Papers

Becoming a premier partner: Measuring, managing and changing partnering capabilities at Eli Lilly and Company

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Abstract When Eli Lilly and Company decided to expand its drug development by entering into strategic 'alliances' with other, usually smaller, biotechnology firms, the company committed to becoming the 'premier partner' in the pharmaceutical industry. To implement that commitment, Lilly needed a way to measure how well it performed as a partner. That seemed like a simple problem to solve. But the actual solution required Lilly to invent two new measurement instruments that it uniquely combined with an existing benchmarking instrument developed and administered by PricewaterhouseCoopers. The three tools serve complementary purposes. The PWC survey helps Lilly understand how it compares to other large pharmaceuticals as a desirable partner. Lilly's new survey provides a 'finer-grained' picture of large, individual alliances by focusing on the factors that make up many of the categories in the PWC survey. The other new tool, a focus group guide and protocol, allows Lilly to assess the health of smaller alliances and to probe areas of broad concern identified in the quantitative diagnostic surveys. Using this unique combination of tools to assess the 'health' of their alliances, Lilly and its partners are not only improving the performance of the individual alliances, they are also improving Lilly's overall capabilities as a partner.

Keywords: alliance, benchmark, biotechnology, feedback, focus group, measurement, partnership, survey

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Introduction

When Eli Lilly and Company made the strategic decision to expand its discovery, development and marketing processes for new drugs by entering into alliances with other, usually smaller, biotechnology firms, the company committed to becoming the

premier partner in the pharmaceutical industry. At the same time Lilly recognised the unique value alliances bring to both partners. As Conlon and Giovangnoli put it, 'No organization – no matter how big or how smart – knows as much as two organizations (or as much as an alliance network).'[1] To implement that commitment and achieve that value, Lilly created the Office of Alliance Management (OAM). OAM was charged with identifying the capabilities that constituted a premier partner and then ensuring that Lilly meets its commitment.

OAM quickly found that it needed to define excellent partnering from the point of view of partners and potential partners in order to measure Lilly's effectiveness at meeting those standards. For Lilly to be the best partner for biotechnology companies, it must measure how well the company performed in general and how well it performed in each current alliance. A partnership-by-partnership assessment would help diagnose what Lilly needed to do to improve individual partnerships and improve its overall partnering capabilities. The assessment, in short, would make it possible for Lilly and its partners to *learn*, which practitioners and scholars alike agree is the *sine qua non* of successful alliances.[2] Doz and Hamel, for instance, argue that

> Learning is at the heart of successful alliances. Not all alliances, unfortunately, learn and evolve. Indeed, most alliances enter a deep crisis within their first three years. The key to longevity and accident avoidance, is learning and adjustment, first to each other, then to changed circumstances, if required. Alliances that succeed go through cycles of learning, reevaluation, and readjustment over time. Through these adjustments, commitments increase in size and in scope, allowing the alliance to create more and more value. The perception of greater value justifies still deeper commitments.' (p. 170)

In this article, we will describe how Lilly has adapted and developed the tools to measure, manage and enhance its partnering capabilities, and, just as importantly, how it has learned to use those tools to drive effective change – within its own boundaries, within its partners' boundaries and in the shared space of each partnership. Finally, we will describe some of the results of the changes Lilly has made as an outcome of this measurement and intervention process so that its partnerships are more productive and successful, for both Lilly and its partners.

The tools

Today, Lilly uses three primary tools to assess its partnering capabilities: the PricewaterhouseCoopers (PWC) benchmark survey that PWC conducts annually in the pharmaceutical industry;[3] a proprietary electronic diagnostic survey to assess the 'health' of individual partnerships where there are at least 10 direct participants from Lilly and from the outside partner; and a focus group process for partnerships in which the number of participants is too small to make the electronic survey statistically meaningful.

The three tools now serve different, but complementary, purposes. The tools complement one another because they employ the same general conceptual framework to define the primary dimensions of good partnering. They are:

- strategic fit between the partners, including alignment of the partners' objectives, and relationship qualities such as trust and fairness;
- operational fit, including attributes of effective organisation and management, leadership, communication and conflict management processes;
- cultural fit, including compatible values and ways of working, especially ways appropriate to a 'knowledge industry.' The three dimensions are similar to the five key learning areas identified by Doz and Hamel[2] as key to successful cooperation for alliance partners: ' the environment in which the alliance will operate, the tasks to be performed, the process of collaboration, the partners' skills, and their intended and emerging goals' (p. 172).

The PricewaterhouseCoopers tool

The PWC annual survey is administered to a broad range of companies in the pharmaceutical and biotechnology industries, some of which know and work with Lilly and some of which do not. Respondents are asked to rate their perception of the companies in broad categories such as their 'trustworthiness' or their 'track record in partnering.' While the PWC survey is that company's own, proprietary instrument, its design is consistent with research in the field, See, for instance, Mirvis and Marks.[4] They cite as factors influencing organization fit: organizational shape/structure, systems, operations, marketing, home office (finance and administration), leadership and management, human resources, and orientation to change.'

The PWC survey helps Lilly understand how it compares to other large pharmaceutical companies as a desirable partner, how the total market of potential partners views its strengths and weaknesses on the various competencies and dimensions that constitute 'partnering,' and how Lilly compares with the 'norm' among pharmaceutical companies for each of these competencies and dimensions.

The PWC survey provides insight into the critical success factors for effective partnerships, the majority of which have nothing to do with so-called 'technical' or scientific issues. These critical factors include:

- cultural compatibility;
- compatibility of company objectives;
- leadership from both partners;
- effective integration processes, especially those that facilitate communication between partners at all levels versus those that block or overly complicate communication;
- accurate assessment of the market potential for the alliance (so that both sides have realistic expectations for the outcome of the partnership).

The PWC survey was also one of the sources of learning – though not the only one – that helped Lilly understand what the job of the Office of Alliance Management should be. It needed to be the *relationship* facilitator between the actual technical, working partners, a fair broker that would always be guided by the question, 'what's in the best interests of the partnership?' rather than 'what's in the immediate, short-term interests of Lilly or the partner?'

But as helpful as the PWC instrument was – and is – in assessing the company's general reputation for partnering among the marketplace of potential partners, OAM soon concluded that Lilly would need to find, or develop, a supplemental instrument to assess the performance of individual partnerships. The PWC survey instrument was not designed to work with the relatively small number of participants who make up the usual alliance. And its questions did not probe deeply enough, for Lilly, to help the company identify the drivers of the ratings so that it could take action to become a more effective partner.

The Lilly proprietary tool

The proprietary quantitative survey that Lilly developed provides a much finer-grained picture of individual alliances because it focuses on specific factors that make up many of the broad categories in the PWC survey, as we shall describe later. Lilly uses the in-depth proprietary survey to help assess the relative 'health' of larger individual partnerships at a particular point in time. The survey captures the differences between the way that Lilly participants and partner participants view the partnership on the dimensions that make up the total partnering capability. It also reveals how Lilly and its partner view the underlying drivers of those dimensions so that the partners can see where they need to take ameliorating action.

At first, Lilly looked for alternative measurement instruments, including the Campbell–Hallam Team Development Survey.[5] But it found that none was entirely appropriate for measuring the effectiveness of *partnerships*. These instruments were designed for teams working together on a daily basis and the content reflects this, focusing heavily on group processes with

questions such as, 'We need a better space where our team can meet and work' and 'Team members offer help when I need it'.[5]

Alliances and partnerships in the pharmaceutical industry rarely, if ever, operate as intact teams. They generally consist of two, sometimes three, groups from different organisations or companies that normally work independently of each other on the same issue or problem. They may come together at critical junctures to work together, but not as a daily practice. They do not operate like 'normal' corporate organisational systems. That means, as Robert Porter observes, that 'the traditional measures and control systems of the old 'internal' corporation– the 'corporate castle' – will miss the mark when applied outside the castle walls in the 'extended' corporation.'[6]

So with no suitable 'off the shelf' instrument available, Lilly created its own. The proprietary instrument, called the *Voice of the Alliance*, was grounded in extensive review of the literature on 'alliances' and 'partnerships' (see, for instance, Spekman *et al*.[7] and Segil[8]). The development team particularly focused on what the research indicated were the critical success factors in partnerships – 'the key results that ground the vision in performance.'[9] These factors included: values compatibility, which was consistent with the PWC survey; goal and direction clarity; role clarity; communication; and flexibility.

Conceptually, the Lilly instrument starts from the three-dimensional model of partnering: strategic fit, operational fit and cultural fit. It then defines 14 dimensions that underlie those macro categories. For strategic fit, the Lilly model uses three dimensions to define the category: commitment, strategy, trust and fairness.

For operational fit, the model uses eight dimensions: communication, conflict management, decision making, leadership, performance management, roles, skills/ competence and team coordination. For cultural fit, the model uses three dimensions: organisational values, knowledge management and flexibility.

To measure each dimension, the instrument asks respondents to rate their degree of agreement with specific statements or questions. For example, to measure 'commitment' these questions focus on such things as Lilly's 'follow through' or 'understanding the importance of the alliance for both companies.' To measure 'knowledge management' the questions probe respondents' views on Lilly's knowledge sharing and utilisation of learning practices. Finally, the survey asks a set of broad 'outcome' and 'satisfaction' questions to assess the global view of respondents toward the effectiveness of the partnership, including whether respondents believe the alliance is achieving its goals and objectives.

The survey is administered to Lilly and the partner members of the alliance. The data gathered that way creates a rich, densely textured picture of the 'health' and effectiveness of partnership at a given point in time. To assure confidentially, the survey is actually administered by a third party, using web technology. In addition, the web-based approach offers convenience to all alliance members, especially when they are geographically dispersed.

Once the data are gathered and analysed, the administrator creates a number of different reports. These show the rating on each question by Lilly participants and partner participants; for instance, 80 per cent of Lilly participants might rate the statement on Lilly's 'enthusiasm' for the alliance favourably, while 85 per cent of the alliance partner participants might rate it favourably. The reports also show the ratings for each of the 14 dimensions by Lilly participants and partner participants; for instance, 60 per cent of Lilly participants might rate 'performance measurement' favourably, while 80 per cent of the partner participants rate it favourably. The reports then display the congruence between Lilly and the partner on the dimensions and individual questions. And, perhaps, most importantly, they show the *gap* between Lilly and its partner on each dimension and individual question.

What has turned out to be the most useful report for Lilly is a 'spider web,' or 'radar'

chart, that graphs the findings for both Lilly and the partner on a circular grid (see Figure 1). Using this graph, Lilly and its alliance partner can very easily see the dimensions that Lilly and the partner agree are strong, the dimensions both view as less strong, and the dimensions that they evaluate differently – the gaps.

For example, in Figure 1, Lilly and the partner both give 'leadership' an 80 per cent favourable rating, making it a dimension they agree is strong. Both also view 'strategy' as a relatively weak area, giving it about a 60 per cent favourable rating. But they have clear differences of view on 'trust/fairness', with Lilly participants giving it an 80 per cent favourable rating and the partner less than a 60 per cent favourable rating. If this were an actual report from an actual alliance, the gap on 'trust' would point to an area that required additional discussion and work by the alliance.

Lilly uses this formal survey for its larger, more complex alliances, those with at least 10 participants from Lilly and 10 from the partner. That size ensures that the quantitative results will be meaningful. While surveying alliances with 20–100 members is typical at Lilly, the company has used the survey for partnerships with as many as 1,770 participants, a size that allows Lilly to analyse differences among individual departments involved in the alliance.

The normal practice, too, is to use the survey to evaluate only Lilly's capabilities and performance as a partner, since a major purpose is to make sure Lilly is the best partner. But in some cases, the partner will request that its capabilities and performance in the alliance be included in the survey as well. The data in that case, obviously, are much more complex to analyse and report, since Lilly and the partner are simultaneously evaluating each other and themselves. But the complexity can be worth the effort because the data can help pinpoint areas where both members of the alliance can take steps to improve the relationship.

The focus group tool

The third tool is the focus group guide and protocol. Lilly uses focus groups to assess the health of relatively small but strategically important alliances, those where the number of participants is so small that a quantitative report would be essentially meaningless. The focus groups also provide a way for Lilly to probe areas of broad concern identified in the aggregate of the quantitative diagnostic surveys or in the PWC survey of the entire market.

In this approach, OAM staff conduct separate focus groups, one for Lilly participants and another for partner participants. The facilitator of the focus

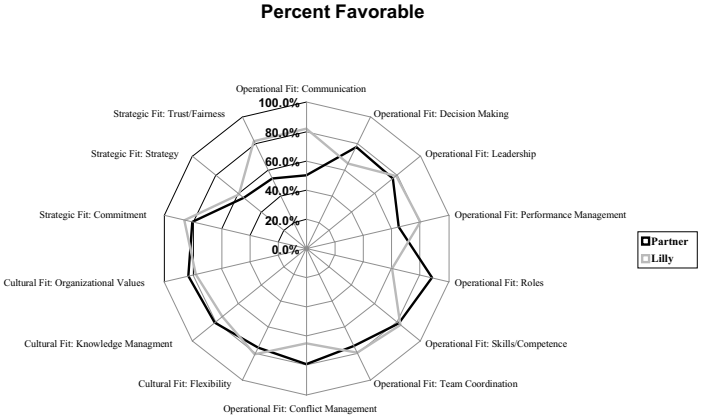

Fig. 1. Radar chart example

group uses a discussion guide that is based on the survey, but does not follow it question-by-question. Rather, the guide takes as its focal point areas and dimensions that show up consistently in the survey. These 'hot issues' become the springboard for the discussion.

While the focus groups are not videotaped or tape recorded, Lilly does use a scribe to record key comments by the participants and to track the overall flow of the discussion. The facilitator and scribe subsequently analyse the discussion, using pareto charting to identify repeated comments and themes, and produce a qualitative report that identifies areas of agreement regarding strengths and weaknesses between Lilly and the partner. As with the quantitative survey, gap areas, where Lilly and the partner clearly have different perceptions about key dimensions, are also identified and examined.

The focus group report, of course, does not provide quantitative findings or provide a firm baseline to make year-to-year comparisons. However, the report has the advantage of providing qualitative insights into the reasons for the evaluations captured in the quantitative survey, insights often presented as anecdotes about what the partner views as typical Lilly behaviour. In this way, not only do the focus groups serve to improve performance of individual alliances, they also complement and enrich the findings of the quantitative surveys and contribute to improvement of Lilly's overall performance as an alliance partner.

Using the tools and results to create change

Once the data have been collected and compiled into either a statistical report or focus group report, Lilly, working with the alliance leadership, generally uses a four-step intervention process to create change: presenting the findings, identifying the underlying causes for the problem areas, designing actions to improve performance, and implementing the change actions. Depending on the size and complexity of the alliance, the findings can be formally presented to:

- the alliance leaders from Lilly and the partner;
- the alliance steering committee, with representatives from Lilly and the partner;
- all the participants in the alliance as a group;
- Lilly participants and partner participants, independently of each other.

The purpose of the initial presentation is to gain acceptance of the findings by the key alliance decision makers and to identify the areas and dimensions most in need of improvement. 'Acceptance' is the first goal because the findings frequently point to areas where performance is less than desirable and where participants, especially from Lilly, were not aware of the performance difficulty. Gaining acceptance can be especially challenging in the dimensions related to cultural fit. These are the 'softer' dimensions that highly technical professionals sometimes find difficult to deal with because they seem intangible.

Lilly has found that 'acceptance' can be improved by following three principles for presenting the findings. First, acceptance is more likely when the order of the presentation of findings goes from 'hard' dimensions and question responses to 'soft' dimensions, from what technical professionals perceive as going from 'facts' to 'feelings.' Second, acceptance is improved when the presentation is made by the 'outside' research consultant; the consultant is accepted as an independent, objective authority and, perhaps more importantly, is often viewed by the technical participants in the alliance as another 'scientist.'

Finally, acceptance is improved when the presenter can test in 'real time' hypotheses offered by members of the alliance who sometimes attempt – consciously or unconsciously – to discount or rebut the findings – literally during the course of the presentation itself. That is possible to do when the survey sample is large enough for sophisticated statistical manipulation – and all the data and statistical software are loaded on the laptop computer used for the

presentation. This appears to be a very powerful presentation technique for technical audiences.

Once the members of the alliance understand and accept the findings, they can move to identifying the underlying 'causes' of the problematic areas. Normally they begin by examining the findings for individual questions/items used to measure the dimension. This examination becomes the springboard for a guided and facilitated root-cause discussion and analysis. The analysis can be conducted by the steering committee, by all the alliance participants or, in the case of large alliances, by task forces of subgroups from the alliance.

Based on the causal analysis, alliance members then design interventions, or change actions, to improve performance in the problematic areas. The 'change' design can be as simple as a mandate or agreement from the steering committee to communicate to all participants more frequently. In the case of more complex alliances and problems, the design phase can include group problem-solving discussion and brainstorming, guided and facilitated by the organisational effectiveness specialist on the team who is used as a 'resource' by the alliance members so that they maintain ownership of the 'health' of the alliance and do not shift it to the consultant.

The final phase, of course, is to implement the changes. These usually entail a change in some activity of Lilly's having to do with its part in the alliance and can be as simple as clarifying the roles of its various participants to the partner – or as profound as making a change in leadership. Sometimes the change can be made by the partner, such as in the way that it collects and reports data used by the alliance. And sometimes the change is in the processes used by the alliance itself. In effect, these are changes that take place in the 'space' between Lilly and its partner, for instance clarifying all roles of the alliance participants within the alliance. As part of its commitment to improving its partnerships and capabilities to be the leading biotechnology partner, Lilly needs to ensure it is implementing the changes and developing its culture to embrace the improvements.

Is the process working?

While both formal alliance management at Lilly and the measurement and intervention process developed are relatively new, Lilly can already see that they have made a difference in a wide range of individual alliances. Sometimes the difference is a simple improvement in the day-to-day working relationship, sometimes it is in improving efficiencies in an already successful partnership, and sometimes the difference directly improves project results and outcomes.

For example, in the case of an alliance with a small biotechnology company located on the West Coast of the USA, the Voice of the Alliance survey uncovered a gap in communication and knowledge-sharing in the alliance. The members of the alliance found that the problems were created by the geographical distance between Lilly and the partner and by information bottlenecks. Key alliance members at Lilly and the partner sent electronic messages to each other but sometimes did not share those messages more broadly or in a timely way.

To solve this problem, the partnership decided to add a new communication tool to the alliance, a discussion database software application. The discussion database permits data to be shared in 'real time' by all participants in alliance, eliminating the gatekeeper role. With this tool, everyone in the alliance can access and respond to data and other information, virtually simultaneously. For example, one alliance member can post a research result or other message, and many people can read and comment on the initial message and any of the responses to that message.

The solution has eliminated the communication bottleneck that the survey uncovered and it has had additional benefits for the alliance. It has increased the active engagement in the project of the scientists on both sides, because the software gives

them greater opportunity to comment and provide suggestions for the project. It has improved face-to-face videoconferences because the scientists now post experimental results on the database so that all members of the alliance can review them before the discussion begins. One indicator of the success of the tool is that in six months alliance participants created 200 entries, about equally divided between Lilly and partner members.

In the case of a very large commercial alliance, the Voice of the Alliance survey is being used to improve the working relationship of a partnership that is already exceeding its business goals. This alliance is between Lilly and an international firm that has entered the US market with a new product. It sought an alliance with Lilly to market the product jointly .

In the early days of the alliance, the teams of both the partner and Lilly were relatively small. But with the success of the product over the past two years, the number of participants has grown dramatically. Given the rapid growth, both the partner and Lilly wanted to use the Voice of the Alliance survey to assess progress of the alliance and determine the effects of that growth on the relationship between them.

The survey confirmed the suspicions of the alliance leaders. Participants gave high marks to the business success of the alliance and believed it was producing high-quality work. But participants also indicated that along with rapid growth and success had come some inefficiencies in the work processes of the alliance and an attenuation of the sense of connection and mutually developed goals between Lilly and the partner.

The alliance leadership team used the survey results to create a two part intervention programme. First, the alliance leaders decided to build on the acknowledged successes of the alliance and to improve the communication of those strengths and successes. Second, they decided to implement specific action plans that addressed the perceived concerns of the alliance participants. The plans included re-instituting regular team meetings across the alliance and increasing the visibility of and communication by senior leaders regarding the importance of the alliance, both *within* and *across* the two companies.

Finally, the Voice of the Alliance survey has produced dramatically improved project results and outcomes for some alliances. The improvement has been particularly dramatic for an alliance between Lilly and a leading medical school. The purpose of the alliance is to determine which cancer therapies work most effectively with which patients on the basis of their genetic type. The project involves a fairly elaborate tracking of cancer patients, therapies and tumours and is heavily dependent on collecting and analysing tissue samples from actual cancer patients.

The Voice of the Alliance survey uncovered concerns about the operational processes the alliance used to gather and record the data, concerns that suggested the alliance could be much more efficient and effective. After discussions among the alliance leadership team from the medical school and Lilly, the alliance members together re-engineered the processes used to gather and report the data.

The changes resulted in a 96 per cent reduction in cycle time, from 4.5 hours per patient for data management to 10 minutes; an 18,000 per cent increase in productivity, from 4 specimens and no accompanying clinical data in year one to 720 specimens with complete clinical data in the first two months of the following year. In short, the medical school met its entire year's goal in just two months, which enabled the alliance radically to increase productivity without increasing cost.

Conclusion

The evidence to date forms a compelling case that the feedback measures are making a difference; they are improving the performance of the individual alliances and they are improving Lilly's overall capabilities as a partner as Lilly's Alliance Managers share individual successes with each other and replicate them across alliances. Moreover, the implementation of

structured feedback means that Lilly and its partners can continue to raise the bar on the performance of each company and on their joint performance in an alliance. Improvement and measurement beget more improvement. To achieve that improvement Lilly found that it needed to develop a repertoire of measurement tools – one that existed already and two that it had to invent. Lilly expects its new tools, too, to undergo continuous improvement as Lilly and its partners demand more and more of themselves, just as they demand more and more of each other.

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