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By Cynthia Hanson

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Orchestrating Partnering—Across Enterprise and Ecosystem

How Alliance Management Can Adapt and Lead as High Tech (and other Industries) Dive into the Life Sciences and Healthcare Ecosystem

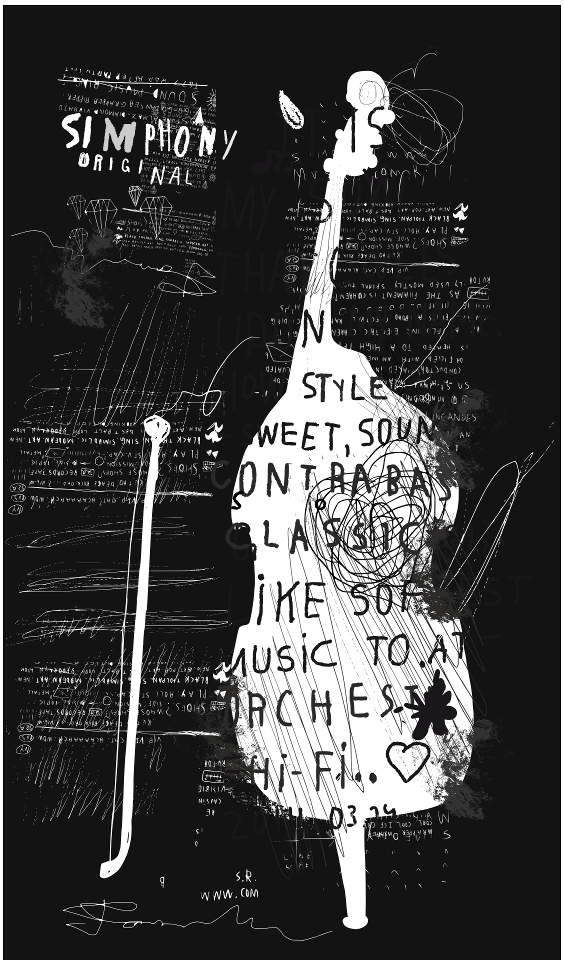
By Cynthia Hanson

Understanding the Drivers, Reading the Tea Leaves of Analytics, and Staying Adaptable Are Essential Components for Alliance Executives Riding the Paradigm Shift

The life sciences and healthcare industries exemplify the explosion of cross-industry and ecosystem collaboration—and the resulting challenges and opportunities that now confront alliance management executives. The sea change in partnering holds great promise yet is daunting in its scope and relentless pace. The best and brightest partnering leaders look ahead with optimism even as they struggle to read the tea leaves and understand the confluence of customer centricity and other forces that are driving relentless change. They are adapting, educating, and innovating to help ensure they are positioned to partner wisely, benefit from new opportunities to co-create value, and tap into new revenue streams.

"U.S. healthcare is very complicated, and we're seeing more and more problems and pressures in the healthcare system," explains Chris DelGiudice, CA-AM, director of global strategic alliance management at Becton, Dickinson and Company diabetes care. "In the U.S., for example, various chronic diseases and the cost associated with managing those diseases are only increasing with the aging population. We see where people are not persistent on drug therapy and all of the complications that come along with that are only elevating the increased costs associated with managing that. Then there's this notion of paying for outcomes versus this old fee-for-service model … and driving nontraditional partnerships across industries … whether pharma or medical technology—partnering with high tech and mobile companies."

Increased patient-centricity represents a profound shift for the life sciences and healthcare ecosystem—and reflects the way customers and end users are taking charge in many industries.



"Consumers are getting involved much more deeply—and they're carrying more of the financial burden of healthcare," explains Jan Twombly, CSAP, president of The Rhythm of Business, Inc. "In other aspects of their lives, they're used to participating more in decision-making processes that affect them, and that's spilling over into healthcare." Much more demanding consumers, combined with the need to contain costs, are driving the global trend toward outcomes-based medicine, she adds. "It doesn't matter if it's the U.S. or other countries with totally different healthcare systems—there's a desire to control those costs as healthcare is eating up a greater portion of budget."

The result, says DelGiudice, is a major shift taking place in the life sciences and healthcare industries that is broadening and transforming the role of alliance managers. "It's very much about the portfolio evolving instead of one alliance," he elaborates. "You can't exclusively rely on a few alliance managers to handle that." Moreover, "the idea that one company can figure this out and take care of this is archaic." It takes "a number of different companies that have to help solve the challenges in healthcare."

Orchestrating the New 'Partnering Symphony'

In August of 2000, the late business management pioneer Peter Drucker predicted, in an interview with Business 2.0, that "The corporation as we know it is unlikely to survive the next 25 years. Legally and financially, yes. But not structurally and economically."

Today, we see unprecedented rates of external partnering and other forms of collaborative innovation both within and across industries. In life sciences and healthcare, for instance, nontraditional players such as IBM and Samsung are making investments and partnering aggressively in the ecosystem. More than ever, companies need alliance leaders to be the orchestrators of collaboration—not just for the most strategic relationships, but for partnering across their organizations and across the ecosystem. After directing traditional 1:1 strategic alliances for many years, alliance managers now need to adapt quickly to the new diversity of compositions, instruments, and players now playing in the 21st century "partnering symphony." The need for skilled orchestration only grows as the tempo of partnering—and the cacophony of poorly managed collaborations—increases.

"It's the coming to fruition of Drucker's prophesy—we're 15 years into the 25-year transition. It's really actually happening, and as it's actually happening, people are discovering that it's really, really hard" to orchestrate, Twombly observes. This challenge presents an opportunity for alliance executives to build appropriate governance models for engaging in or orchestrating partnerships in the ecosystem, and to help their organizations understand how to play multiple roles in their ecosystems—sometimes leader and orchestrator, sometimes a player following another leader's orchestration, according to Twombly. But to do this, the alliance management function must ensure that partnering strategy is now integral to the overall company's strategy.

"The corporate alliance management function needs a partnering strategy that's baked into corporate strategy, not bolted on—you need a function that serves as integrator and provides key services and activities, and then you need to distribute the capability throughout the organization," Twombly explains.

"It's got to be embedded," agrees DelGiudice. "It's got to be the norm, got to be part of the culture. It doesn't happen overnight. It's hands-on, rolling up the sleeves. It's so critical that you have an organization with strategy, an organizational structure that supports it—you are going to need to have people beyond alliance managers organizing externally," he predicts.

Forward-Thinking Lessons from a Partnering Leader

Johnson & Johnson is a leader in cross-industry collaboration. Its four Innovation Centers around the country have allowed J&J to push the envelope, contributing to the hundreds of collaborations it has launched during the past several years. The philosophy behind the centers is to drive the future of the company's business and emerging technology, explains Rob Wills, former head of alliance management at the Janssen Pharmaceutical Companies of Johnson & Johnson and a former ASAP board member. Now a board member at Cymabay, a California biotech company, he is also chairman of the board at GTx and business advisor for a small, private startup in Cambridge, Mass., called Go Therapeutics.

"J&J put alliance managers into each of its innovation centers—we decentralized these folks. They've all been through the training—they bounced things off of us [in the corporate alliance function] because we have the experience, but they are managed locally in the innovation center," he explains. "They all have to have a sense of what it is to be an alliance manager, the role you play, how to put out fires, escalate issues quicker and help solve them, and make these things run successfully. That's how it has evolved, and I think it's going to evolve further." Indeed, Cindy Warren, who succeeded

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Wills as vice president of alliance management at Janssen Pharmaceutical Companies of Johnson & Johnson, will discuss the continued evolution of the alliance executive's role at the Sept. 9-11, 2015 ASAP BioPharma Conference, in her featured talk on "Alliance Leadership for the Healthcare Ecosystem."

Wills says the company wrestled time and time again with the question of who should handle the alliance management function in cross-industry collaborations and ended up with a model that involves domain experts managing the day-by-day partnering activities, while company alliance managers manage the partnership. As partnering complexity has evolved with the entrance of more cross-industry collaboration, bringing in experts has become a critical component to partnering success, he notes.

When J&J was involved with the Ebola vaccine, a consortium was formed between it and several other biopharma companies, plus the World Health Organization. The consortium had a lot of coordination challenges and other partnering issues, so Johnson & Johnson opted to have a specialist who had worked in access medicine do the alliance management role because it was so complicated. "There's a good example where things had to be changed or adapted," he says.

"To be really good, you have to understand the business underneath that relationship—manufacturing, pharma, IBM tech"—as well as being the alliance management expert.

> It's an age-old question for alliance executives: How do you prove the value of what you are doing and what the alliance or partnership is delivering?

Anthony Hoerning, CSAP, agrees. Pushing the boundaries increases the demand on the kind of people you want to have in these positions, in terms of background, skills, and experience, says the founder of Strategic Transactions Advisor, former head of alliance management, general medicines, pharmaceuticals at Novartis, and former ASAP board member. "You may need to go to new dimensions, new boundaries, to kind of enable this full immersion in these other technologies—so perhaps … one needs to think of particular modalities, of particular ways of doing that education. If in the past you could learn these things indirectly, by assimilating, now maybe you need to send these people off to do an immersion in the software business."

Bottom line, you need to "get very savvy about how your counterpart industry ticks—how they thrive, how they communicate, how they select people to drive the project—and then communicate that to your organization so they understand," he says.

The Intellectual Property Challenge

The problems surrounding intellectual property are substantially different in cross-industry deals, Hoerning continues. "IT and data and software guys have adopted what is widely known as an open-innovation approach to software over the years. The pharmaceutical [industry] hasn't gone that way—it is very certain that it wants to preserve every piece of intellectual property it has generated," which can complicate the relationship between companies operating in different industries.

Hoerning has several recommendations for alliance managers when negotiating licensing issues in cross-industry alliances.

- Be alert to the fact that there are absolutely fundamental differences in approach to intellectual property issues. Educate management on how to spot and manage these sources of potential conflict by carefully considering technological, financial, communications, transparency, and other issues.

- Address cross-cultural differences between, say, an American and Japanese company. Intellectual property processes may need to change for those arrangements also.

- A completely separate department may be best for the cross-industry partnering and licensing deals when the portfolio of alliances exceeds a manageable in-house limit.

- In trans-industry deals with biotech, software, or data management companies, adjust the licensing agreement checklist that is used to consult with people internally regarding the motivation of the licensor to enter into the deal with the licensee.

"There had to be a reason why you wanted to enter the alliances," observes DelGiudice separately. "The real challenge is helping the organization realize that value is not always measured in dollars."

Securing a Seat at the Table

It's an age-old question for alliance executives: How do you prove the value of what you are doing and what the alliance or partnership is delivering? "The ecosystems some organizations are building may be more of an influencer or enabler and may not be as clear-cut as dollars at the end of the day," answers DelGiudice. "Go back to strategy—what are the sources of value that each party is looking for? Yes, those are changing, but if it's not dollars, then what is it?"

It's critical for alliance managers to have a seat at the table to help the organization understand issues such as non-monetary value, the implications of partner selection, and what it means to go from two to three key partners to five to ten in an expanding ecosystem, he emphasizes.

"I see risk if alliance management is not at the table. I see an opportunity for alliance managers to be more proactive, recognize the trends, and make sure people understand these trends and what it's going to take to get that done," he adds. "There are a lot of industries and companies where the alliance management role is defined as post deal, but I have seen … where alliance management has a seat at the table when negotiating the deal."

"This notion of ambidexterity, continuing to support the core portfolio, but also working to build the future—which really is here today—the alliance management function is coaching them through it," which is why it's so critical for them to be part of the inner circle at the table, he concludes.

Reading Tea Leaves—with the Help of Analytics

For years, IBM's think tank, the Institute for Business Value, has produced business-related thought leadership on various industry topics, such as analytics and social business, and explored what it means for the future of the tech industry. "Techies can then have this in mind as they are developing solutions for industries—and so our clients know we have depth in the industry, understand the industry, and we are opening the door for potential clients who don't know IBM in healthcare and life sciences," Heather Fraser, global life sciences & healthcare lead at the Institute and a registered pharmacist, explains of the role of the institute.

Today, IBM is upping its partnering game and stepping forward not just as a technology maker but as an orchestrator in the healthcare ecosystem. (Fraser will address this topic as a featured speaker at the Sept. 9-11, 2015 ASAP BioPharma Conference—see page 26 for more details.)

"We're seen as a leader in the industry. IBM Watson Health has been acting as an orchestrator, bringing not just the platforms, the cloud, but also ecosystem members to the table, and the analytics skills as well," Fraser says. "Yes, [the ecosystem] is about the complex web of interdependent enterprises and companies, public or private, with patients at the center of it. But at the end of the day, the [goal] is to create and allocate mutual business value for the whole of the ecosystem. You have to understand what you're putting in and how you're going to drive that value out."

One value of such analytics and data is its ability to help drive insights and decision-making. Take, for example, one IBM survey of 750 life sciences execs around the globe that asked about their success rate with innovation—not just in R&D but across the organization. The survey also asked how they were driving and governing innovation. "We were stunned at the number that said there was a disconnect between the business strategy and the innovation strategy," she says. "Companies should be looking at putting a head of innovation at the board level with the same importance of a CFO."

So how can alliance managers successfully drive through a time of great uncertainty? There are many factors, but having mutual goals in place that align around consumers or patients is a critical component, Fraser replies.

IBM is on the cusp of that shift—from industry-centric to ecosystem- and consumer-centric. Putting the patient at the center is something life sciences companies haven't necessarily done in the past, she says. But today, she describes an ecosystem in which pharma and medical device companies are collaborating with diagnostic companies as well as service providers in a much more coordinated fashion to meet individual customer needs. "A lot of them are going toward targeted treatments—measuring the patient, what level of glucose is in their blood," for example, "with another device measuring impact of insulin injected into the system. Then they might have some services, such as a nutritionist, advising on correct diet or a fitness clinic or exercise."

Collaboration is becoming easier with the much more open and connected system evolving, and collaboration can be much faster and more scalable than in the past. "One big difference now that they didn't have in the last millennium is the technology aspect—that platform for sharing of knowledge," Fraser notes.

New opportunities for altruism are also emerging—working together to solve a big problem, she says. "Companies might not make the profits they would with other drugs, but putting scientists onto [a life sciences or healthcare problem] because they see something the world needs—that sort of ecosystem might be easier to set goals for." ■