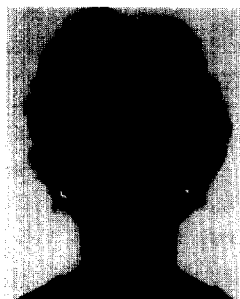


Success rates for strategic alliances – are they good enough?



'If they are so crucial, why do so many companies find it so difficult to manage partnerships toward success?'

At the 1997 Biopharmaceutical Conference in Europe*, in a free-ranging discussion that followed a session entitled *Life After the Deal is Signed*, Dr Keith McCullagh (British Biotech, Oxford, UK) asked 'If managing alliances is so difficult, why do them? Are they crucial or just nice to have?' The response from the top business development executives on the panel was unanimous: they are essential. If companies such as Glaxo-Wellcome, SmithKline Beecham, Pfizer, Recordati and Amgen believe it, it has to be true, doesn't it?

My own analysis of companies attending recent European partnering meetings suggests that some companies are less enthusiastic. These include Rhône Poulenc Rorer (RPR), Schering Plough, Monsanto, Serono, American Home Products, Abbott, Merck and Zeneca. Although an exception is, perhaps, RPR who have many alliances through their GenCell consortium.

Certainly most pharmaceutical companies are under pressure to increase their discovery productivity. At the same time, they need to cover a far wider technology waterfront than ever before. Alliances help them to achieve this.

From the viewpoint of the young companies – biotechs – alliances are their life blood. They are essential to continuing

financial viability when, as currently, investors have largely turned against the sector. In the UK at least, they are essential for a company to be able to list its shares on the main board of the London Stock Exchange. And beyond this, they often provide a much needed reality check to a company founded around exciting technology.

Contrasting perception of failure

If they are so crucial, why do so many companies find it so difficult to manage partnerships toward success? Conventional wisdom suggests that 50% fail. In a survey conducted at the Conference in collaboration with my colleagues Chris David (Coopers & Lybrand, Uxbridge, UK) and Eric Rule (Coopers & Lybrand, Ontario, Canada), we found that young companies report a 67% success rate, whereas the feedback from major companies suggested that 41% of alliances failed to meet expectations. Simplistically interpreted, this may reflect the lower hurdle for success of the young company – if they get the money they're OK. But in reality things are more complicated. No one has yet successfully teased out the success or otherwise of the relationship from the success or failure of the science, and the latter does tend to colour views of the former.

It is a common perception that once the deal is signed, the landscape changes; all goes very quiet'

The survey focused on 18 key success factors for drug discovery alliances. Those deemed to be most important fell into two categories: people-related factors and more formal technical aspects. The important people-related factors identified by respondents included 'trust', the 'win-win situation' and 'attitude'. Also deemed important was strategic consistency, which probably translates into the relative importance of the alliance to each partner. The more formal technical arrangements (project definition, conflict resolution mechanisms, legal agreement) were all deemed much more satisfactory by both major pharma and biotechs and were probably better handled.

*The Biopharmaceutical Conference in Europe, a private partnering conference, is sponsored by B.T. Alex. Brown & Sons; Coopers & Lybrand; GIMV; Kleiner Perkins Caufield & Byers; Oxford Bioscience Partners; SR One; Science Futures and TVM Techno Ventures Management.

Deals – before and after

What became clear from the Conference session was that while a deal is under negotiation, it's all excitement; everyone wants to be involved. But once the deal is signed, the landscape changes; all goes very quiet. Often the governance of the interaction moves away from the deal negotiators to those who have to make it work and perform the research – scientists. Unfortunately, scientists are usually rewarded for their ability to conduct the science, not for their ability to manage alliances. Project leaders are often chosen for scientific skills rather than an ability to manage collaborations at arm's length. Most are untrained in this most difficult skill – if indeed anyone knows the best practice to train them in. Performance measures need to recognize a wider set of skills and reward not just successful science but success in building relationships and in fostering a creative climate.

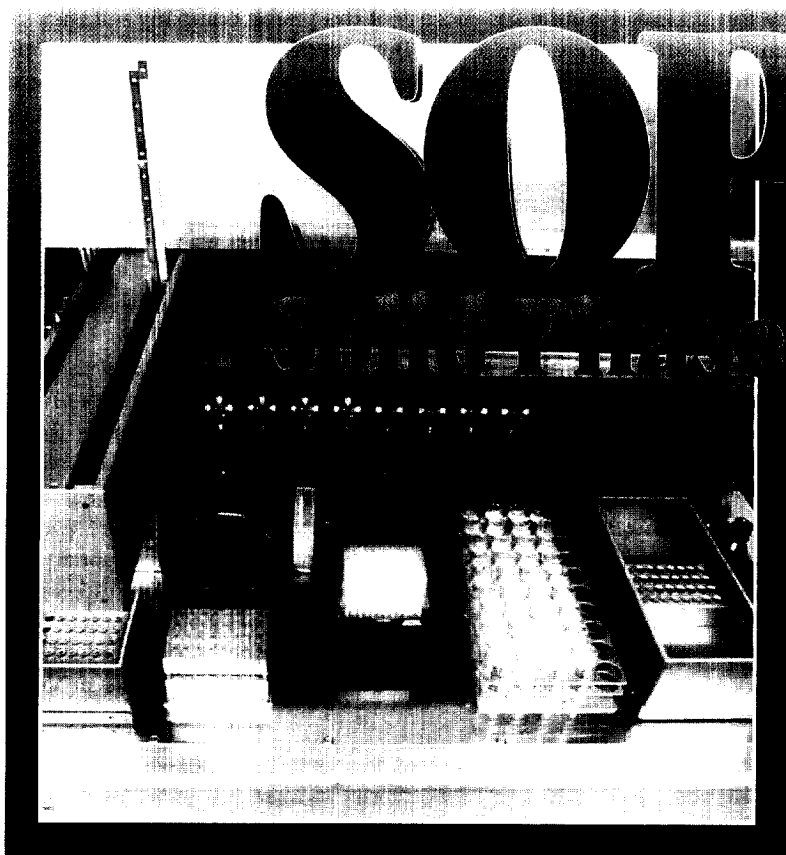
If an alliance is given high priority and thus remains in the limelight, its chances of success are probably higher, even if the science fails. Often the research is designed to eliminate possibilities and to give a negative answer. It can even prove

too technically demanding for current methodology. The science may fail, but that does not necessarily mean that an alliance has failed.

'alliances are essential,
but the potential is often not realized'

So alliances are essential, but the potential is often not realized. We are in the process of setting up a benchmarking consortium to examine best practice in the management of drug discovery alliances: to find out what makes the 'people' factors work and to tease these out from the impact of the science. This should inform the mode of best practice that can then be implemented to improve the success rates of alliances. In future, alliances should be both good to have, and less difficult to manage, as well as creating value for both sides.

June N. Grindley



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