



Good to Go

How Setting the Right Tone, Goals, and Expectations Gets a Great Alliance Going

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Good Governance Starts Early, Mitigates Risk

Strong governance and operating structures form the basis of all successful alliances. That said, the time and effort required to establish good governance are often underestimated. Once an agreement nears signing, for example, partners face an almost irresistible temptation to start putting a governance structure in place without first adequately defining the issues that must be managed over the alliance life cycle. This approach is short-sighted, and the solution for alliance professionals is simple. To paraphrase Albert Einstein, if you have an hour to construct a suitable alliance governance framework, spend 59 minutes defining the problems the alliance will face and one minute finding a suitable governance framework.

Governance Design Part II. The second in a four-part series on alliance governance, this article provides an overview of the most important elements to consider before and during alliance start-up. By deliberately setting the right tone and establishing a coherent operational framework, alliance professionals can ensure that the partnership gets off to an excellent start, which is critical to its long-term success.

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In previous issues of *Strategic Alliance Magazine*, we have framed potential problems in three categories: human risk, business risk, and legal uncertainties. As you can see in the following matrix, elements of risk and uncertainty are persistent and plentiful during each alliance phase. Using this tool—or one like it—a skilled alliance manager will be able to plan for and execute strategies and tactics that are designed to reduce risk and successfully mitigate potential problems during each phase of an alliance’s life cycle.

	Human Risk	Business Risk	Legal Uncertainties
START-UP	<p>Two day start-up meeting and socialization</p> <p>3D Fit and Strategic Futures exercise conducted</p> <p>Guiding principles and rules of engagement developed</p> <p>Executive coaching/team chemistry and dynamics</p>	<p>IT platform to enable communication between all functions is established</p> <p>Financial processes established</p> <p>Financial goals/targets set</p> <p>Contracts to spell out exploding timelines for key start-up deliverables (e.g., “within 60 days of signing, you must . . .”)</p> <p>Formation of crisis management team</p>	<p>Business development from each company to jointly present contract summary to alliance teams (i.e., share key negotiation issues)</p> <p>Onboarding materials developed and distributed</p> <p>Alliance handbook developed</p> <p>Firewall training developed and offered if needed</p>
STEADY STATE	<p>On/offboarding at all levels (team and leadership)</p> <p>VOA™ implementation and interventions</p> <p>Dealing with personnel performance issues at all alliance levels</p> <p>Reputation for being a fair/unfair partner is established</p>	<p>Execution of plans by crisis management team (process/internal/external)</p> <p>Governance assessment and evolution (structure will likely change several times over life of alliance)</p> <p>Trajectory of alliance performance is established</p> <p>Managing strategic changes experienced by each company (e.g., tensions created by downsizing, restructuring, change of control, etc.)</p>	<p>Audit preparation</p> <p>Contract amendment negotiations/processing</p> <p>Potential contract disputes/mediation/arbitration</p> <p>Managing changes due to companies’ evolving strategy and tactics</p>
WIND-DOWN	<p>Managing mass offboarding of alliance personnel</p> <p>Establishing guiding principles to manage behaviors and actions during the wind-down</p> <p>Allowing for longstanding relationships to celebrate past successes</p> <p>Rewarding the people who are leading the wind-down</p>	<p>Leveraging the existing governance to execute the wind-down</p> <p>Chunking the wind-down into manageable categories and work streams</p> <p>Reevaluating financial processes to enable speed over precision</p>	<p>Acknowledging each company’s document retention policies</p> <p>Parties agree on appropriate side amendments to original contract</p> <p>Ensuring that both companies understand ongoing responsibilities and are staffed appropriately to manage</p> <p>Ensuring that wind-down activities satisfy legal obligations (each country’s laws)</p>

Take Time to Define Who Will Do What

Given the importance of governance, alliance professionals can—and ideally should—play an important role in scoping and defining frameworks and processes before any

agreement is signed. In a previous article (“Governance by Design: How Well-Established Principles and Practices Set the Stage for Alliance Success,” *Strategic Alliance Magazine*, Q3 2012), we provided an overview of the most important elements to consider when designing structures and processes to guide a partnership throughout its life cycle.

Before formal terms have been agreed upon it is especially valuable to set the right expectations about what types of work the alliance will undertake and who will be responsible for what. While this advice might seem obvious, the task of defining work is often overlooked or is clouded by uncommunicated, individual expectations.

Imagine, for example, that you are talking with two people about doing work to remove weeds in your yard. You make a simple statement—that you would like to get rid of the weeds and are willing to pay a fair price for their removal. Now imagine that one person is a world-renowned plant geneticist specializing in weeds, and another is a neighborhood teen interested in odd jobs. As you can guess, the definition of work and the expectations of cost and value in such a scenario—and in many alliances—may be left unspoken. The resulting interpretations often produce a range of potentially disappointing—and expensive—proposals.

One helpful source of commentary on types of work is Peter Drucker, who offered several definitions in his book *Flawless Consulting*. Drucker used the term “pair of hands” to describe the type of work in which you need someone to do an easily defined task such as collating papers, storing data, or pulling weeds. Then he outlined “collaborative work,” in which two or more people gather to solve a problem. Another category is “consultative work”; here, an expert renders an opinion on how best to approach a task. Drucker mentions others, but these are the most common types of work found in alliances.

Translating this concept to alliance work is straightforward: always be clear about the types and combination of work that your alliance will govern. These views should be expressly discussed with your potential partner during the contracting phase, along with the relative importance of each activity. You must make a conscious effort in this regard, because it is extremely easy to fall into the trap of believing that the other person shares your definition of work. Take the time to talk about both the work that will be done within the alliance and the work that will be done to govern the alliance.

The Contract Is Signed. Now What? Once the contract has been signed and the press release issued, it's time to get down to work. Building the foundation for a successful alliance requires careful planning and execution of an alliance start-up process, which includes preparing the team, an internal kickoff event, and a joint kickoff event.

Preparing the Team

After the contract is signed, alliance managers should work diligently with alliance team members to open communications channels between the two companies. Activities should include:

- **Raising** internal awareness about the alliance
- **Transitioning** from contract negotiations to implementation
- **Making** connections with contact lists, securing e-mail
- **Creating** key personnel bios and alliance calendar
- **Preparing** for internal and joint kickoff meetings, which entails:

Understanding the vision of the alliance

Developing a company back-grounder for each partner

Onboarding governance committee members

Developing roles and responsibilities and reviewing them with key functional leaders

Creating a plan to manage contractual obligations

Internal Kickoff Event

Shortly before bringing the two companies together for the official joint kickoff meeting, alliance managers should conduct an internal kickoff. Insights obtained during due diligence and contracting need to be shared with those who will be implementing the alliance. Objectives of the internal kickoff meeting should include:

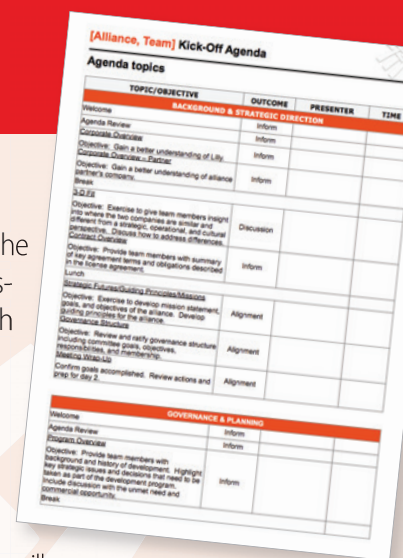
- **Getting** to know the partner
- **Understanding** the alliance value proposition for both parties
- **Understanding** any issues that surfaced during due diligence
- **Understanding** the contract provisions
- **Reviewing** the governance structure
- **Preparing** the team for the start-up
- **Ensuring** functional area alignment

Joint Kickoff Event

With the goal of preparing the alliance leadership team to effectively work together, the joint kickoff meeting is one of the most important events in the life of an alliance. Here leadership will engage for the first time and have the opportunity to set

the vision and tone for how the alliance will operate. Participants in this event should include key individuals from both companies who will be playing an integral role in the alliance (e.g., alliance governance members and project/functional leaders). Objectives of this meeting include:

- Gaining a basic understanding of the deal (why it makes sense for both parties), the contract, development strategy, and/or commercial opportunity
- Aligning on the goals and objectives of the alliance for the short and long term
- Obtaining input to develop a mission statement and guiding principles for the alliance
- Defining committee priorities and work plans for the first 100 days
- Building strong relationships to set the tone for the future
- Developing operating principles that will guide how partners work together



A common illustration is that at some point—perhaps even at several junctures—one alliance partner will perform work by reviewing output produced by the other partner. The person who carried out the original task might not view the other person's assessment as real work, but the reviewer certainly will, and a difference of opinion can ensue. Fortunately, these types of frustrations can largely be avoided by having frank, specific discussions early on, while everyone is fresh and the slate is clean. Roles and responsibility matrix tools can help, but they cannot take the place of face-to-face, open-ended conversations.

If you and your alliance team are brought in after the

contract is already signed and there are issues regarding work, be sure to take the time to identify and thoroughly discuss the full range of work expectations with your partner. Doing so will pay big dividends.

Design Governance with "Exploding Timelines"

In every relationship there are certain topics that need special attention. For example, deciding on a timeframe for a quality



agreement or manufacturing guidelines is typically an important contractual component of an alliance. If the contract states that in a certain number of days after signing, specific groups will convene and establish a functioning governance structure, for example, you will ensure that governance receives appropriate attention. This same “exploding timelines” technique, in which contract-specific deadlines are established for key events, can be used to set timing and expectations for alliance governance.

For example, the first governance meeting and basic agenda topics can be specified in a contract, with the goal of focusing both parties on important alliance issues that may be overlooked while leaders are focused on other matters. If the partner company has an alliance management function, the role of alliance management can be included in the contract as part of the governance section as well. While you don’t want to overuse this technique, this sort of contract language can be extremely useful for the most important features of an alliance.

Assess Cultural, Strategic, and Operational Fit

While we carry out a robust fit assessment process during due diligence and contracting, we also conduct what we call a 3D Fit exercise during the joint kickoff meeting. This process goes beyond the traditional assessment of operational compatibility and ensures that the strategic and cultural dimensions of partner compatibility are reviewed, addressed, and tracked over time. The goal of the activity is to provide each party with insight into current compatibility in the following categories:

- **Cultural Fit:** Testing cultural fit requires getting to know the partner company, assessing its reputation in the marketplace, and understanding how “work really gets done.” Elements of cultural fit should consider corporate culture as well as geographic considerations (e.g., company headquartered in Japan with U.S. operations).
- **Strategic Fit:** Analyzing strategic fit involves comparing each company’s corporate strategy, mission, and short- and long-term objectives to identify scenarios that could create issues in the alliance (e.g., major patent expiration for a company could drive resource constraints).

- **Operational Fit:** Understanding the partner’s business processes (e.g., fiscal year, metrics, project management systems, compliance practices, etc.) and how complementary they may be to your own company’s processes. This assessment will identify areas where roles/responsibilities need to be clearly defined as well as where joint alliance processes may need to be developed to ensure alignment.

Exercises such as these are extremely valuable because they enable you to recognize and address differences, along with the issues such disparities might generate during the course of your relationship. Another helpful resource is the insight you can gain from your alliance’s leaders. Based on experience, they often are able to identify critical success factors and predict (at least in a general sense) many of the problems that could arise. Take advantage of their insight to get out ahead of issues before they have a chance to do any damage. By developing and implementing tools such as the 3D Fit assessment and by listening carefully to the collective wisdom of people who have been through it before, you can help your alliance run more smoothly.

Successful Alliance Start-up in a Nutshell

Ultimately, the success of your governance structure relies heavily on strong execution of three elements in the alliance start-up phase:

- Spend time talking to your partner about the definition of work and the types of work that are expected in your alliance.
- Develop tools that will assist in predicting the issues that are likely to evolve over the life cycle of the alliance.
- Never underestimate the importance of a successful joint kickoff meeting. By setting the right tone and establishing an effective operating framework, alliance professionals can ensure that the partnership gets off to an excellent start, which is critical to its long-term success.

In the next two articles in our series, we will describe how to build on the foundation laid at the outset of the alliance and maintain operations through the “Steady State” phase as well as how to navigate through the relatively stressful “Wind-down” of the partnership.

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