BY DENISE MYSHKO

The *Secret* to ALLIANCE SUCCESS

Successful partnerships involve more than just signing a contract. Bringing drugs to market and then marketing those products more than ever **hinges on how well alliances are managed from a strategic, operational, and organizational standpoint.**

Copromotions require more effort. It's all about how things will work. People have to start by setting expectations, developing a process for how the team will work, and establishing how decisions will be made.

Strategic alliances are increasing among pharma and biotech companies. Diminished pipelines and increasing financial pressures have forced pharmaceutical companies to seek alternative avenues to sustain revenue growth and gain competitive advantage.

According to McKinsey & Co., of today's top 25 drugs, 12 were discovered or developed by companies other than the ones that launched them. According to a recent survey, the trend is likely to continue. In some top organizations, more than 25% of revenue comes from products brought in from elsewhere, according to a recent report by Cutting Edge Information.

Industry experts interviewed by PharmaVOICE also say there are more early stage deals — Phase I and preclinical — indicating that pharma companies are willing to delve earlier into the pipeline and do things that historically they haven't done.

Another trend is that the level of alliance management is becoming more sophisticated. Industry leaders say anywhere from one-third to one-half of alliances fail to meet initial expectations. Pharmaceutical companies have recognized this and are working with their partners to develop metrics for monitoring the health of the partnership and processes for dealing with conflicts.

Additionally, companies are appointing more senior-level people to oversee these programs. Those interviewed say alliance managers now have more cross-functional oversight than they had in the past. Companies realize that it is not okay to just manage a development alliance.

The Alliance Managers

CHRISTOPHE DEGOIS. Senior Director, Global Alliances and Operations, Genentech Inc., South San Francisco, Calif.; Genentech is among the world's leading biotech companies, with multiple protein-based products on the market for serious or life-threatening medical conditions and more than 30 projects in the pipeline. For more information, visit gene.com.

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JEFFREY R. HARDER. Chair of the Biotechnology Practice, Winstead Sechrest & Minick, The Woodlands, Texas; Winstead Sechrest & Minick is among the largest business law firms in Texas with more than 300 attorneys and 29 practice areas. For more information, visit winstead.com.

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SETH YAKATAN. Chairman, Managing Partner, Katan Associates International, Hermosa Beach, Calif.; Katan Associates is a globally based advisory services organization that provides a variety of integrated and interdisciplinary business and financial services to developing knowledge-based growth and biotechnology companies. For more information, visit katanassociates.com.

As a project progresses, the environment around us may change, or there may be various setbacks or surprises. So the ability of partners to adjust becomes important to the success of the alliance.

The Partnering *Trend*

WEINGARTEN. The latest Standard & Poor's industry survey in healthcare in pharmaceuticals, issued June 2004, says partnering deals between biotechnology and pharmaceutical companies totaled $8.9 billion in 2003, up from $7.5 billion in 2002, and are expected to continue to accelerate sharply in 2004.

SCHMID. Partnering has become a main theme for this industry. Our senior leadership made the decision in 1999 to ensure the probability of the success of our relationships, to build this capability, and to build a model to help ensure success. Every year as we roll out our corporate priorities, ensuring the success of our partnerships has been on that list for the last three years. The message from our senior leadership stresses how much we value our partnerships.

PROTOPAPAS. Alliances are becoming increasingly more important both to biotech and to pharmaceutical companies. Breakthrough products in pipelines are drying up. Pharmaceutical companies are increasingly looking to biotech for innovation and new products. Therefore, being able to manage those alliances effectively has become very important.

DOWNS. We realize that relying entirely upon an internal R&D organization can limit a company's growth and does not fully leverage the resources of our company or help us build our business going forward. Purdue represents what I think is part of a larger trend in the last 10 years. What started out as discovery-based alliances are now copromotion alliances because of the competitiveness and rapid launch of products in certain very intensive categories. Companies have realized they can't buy their way to success, especially if they want rapid success. And now that time is a precious commodity in this competitive arena, they realize they need to align themselves with others who can support their success either at the discovery and development stage or in the marketplace. We will see more and more alliances.

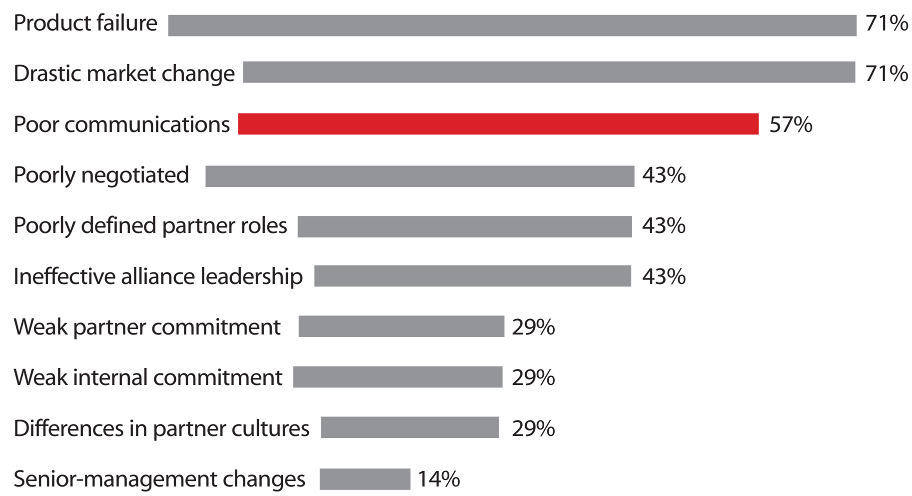
PROUNIS. The biggest trend is more biotech companies aligning with pharma because of their need for resources to help market a drug particularly to the primary-care audience. And pharma companies need these copromotion agreements because of the shortage of new drugs in their pipelines. Within a copromote, it's all about how things will work. So, setting expectations, developing a process for how the team will work, defining roles and responsibilities, and establishing how decisions and how differences of opinion/conflict will be managed are all important success factors.

HARDER. Licensing is becoming a bigger part of the pharmaceutical industry's overall strategic plan. Companies are realizing there's a significant opportunity to outsource drug development and obtain additional products. It is no secret that pharmaceutical companies are not developing as many drugs as they used to and they're forced to seek new compounds and new drugs from other companies. They are much more willing today to do a strategic alliance with a start-up or a midsized biotech company than perhaps they were 10 years ago.

YAKATAN. If we look at the valuations that are imbedded into large pharmaceutical companies and at the growth projections that are embedded in current valuations, pharma doesn't necessarily have the internal pipeline to be able to meet the assumed growth. For quantitative and real-world measures, they would

Deal Failures

Though product failures and drastic market changes are the most common reasons for alliance failure, poor partner communications, an easily manageable problem, still ranks among the highest.



Note: Percentage of respondents naming reason as source of failure.
Source: Cutting Edge Information, Durham, N.C. For more information, visit cuttingedgeinfo.com.

Christophe Degois

With the number of alliances increasing, companies are going to pay more attention to alliance management to make sure they put into place the processes that make alliances succeed.

Anna Protopapas

If an alliance is important to both parties and there is a real commitment from both organizations to make it work, the partnership is more successful.

have to go outside of their own pipeline to be able to derive new products or enough new products to be able to meet the growth expectations Wall Street is placing on them.

SINGH. Alliances are increasing. But companies are looking more downstream and sifting through the value chain to understand their capabilities and where they need to focus. More companies are expressly stating what their strategy is and making it explicit where they're going to play.

DEGOIS. At Genentech we are committed to discovering and developing new innovative therapies. We have a lot of expertise in-house, but at the same time, we cannot be experts in every technology and every area. So we are very open to collaborations with other companies and with academia either within or outside the United States. We're constantly looking for innovative technologies or therapies and we're really open to working in partnership. Science is key and drives our collaborations because we are in the business of discovering new and innovative therapies. There is a real value to alliances.

SINGH. Partnering offers the best hope for growth in the industry. Growth is clearly a challenge. Profitability is clearly a challenge. Volatility is a key challenge. Return on investment capital — the metric that has not been used historically — is now getting more traction.

DEGOIS. Alliances are becoming more common. And as the number of alliances increases, companies are going to pay more attention to alliance management. They are putting processes in place to make sure the alliance is going to succeed.

Barriers to Partnership

MCCAMEY. The latest surveys that I have seen show that about 50% of alliances don't meet objectives. To beat those odds, companies need to build a different set of management capabilities within the partnership, and they need to be focused on best practices for partnering and alliances. Companies that do that have a much better success rate.

SINGH. Alliances in the past have been more opportunistic. Companies had looked at this strategy with a zero-sum mentality rather than as a long-term business model. They looked at alliances to exploit a specific opportunity, which didn't engender the right mentality among people from the start. As alliances and partnerships become repeatable as opposed to one-offs they become a way of doing business as opposed to the exception of doing business.

WEINGARTEN. Alliances, in reality, are relationships between individuals — not between situations. As a result, the most common reasons that alliances fail are senior management changes, weak commitments, poor leadership, ineffective governance, and incompatible objectives. When the alliance is launched, both teams need to come together and develop shared objectives. If this is not done up front, then there is likely to be a problem later on.

DOWNS. Even when negotiations are done in the beginning to establish the partnership parameters, things change. We start off with the best of intentions and plans, and we set our goals. But as a project progresses, the environment around us may change, or there may be various setbacks or surprises. So the ability of partners to adjust becomes important to the success of the alliance.

SINGH. It's very difficult to run alliances properly. Companies have to be ready to renegotiate and be flexible if things don't turn out right. Companies are starting to work together for the first time. That is a key issue. In the pharmaceutical business there is a lot of change going on. For example, mergers and acquisitions change alliances and the terms of the deal, so company leaders need to think proactively about contingency plans in terms of ownership structures.

DOWNS. Since we think an alliance is about people working with people, the best way to resolve conflicts is at the people level, at the project-team level. I've heard of some organizations that bring in outside facilitators when things break down. This can be a good solution, especially when there is so much at stake for both parties.

TRAHAN. While alliances are seen as low-risk alternatives when compared with mergers, the fact remains that both parties still have to be organized to successfully navigate the alliance relationship. Like a marriage, an alliance can last but only with a lot of work.

YAKATAN. Given the number of changes within the life-sciences space today, even large pharmaceutical companies are being forced to consider different stakeholders within the partnering process. Sometimes the person in charge of a deal is a new alliance manager who may or may not have an affinity for the business.

SCHMID. Alliances can fail for a combination of reasons. A good example is cultural issues. Culture is more than a geographical issue; it also refers to the makeup of an organization, including how decisions are made, who has the authority and the power to make decisions, how planning is done, and how open the communication is. Also, whether the company is public or privately held can lead to different incentives within an organization. All these things relate to how people do their jobs within their own environment. But now they are working with external collaborators and how decisions are made can be very different.

HARDER. A large reason why alliances don't work is because the regulatory process of getting a drug to market is so difficult. Another reason is that a biotech company may run out of money, or a corporate partner may decide to go in another direction. There also may be some disagreement when there isn't a meeting of the minds between the two different companies, and they may decide they don't want to work together anymore.

MCCAMEY. Negotiation is an everyday process in an alliance. It is normal for conflicts to be part of an alliance, and managers constantly have to resolve tension between the two companies. There is overhead that comes with deciding to partner and part of the overhead is understanding that companies are going to constantly have to resolve conflicts. There will be tension between two companies that have different operating systems, different

P&G's Alliance Success Model

ALLIANCE KEY ELEMENT	WHAT EXCELLENCE LOOKS LIKE
1 *Senior Management Commitment*	Senior managers in both parties are proactively involved on an ongoing basis, providing support as needed and anticipating serious problems.
2 *Right People and Resources*	Sufficient staffing is in place on both sides. The key people assigned to the project have strong expertise and collaborative skills, and they are fully dedicated to the alliance.
3 *Aligned Direction and Plans*	Objectives, goals, plans, and priorities are identified, understood, and updated in anticipation of changing circumstances. Workers from both parties are a critical part of alliance planning and regularly seek input and share direction with internal functions.
4 *Clear Responsibilities and Expectations*	We are clear on our roles, responsibilities, and collective and individual expectations of one another and regularly revisit these.
5 *Robust Communication*	We have a high level of frequent, collaborative communication, formal and informal, from and between all work groups that support the alliance. We use a multiple-channel approach designed to be effective vertically in each party as well as horizontally between parties.
6 *Effective Decision Making*	Issues and decisions are anticipated and synergistic solutions are found and implemented quickly. We have identified the key decisions needed in the next planning period. Each party has identified the key decision makers, the process to be used, and the time needed to make those decisions. We have integrated these structures so we can make efficient alliance decisions.
7 *Disciplined Improvement Approach*	Both parties and joint work groups routinely deliver results above expectations, frequently ahead of schedule. We regularly assess the performance of the alliance and implement improvements.
8 *Aligned Work Systems*	All key work systems and methods are fully integrated with demonstrated performance sufficient to meet alliance needs. People are able to work with their partners as though they were in their own company.
9 *Constructive Conflict Resolution*	Issues are recognized early and are dealt with immediately and effectively by appropriate people according to established principles.

Source: Procter & Gamble, Mason, Ohio. For more information, visit pg.com.

It's very difficult to run alliances properly. Companies have to be ready to renegotiate and be flexible if things don't turn out right.

approaches to making decisions, and even different objectives or desired outcomes for the partnership. The reason they are together is where those objectives overlap.

PROUNIS. The challenges with any collaboration are having really good communications and developing excellent team relationships. This has to start with the top leadership who shows a commitment to the partnership and stays involved with the team leaders who set goals together. From there, a plan needs to be developed for how this team will work together. Roles and responsibilities need to be clearly defined. For example, there needs to be a decision as to who will do the market planning function and how this will be done. There needs to be agreement on the priorities for the brand, a timeline needs to be set for key deliverables, and the people who are accountable for meeting these objectives need to be identified. Accountability is key. And by all means, there needs to be frequent and open communications.

MCCAMEY. It is not unusual to have conflicts at an interpersonal level. At the end of the day, despite best plans and approaches, if people who interface in key spots are not able to collaborate or the chemistry isn't right, there are going to be problems. There could be conflicts on work style differences, but usually it's more fundamental than that. For example, one person may see his or her management pursuing a different direction compared with his or her counterpart on the other side and that can result in an interpersonal conflict.

PROUNIS. The biggest challenges agencies face are managing two different partners' viewpoints and understanding the expectations from each, since they vary, and developing one set of expectations for both. Expectation setting involves deciding how the agency will be involved in planning, its role in communicating new information/input to both partners — is the agency the conduit or is it someone on the marketing team — how it receives direction and responds to it, how differences in medical/regulatory review will be dealt with, and how conflicts will be resolved. To address this, both companies and the agency need to start off the relationship with an expectation-setting meeting and reinforce it when new peo-

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ple join the team. At the end of the day what really matters is developing the relationship between the people on the team. Building trust and respect for each other, along with a strong sense of accountability, is at the heart of a winning copromotion.

MCCAMEY. Companies may have conflicts in terms of investment decisions or timing or how to respond to marketplace changes, competitive actions, and regulatory issues. The two companies may also evaluate risk differently, which also may incite conflicts.

Managing the Relationship

SCHMID. At Lilly, the strategy groups work with the acquisitions group to decide where the opportunities are for partnering. At that point, the business development group is engaged and they work to establish a deal with the partner. Our role in alliance management is to come in and improve the probability of success of the relationship. Although we are involved in the entire process, we take the responsibility at the back end.

MCCAMEY. At Procter & Gamble, we have a group of people who represent different business units and functions across the company and who have formed an alliance community of practice. This group is responsible for building the company's capabilities for being an effective partner. We have developed a set of current best practices, tools, and training, and then we coach our members to be able to get alliances off the ground or solve problems.

PROTOPAPAS. At Millennium, we try to involve people very early on in the way we think about and structure the partnership, long before the ink is dry on an agreement. We have the commercial people sit at the table with us to give their input into the structure. We have the clinical people at the table to think through how to structure the development piece. And the operational people are part of the deal to help solve problems that may arise after the agreement is signed.

DEGOIS. The global alliances and operations group is a fairly new group at Genentech. It was created about three years ago. The core mission of the group is to make sure that Genentech

The Time Is Ripe for Higher Deal Values

PARTNERING HAS BECOME THE LIFE-BLOOD OF THE BIOTECH INDUSTRY. Through the second quarter of 2003, according to Burrill & Co., more than $12.1 billion in partnering transactions had been completed globally.

Big pharma is not efficient at creating new products internally. With upcoming patent expirations, pharma companies need new blockbuster compounds more than ever; and, based upon the embedded growth expectations within the current P/E ratios, new blockbuster compounds will need to be in-licensed at an increasing rate.

Seth Yakatan

Given the number of changes within the life-sciences space today, even large pharma companies are being forced to consider different stakeholders within the partnering process.

Ronald Trahan

While alliances are seen as low-risk alternatives when compared with mergers, the fact remains that both parties still have to be organized to successfully navigate the alliance relationship.

This need for product is creating a shift in the balance of power in the industry. For the first time, biotech companies have leverage. This is a result of several factors, including overall growth and maturation of the biotech industry toward revenue-based business models, as well as the expansion of biotech's pipeline and a fundamental R&D focus.

As a group, all pharma companies obtained approvals for 23 new molecular entities and biologics and 63 new medicines in 2002. Note, of the 23 new molecular entities, Glaxo and Lilly had just one each, and Pfizer had only two (one on its own and a second that it obtained as a result of its acquisition of Pharmacia). Efficiency relative to new drug approvals at each of these companies is not really astounding, because recently these companies have spent more money on sales, marketing, and shareholders than on R&D. That said, the efficiency of dollars invested relative to the output of new molecular entities created is quite low.

Many key products are scheduled to go off patent soon. The loss of blockbuster compounds (those with annual revenue greater than $500 million) creates two issues for big pharma. The first is the loss of significant revenue, and the second is a heightened need to create, find, and develop new blockbusters.

For example, from 2002 until 2007, Pfizer stands to lose about $6.1 billion in revenue, or 18.8% of 2002 revenue, because of patent expirations if it is not able to develop or in-license new blockbusters, according to Decision Resources. GlaxoSmithKline stands to lose $5.7 billion in revenue because of patent expirations, or 27.1% of revenue, if it is not able to develop or in-license new blockbusters. Not only do Pfizer and GlaxoSmithKline have efficiency issues relative to generating new products internally, but they also have placed at significant risk, on average, 22.9% of revenue over the next few years.

Companies, especially those that are public, need to justify valuations based upon current and future earnings expectations. Inherent in the price of a stock is the future value of cash flows to be generated by a company. As of the end of 2003, Pfizer had a market capitalization of about $260 billion. Pfizer also had a consensus analyst estimate of a five-year earnings per share growth of 14.0%, meaning that for the next five years earnings must grow at that rate to justify the current market cap, not to mention growth beyond the five-year period. If one assumes that after the fifth year earnings will grow only 10% per year before reverting to U.S. GDP levels, Pfizer must continue to grow earnings at the 10% level for an additional 17 years to quantitatively justify its current market cap.

To meet just a 10% earnings growth, a company must do one of the following: introduce one product with peak sales of $3.5 billion every two years; introduce one product with peak revenue of $1.0 billion and one product with peak revenue of $750 million per year, every year; or introduce three to four products that will produce a minimum of $500 million every year.

To meet the growth expectations, pharma companies will now be forced to acquire or in-license new product pipelines and compounds. Because of this pipeline-product-innovation gap, the opportunity for today's biotechnology companies is greater than ever before. The opportunity now exists for biotechnology companies to control some of the power within the industry and realize higher deal values for partnering transactions.

This is occurring, as average Phase I deal values were up almost 100% from 2001 to 2002. As the pipeline continues to shrink and biotech companies continue to mature, negotiating power will continue to shift toward biotech companies.

Source: Seth Yakatan, MBA, is a partner with Katan Associates. Ronald C. Trahan is president and CEO of Ronald Trahan Associates Inc. For more information, visit katanassociates.com or ronaldtrahan.com.

maximizes the value of its assets through our ex-U.S. collaborations since we are marketing our products outside the United States through our partners. The mission of this group is to work internally and with our partners to maximize the value of the collaboration.

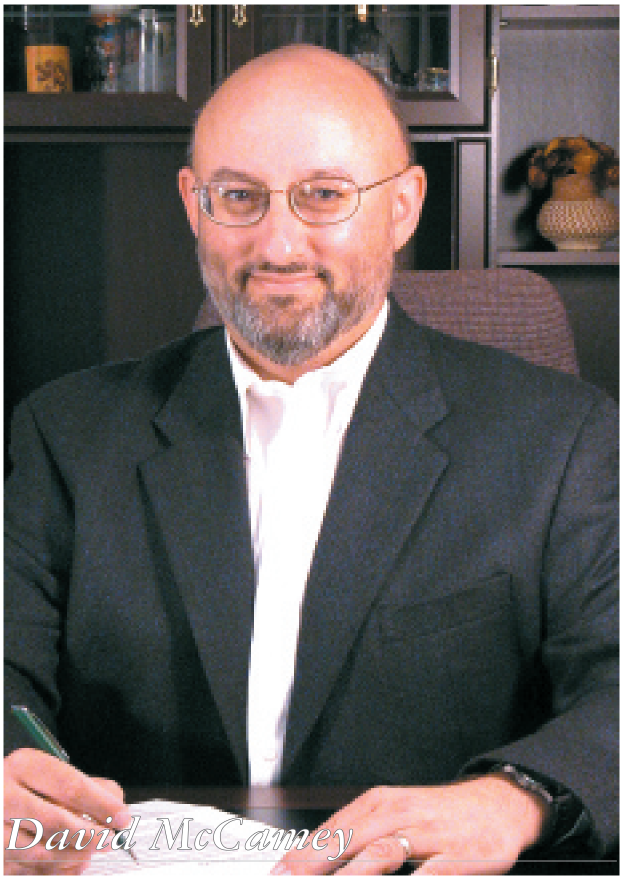
WEINGARTEN. The alliance-management function at Purdue reports into our corporate planning department. Other pharma companies have the alliance-management department reporting into licensing and business development. Corporate planning at Purdue has a strategic function within our entire company, and therefore alliance management is centralized here. The role of the alliance manager is threefold. Alliance managers are internal advocates or champions. Their primary duty is to drive the success of the alliance. They are also external promoters, communicating our capabilities, strengths and what we bring to the alliance. Their third role is to deepen the relationship at all different levels so that trust is formed.

SCHMID. We conduct cultural due diligence on a potential partner; our team will go to a company to understand its culture. We can find areas of synergy and areas that we need to look out for so that we can mitigate risks. Once the deal is signed, we go through a kickoff process and that includes both the Lilly team and the partner team to make sure everybody is aligned on the purpose of the arrangement. Then the alliance management team has an ongoing role in the life cycle of the relationship. The role we play is a little bit unique since we act as an ombudsman. We're not project managers; we're not accountable to make sure the partnership delivers on its commitments, time lines, and use of resources. We're there to provide oversight to the alliance to ensure that there is a healthy productive relationship happening. We believe that if there is a healthy productive relationship it will improve the probability of success.

DEGOIS. At Genentech we have a core team that is matched with the core team at the partner and, at the beginning of the collaboration, we plan a conflict-resolution process. For example, we have joint-steering committees that meet on a regular basis. If an issue cannot be solved at the joint project-team level, the issue gets elevated to the joint-steering committee for resolution.

PROTOPAPAS. For every alliance that is put into place, we have a significant launch meeting where the business groups and the operational groups from both companies come together, and we talk about the structure of the alliance, what's outside the agreement, what the intent of the alliance is, and how we carry out the alliance. We often come back and relaunch the alliance a year or two years later as our thinking evolves and as people on both sides might change. A big theme for us is not to be afraid to change. We've often gone back and amended alliances to meet our evolving needs or to meet our partner's evolving needs in the marketplace.

MCCAMEY. P&G's approach to supporting alliances is unique in the sense that I report in through the human resources function. In many companies, HR is mostly about recruiting, policies, benefits, and compensation. At P&G, we also have an important capability related to organization effectiveness, which is about developing work systems, leadership, tools, and other things so that we can be an effective company. We are bringing that organization effectiveness point of view to the work of building effective alliances.



David McCamey

Negotiation is an everyday process in an alliance. It is normal for conflicts to be part of alliance work, and managers constantly have to resolve tension between the two companies.

WEINGARTEN. A key discipline for alliance managers is relationship management: launching, managing, and auditing the relationship throughout the alliance. The key skills or qualifications for this position include a broad understanding of the drug-development process, including scientific and business principles and practices. That person should have an advanced science or business degree as well as extensive management and interpersonal experience, especially in relationship building. A complete understanding of the terms, conditions, and spirit of the license agreement is also critical. Experience with drug commercialization is important, as is the ability to coordinate and integrate complex information from multiple disciplines. And since alliance managers work with licensing and business development, sales and marketing, and research and development, they have to understand all the different functional areas in the pharmaceutical industry.

Ensuring Alliance *Success*

SINGH. Companies first have to be very clear why the alliance is being entered into and what the source of the value is. Secondly, they have to have an explicit relationship framework that addresses how the two companies are going to share in the risks and rewards, and that uses as many objective metrics as possible. And third, they have to individuals, who have power to get things done in the organization, in charge of the alliance.

DEGOIS. A key point is developing metrics that define successful alliances. Obviously, that is not easy. All companies are working on that.

SCHMID. On an annual basis, we'll do a health assessment of the alliance. We've developed our own instrument at Lilly, called the Voice of the Alliance survey. This is an online survey that both sides use to assess how the alliance is doing. We use that as a diagnostic to determine the things that are going well, as well as those areas that we can improve upon. The surveys are only shared within the alliance, so they can't be used as a metric. The results are very accurate in terms of fleshing out the things that need improvement, and then they allow us to frame a discussion and put an intervention plan in place.

When a diagnostic and a drug are being developed simultaneously, there has to be cooperation. Our clinical diagnostic will have to be a part of that drug's protocol. So there is an intimate relationship in the development of that therapy and the development of the diagnostic.

Culture is more than a geographical issue; it also refers to the makeup of an organization, including how decisions are made, who has the authority and the power to make decisions, how planning is done, and how open the communication is.

WEINGARTEN. We audit the relationship periodically — every four months to six months or when the alliance managers on both sides of the alliance say there may be problems or issues that are not being resolved in a fast enough time frame. We have different types of surveys that each alliance member fills out, and then we rate each of those areas. There are different categories that each alliance member will rate, and the results are tabulated. Then we get both sides together to go through the results and make changes accordingly.

MCCAMEY. We have a set of almost 40 tools, which can be anything from a one-page job aid to a PowerPoint training session on conflict resolution to documents that lead the group through developing a negotiation framework space. When I am working with an alliance team, I always try to position myself as working for alliance leaders from each company.

SCHMID. One of the things we do up front is put in place certain governance bodies to provide oversight in terms of strategy and decision making on the relationship. They meet on a fairly regular basis throughout the year. We're looking for the synergy and the energy for how that relationship develops, all the way to the subworking teams on the collaboration.

PROTOPAPAS. The strategic partnership must be important to both parties. We've found over the years that when the partnership is important to both parties and there is a real commitment from both organizations to make it work, the partnership is more successful.

SCHMID. We're applying our relationship-management process and learnings to our out-partner relationships, joint ventures, and selective supplier relationships, as well as some mergers and acquisitions. We want to be world famous for alliance value creation. This would mean that we're very successful in working with a partner to get the value out of the agreed upon collaborations.

MCCAMEY. We like to be as open and transparent as possible about how we handle conflicts and that we resolve conflicts in a way that strengthens the relationship. The second principle is that we pay attention to the stop signs. There are signals that happen every day in an alliance that tell management that things may not be quite right.

SCHMID. During the cultural due diligence, we look at what the leadership is like and what their experience with partnering has been. We work with our partner up front to build the relationship so there is a good foundation of trust. This way, we have set clear expectations; leaders know what their roles and responsibilities will be and there is alignment around how things should operate. The three areas we try to address are the strategic fit, the cultural fit, and the operational fit.

MURPHY. In our relationships, a division of labor has been a very important means of keeping the alliance productive. Oftentimes, in development agreements, the funding responsibilities are either with the larger partner or shared. This can cause some overlap in the strategy development and can cause the funding partner to try to direct the day-to-day activities.

HARDER. With an alliance involving a biotech company, one key to success is to allow it to retain as much autonomy over the development of the compound as possible. The management and decision making at a biotech firm is much more centralized and decisions can be made faster. A larger company may become more cautious and risk averse and may be slower to make decisions. In a good partnership there shouldn't be too much decision making made by committee. If committee members don't agree, then there are processes built into alliance agreements to address those issues, but that's counterproductive to getting a drug to market.

MURPHY. When a diagnostic and a drug are being developed simultaneously, there has to be cooperation. Our clinical diagnostic will have to be a part of that drug's protocol. So there is an intimate relationship in the development of that therapy and the development of the diagnostic. These collaborations will succeed because, almost by law or by regulation, diagnostic tools have to be available at the time that the therapies are brought to market. So there's an awful lot of risk in not cooperating. ✦

PharmaVoice welcomes comments about this article. E-mail us at feedback@pharmavoice.com.