

## A marriage of minds

### *Making biopharmaceutical collaborations work*

*Our research shows that collaboration is a key element of innovation. Yet, in a survey jointly conducted by IBM Institute for Business Value and Silico Research, more than half of all biopharmaceutical alliances did not work. Three traits are required for a successful alliance: internal alignment of the strategies, structures and scientific goals of the partners; properly managed boundaries; and lasting commitment. New tools and technologies can also play a major role in helping people within the extended enterprise communicate across time and space.*

Biopartnering is now a multibillion-dollar business. Between 2004 and 2006, the number of alliances remained fairly constant, but their value tripled from US\$30 billion to US\$90 billion.<sup>1</sup> Some US\$30 billion worth of new deals were announced in 2006 alone.<sup>2</sup>

Given the rising value and also the increasing geographic spread of the biopartnering market, the ability to create successful alliances is becoming vital. In 2006, the IBM Institute for Business Value, in partnership with Silico Research, conducted our fourth survey of biotech and pharmaceutical companies to identify the key alliance-making trends.

Fewer than half the respondents in this latest biopartnering survey say that the alliances on which they have embarked

met their expectations. Given the size of the biopartnering market, this means that the life sciences industry is spending more than US\$15 billion a year on licensing and co-development deals that are ultimately unsuccessful. Better collaboration could help salvage many of these arrangements and enable them to realize their full potential.

The results of the 2006 survey confirm a troubling trend that first appeared in 2000. Despite the maturing of the biopartnering market, biotech companies reported that 52 percent of the alliances in which they had participated during the previous five years failed to live up to their expectations.

Why, then, did so many partnerships fail? The problem stems partially from the fact that many companies are not using

the right selection criteria. But both the quantitative and qualitative evidence shows that it is not finances, structure or processes that determine the success of biopartnering arrangements. It is, rather, *the level and consistency of quality of a partner's staff and the cultural compatibility between the two companies, as well as flexibility and open dialogue* (see Figure 1).

Collaborating effectively involves a number of major challenges, including the need to build trust, navigate the difficult channels of intellectual property protection and manage cultural, political and regulatory differences. Our experience suggests that the best building blocks for addressing these challenges are alignment, boundaries and commitment.

The "ABC framework," provides a way of *aligning* an organization and its strategy, both vertically and horizontally, to support alliances; defining and managing *boundaries* throughout the extended enterprise; and maintaining an ongoing *commitment* to collaboration:

- *Alignment:* The starting point for any biopharmaceutical company is the vertical alignment of its business strategy and organizational strategy with its R&D goals. It can then create an



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## References

<sup>1</sup> Recombinant Capital, "Alliance Trends 1992-2006." Available at <http://www.rdna.com/consulting.nsf/ContentWebPublish/46C030923BB918ED882572A4006A58C5?OpenDocument> (accessed July 27, 2007).

<sup>2</sup> Recombinant Capital. [www.recap.com](http://www.recap.com).

FIGURE 1.

### Compatible cultures and good communications are the most accurate predictors of a successful alliance.



Source: IBM Institute for Business Value, Silico Research.

organizational structure that aligns every business unit and function with those goals.

- **Boundaries:** Establishing a vertically and horizontally aligned organization reduces the barriers between different divisions, functions and locations. But it is equally important to define the boundaries – both the boundaries among different parts of the organization and the boundaries among the different organizations within an extended enterprise.
- **Commitment:** This entails proper leadership, performance management and continuous learning.

New *Web-based tools and technologies* are also beginning to transform the way in which organizations and individuals communicate, collaborate and innovate. Used in conjunction with the ABC framework, such technologies can play a major part in facilitating collaboration, both among people in the same organization and among people in different organizations working toward the same goal. They can provide a platform for sharing information in a secure environment and conversing easily across time and space.

## How can IBM help?

**Life Sciences R&D Transformation Solution – Business Model Innovation Strategy (Biopartnering)** – to enable our clients to transform their R&D business models including collaborations by:

- Conducting a client specific survey
- Conducting an analysis of the client's biopartnering strategy and capabilities
- Conducting an analysis of the client's IT capabilities relating to collaborative tools
- Conducting an in-depth analysis of the client's current biopharma collaborative efforts and external best practices
- Analyzing collaborations for investment opportunities

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