (and increase visitation and value of eyeballs) with novel content platforms and approaches.

The lesson is clear: Companies must explore new alliance strategies to survive and thrive. What worked four or five years ago—our cradle-to-grave “portfolio approach” to managing strategic alliances—is too static for Cisco and today’s market (although it continues to provide a solid foundation).

The Price of Failure

As I pointed out in my book, Strategic Alliances: Three Ways to Make Them Work (Harvard Business Press, 2008), the price of poor planning is high. A Harvard Business School/Accenture study found that 15 successful alliances created $72 billion in shareholder value over two years, but that same number of bad alliances cost companies $43 billion. About half of all alliances fall apart—reasons include poor planning, lack of clear strategic focus, weak framework, and poor execution.

We realized a couple of years ago we needed to fine-tune our alliance model as we moved into new markets like utilities. We started with the positioning issues and the partners we’d need to assemble to be able to help deliver the “whole offer.” To do this, we use a simple competitive assessment grid to evaluate potential partners on 10 criteria, including philosophical alignment, market strength, and speed, among others.

Building Partner Ecosystems—Inside and Out

Creating partner ecosystems is more than just repackaging your old alliances—or throwing together a new team. To enter new markets, we had to identify the key players, examine market share, and evaluate the disruptive technology—all to weigh our chances of success.

We found that utilities were under pressure from several forces: user changes, energy conservation, time-of-day pricing models, and the advent of new services expected by consumers. How do you control people coming in and out of the grid? What about security? It felt a lot like the
service business that we’d successfully penetrated eight years ago—but more complex.

Our entry strategy to introduce our Cisco grid technology involved changing our model to engage the manufacturing systems of electrical meter and power companies for distribution automation within grids. We also had to build new relationships as part of this new type of alliance partner program. We had to really think through how we were going to fill major gaps in the value chain. We couldn’t just fall back on our old cast of partners.

For instance, we began knocking on doors and engaging with engineering firms that advised utility companies. We also had to reach out to meter companies to make sure that their products would work with ours in the new smart grid. We connected with the electric utilities themselves as well.

We often found that we had to reach out beyond the number one or two industry players. The biggest guys are usually too comfortable with the status quo. For your ecosystem, you have to find partners who are nimble, open to opportunities.

When we did find a potential partner, we had to carefully work out the value exchange—what is each bringing to the party? How will we work together? What is the framework and reporting structure, and how will we measure results? These are just a few of the issues that need to be carefully outlined to assure a sustainable, win-win relationship.

To create a new ecosystem, we also needed to build bridges inside our organization. We had to align multiple product and business models. One key challenge in working with our colleagues who take Cisco’s market leadership as a given: convincing them that in these new-to-Cisco markets we’re not the big dog on the block and that we have a lot to learn from our ecosystem partners.

Laying this type of groundwork takes time, so we had to do it right. We’re pleased with the early returns: solid partnerships, key sales wins, and early revenues. We know this is a long-term investment: it takes five to 10 years to have a major impact in a new vertical industry.

**Final Thoughts**

None of this prescription is set in stone, and you’ll need to adjust your partnering strategy to each situation. We’re now living in a more dynamic, global market, so you need to be willing to:

- Think differently—creativity and an open mind are essential
- Be nimble—alliances and alliance models can’t be static
- Adjust your strategy—one size doesn’t fit all

With an open mind and an adaptable alliance strategy, you’ll be better positioned to deal with the brave new partnering world.

Steve Steinhilber is vice president of Cisco’s Emerging Solutions Ecosystems (ESE) group, responsible for driving the development of relationships with new partners to help the company enter new adjacent markets.

For the previous eight years, he led Cisco’s award-winning strategic alliances program, responsible for relationships with key partners such as IBM, Accenture, Motorola, HP, Nokia, Fujitsu, Wipro, Microsoft, Intel, Apple, and a dozen other global technology companies. During Steinhilber’s tenure Cisco’s business with these partners grew to over US $5 billion per year. Steinhilber is the author of *Strategic Alliances: Three Ways to Make Them Work* (Harvard Business School Press, 2008).

---

**PROFESSIONAL PERSPECTIVES:**

If you would like to share how your company dealt with a specific alliance issue or overcame a challenge, or tell of a success story that provides lessons for the alliance management community, feel free to submit a proposal to contribute a Professional Perspectives piece to jalavietes@asapmedia.org. All submissions must be neutral in tone and devoid of blatant marketing language.

Professional Perspectives are open to ASAP members only. Articles must adhere to ASAP Media’s editorial standards, and the editorial staff will edit or reject submissions as appropriate.
Disruptive Forces: continued from page 46

and if each partner meets those standards, the companies can then
tailor the rest of the solution to their joint customers’ needs.

“We expect a certain level of Google to come into that service
framework, Savvis to come into that framework, Apple to come
into that framework, and we actually cross-integrate those frame-
works and present one single dashboard back to our client,” said
Saxena, adding that this framework is what the company feels is its
sustainable advantage.

Most important, even with the back-end technology in place, the
alliance manager still needs to practice what he or she preaches
on the front end.

“You don’t have the credibility either as an alliance manager trying to
recruit those partners or as a partner trying to sell in the marketplace
if you are both a user and an ‘understander’ of the technology,” said
Carter. “It’s not like selling MQ series. They don’t care if you use MQ
or not. But if you’re selling social, and you’re not on Twitter, they’re not
gonna want you.”

Fortunately, the new players are often willing and able to partner
effectively.

“New guys on the block are probably driving smarter partnership-
ships because they have figured out that they cannot exist trying
to do it all,” said Bir, adding that in Asia many disruptors have
simply hired seasoned executives from traditional companies to
organize their respective alliance functions.

Carter estimates that close to one-third of IBM’s partner base falls
into a leadership category of partners who “understand where
the market is going” when it comes to disruptive technologies,
adding that these partners are “dragging us along.”

“I think these new guys who get the transformation are some of
the best partners out there,” she said, referring to a successful
partnership with a Finland-based social media company.

Of the rest of IBM’s traditional partner base, 60 percent are still
looking for direction on how to monetize these technologies, but
that portion is hungry to learn. IBM conducts training sessions
to help this segment along and will be investing heavily to enable
that portion of its partner community.

Next Stop: The Chasm

Moving forward, there are a variety of opinions on how these tech-
nologies will evolve and how they will affect the role of alliances.

For instance, alliance executive leaders are still wrapping their
heads around how to incorporate social media into their view-
points and offerings.

“They’ve built it and they’re waiting for people to come. Once the
people come, they’ll deal with what they want to do with them.

Ultimately, that strategic mindset is what is going to keep alliance executives successful and continue to push the alliance management function to prominence within organizations.

They will find a way to monetize the asset when the asset really
becomes an asset,” said Saxena.

As big an impact as cloud has had on the tech industry as a whole,
there still might be another sea change in store when public cloud
really takes root as the private cloud has.

“What we are seeing a lot is private cloud which doesn’t impact
that typical resale model,” said Carter. “My gut feeling is we haven’t
crossed that chasm yet where we see the impact [of public cloud].”

Ultimately, that strategic mindset is what is going to keep alliance
executives successful and continue to push the alliance manage-
ment function to prominence within organizations. A lot of work
will go into deciding which traditional players and emerging
technology vendors to bet on.

“As an alliance manager, I have to ask myself, ’Do I want to be in
the utilities, electricity, and water space?’ You have to,” said Sax-
ena. “Don’t I have a relationship with SAP? I do, but is SAP strong
in this smart grid space? Not really.”

Carter estimates that close to one-third of IBM’s partner base falls into a leadership category of partners who “understand where the market is going” when it comes to disruptive technologies, adding that these partners are “dragging us along.”

Saxena added that HCL will duplicate this approach as each industry incorporates these technologies into their business models.

“I’ll tell [our partner], ‘You know what, you don’t have a stock
exchange play,’” he added. “When I go back to EMC, I say, ‘You
actually have both [utilities and stock market] solutions.’ My
strategies, my go-to-market, my campaigns will be focused. ‘Let’s
make a $100 million bet together on this market alone.’”

Make the right bets, and the alliance management team will walk
this path to success with little disruption.
DOING MY PART TO SPREAD OUR GOOD NEWS, I toted big stacks of the inaugural issue of *Strategic Alliance Magazine* with me to Los Angeles back in July, when I attended Microsoft’s 2011 Worldwide Partner Conference (WPC 2011) on behalf of ASAP Media. Based on the enthusiastic welcome I received from everyone with whom I met and shared the magazine, I anticipate even more excitement from alliance managers in the high-tech community with this issue’s special focus on IT.

The same diversity of thoughts, themes, and players contributing to this issue also was on full display at Microsoft’s annual partner conclave—on the immense scale of a tech industry giant that attributes 95 percent of revenues to its worldwide partner ecosystem of more than 640,000 affiliates. I came to LA by way of a generous invitation from Martin Field, who sits on the board of ASAP’s United Kingdom chapter and heads up sales and alliances at UK-based Nomadic Software. As Martin and I joined Microsoft and a representative cross-section of its partners—ahead who took over downtown Los Angeles’ Staples Center for the week—I was struck by how much the practice (and practitioners) of alliance management now suffuse an event like this.

I spent the bulk of my three days at WPC 2011 walking the expo floor with magazines as my calling card, visiting the majority of the 140-plus companies and organizations that had set up booths (ASAP shared Nomadic Software’s booth). Most attendees were not professional alliance managers, in title or in practice. But numerous exhibitors, like Microsoft, are ASAP member companies. And when I showed up at a booth, ASAP member or not, there frequently was an alliance executive on hand to meet me.

Just as significantly, if there wasn’t an alliance pro around, the channel sales and marketing execs who greeted me had no difficulty understanding what ASAP and the magazine are about and who in their organization I needed to meet.

The alliance management profession and this new magazine that serves it now play an absolutely essential role, in high tech and far beyond. Expect both to stick around, for years to come.
Do you need to transform ad hoc partnering into a cohesive program that produces exceptional and measurable results?

Do you need to:
• **Diversify into new markets** to fuel growth?
• **Accelerate your Ramp to Results™** through partner lifecycle management?
• **Tap your partner network** as a source of innovation?
• **Enable collaborative capability** in your organization?

Phoenix Consulting Group’s practices and services help companies maximize their Return on Relationships™.

We partner with our clients to accelerate revenue, tap new sources of innovation, gain operational efficiencies, and open new markets through effective alliances and partner ecosystems.

Our consultants apply a strategic perspective honed from years of practitioner experience as alliance leaders. We have been in your shoes—accountable for results. We understand how to implement strategy, processes, and policies as well as how to lead change.

“Give me a lever long enough and I shall move the world.” – Archimedes

We can help you leverage your partner relationships and move the world.

**DOWNLOAD OUR FREE WHITE PAPER NOW**

Download our white paper *Best Practices in Go-to-Market Alliances*, and gain insights from a survey of alliance executives conducted by PhoenixCG in tandem with IBM and CustomerImpact. The survey analyzes what drives performance in these types of partnerships.

Sorry, no secrets...

...this time, what happens in Vegas gets spread 'round the world.

Register Now – You Will Not Want to Miss the
2012 ASAP Global Summit
Mastering the Art and Science of Alliance
March 5-8, 2012 – Caesars Palace, Las Vegas, Nevada, USA

✓ Attend informative seminars and expert panels
✓ Get group and one-on-one training and coaching
✓ Take the CSAP Certification Exams
✓ Hear keynotes by alliance management’s leading experts and practitioners
✓ Network with colleagues – renew longstanding relationships and make new connections, in your industry, across industries and sectors, with peers from every corner of the globe
✓ Recognize and honor the profession’s greatest achievements at the Alliance Excellence Awards Banquet
✓ And yes, it’s Las Vegas, so having fun is not optional – even if your idea of fun is debating alliance governance strategies over a cup of double espresso.

Don’t gamble with your professional development. Mark your calendar today for the ASAP Global Summit, March 5-8, 2012, in Las Vegas, Nevada.