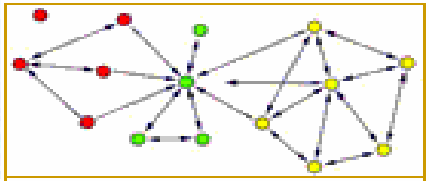
Pharmaceutical Alliance Case Study: Two Global 500 Companies Bridging the Divide

March 2006

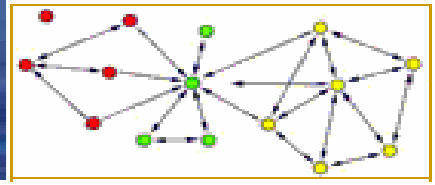
The NETWORK ROUNDTABLE at the UNIVERSITY OF VIRGINIA

Agenda



- Objective of the Global Pharmaceutical Alliance
- How Network Analysis Supported Alliance Goals
- Approach to Applying Organizational Network Analysis (ONA)
- Key Findings and Recommendations
- Critical Success Factors and Lessons Learned
- Appendix
  - Why Network Analysis Matters
  - How to Interpret a Network Diagram

About the Alliance

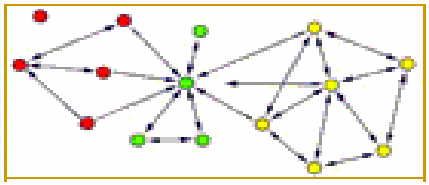


- **The alliance was formed in the mid-1990's between a Fortune 500 and a Global 500 company to co-develop and co-market a new drug. In addition, the alliance promotes awareness and supports physician and patients around the globe.**

- **Differences between company's cultures, goals, and incentive systems create challenges unique to an alliance. In this case, the long-term objectives of the companies were very different, creating additional tensions that needed to be resolved.**
- **By 2001, the drug was highly successful and available in many countries around the world.**

- **To ensure continued success, the alliance conducted several relationship audits followed by network analyses periodically to identify progress and uncover areas for improvement.**

One Recent Audit Indicated that Decision-Making, Relationships, and Alignment Should be Improved



Audit Results

Improvement Areas	Description
Ineffective Decision Making	• Difficulty making timely decisions • No accountability – decisions don't stick • Financial arrangements impact decision making • Differences between companies impact decision making
Continue to Improve Working Relationships	• Specific parts of the companies were identified for improved communications and collaboration.
Clarify Future Direction, Strategy & Right Investment	• Alignment on direction and strategy (cross company & global vs country) • Alignment on investment commitment

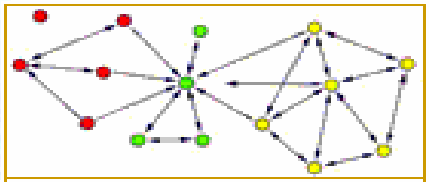
Three of 10 critical success factors were identified as areas of improvement.

The two tools that were most helpful in addressing these issues were Network Analysis and consistent use of RACI.

RACI Roles and Descriptions

Role	Description
Responsible	Responsible for facilitating the decision-making process
Accountable	Accountable for the outcome of the decision – each have a vote
Consulted	Contribute to the decision by providing advice & support
Informed	Informed of the process as it progresses and the final decision

Immediately After this Audit, the First Network Analysis was Conducted



This first network analysis provided a baseline and precise areas for intervention:

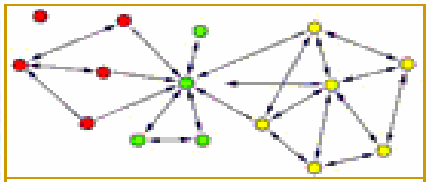
- Identified how information entered leadership teams, was acted upon and how outcomes are communicated
- Targeted key areas where decision-making would have the highest impact on alliance success (link to critical success factors)
- Identified specific points of fragmentation and gaps between current and potential network
- Provided targeted information for conducting intervention workshops
- Set a baseline to ensure that improvement and progress could be measured

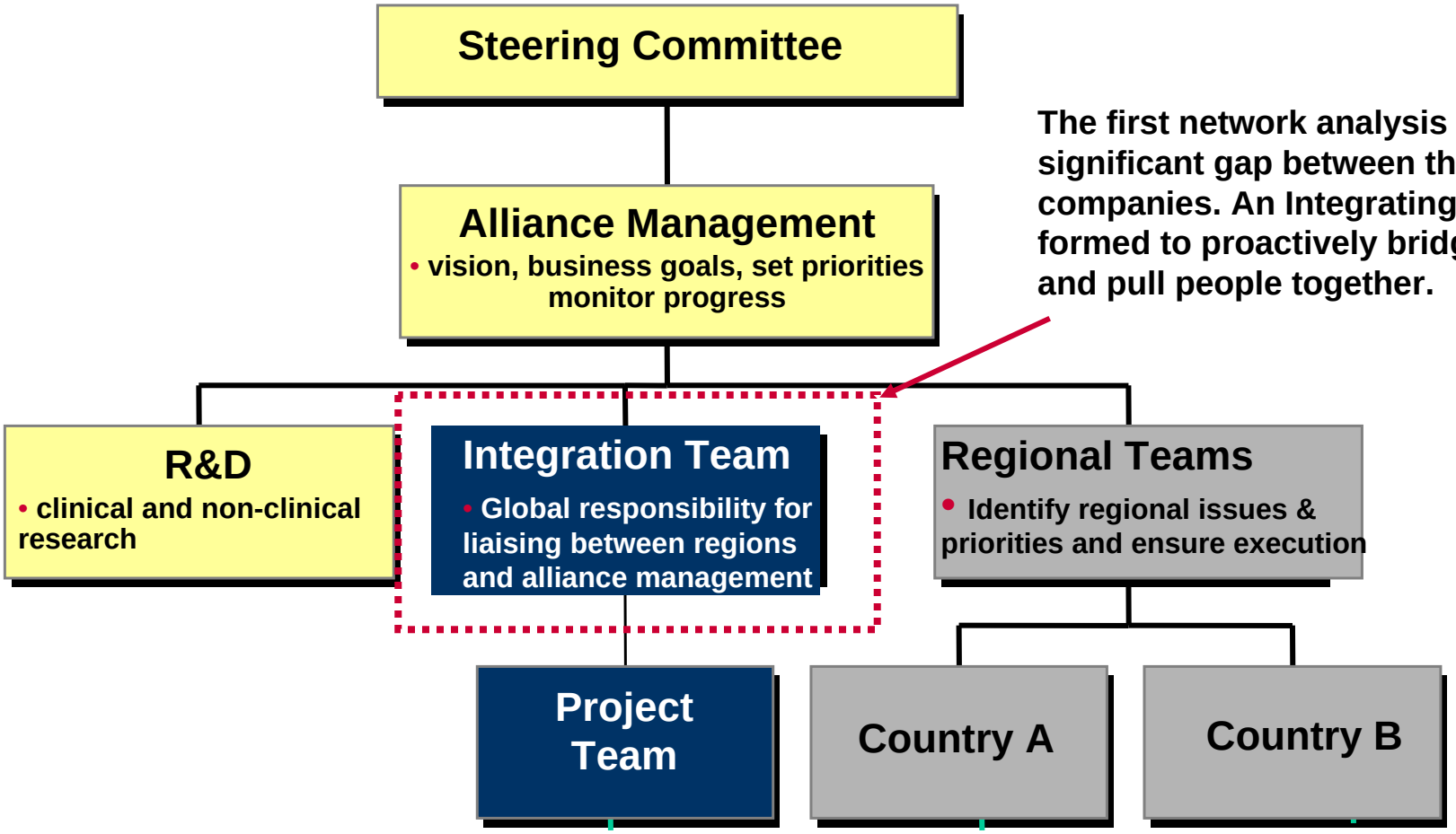
The findings identified that key pieces were missing:

- A governance body to guide the evolving business
- Aligned responsibilities among the teams within each company
- Regular interactions and communication between regions and global structures
- Adequate and empowered representation and commitment

Based on this evidence, a formal "Integration Team" was formed, with respected representatives from both companies and a clear matrix of responsibilities.

The Governance Structure of the Alliance Was Adjusted after the First Network Analysis

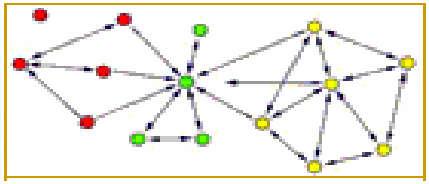




The first network analysis revealed a significant gap between the two companies. An Integrating Team was formed to proactively bridge the gap and pull people together.

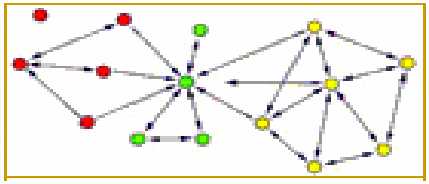
The following slides will focus on the second network analysis, conducted almost one year after this first network analysis.

One Year After the First Network Analysis, the Second Analysis Showed Drastic Improvements



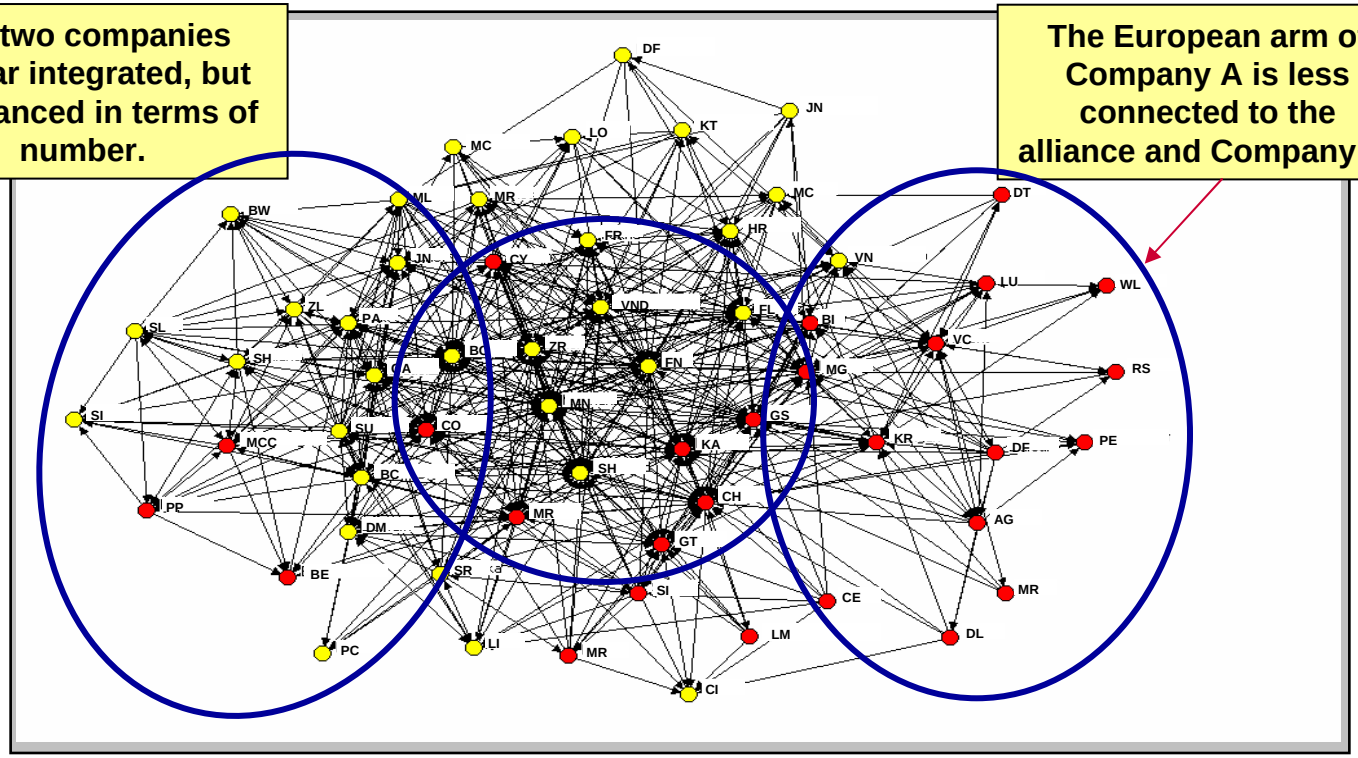
- **Connectivity was fairly strong overall. This average, although good, and much better than the previous analysis, indicated that:**
  - There were several people who were highly central (and perhaps overloaded or gatekeepers) and several who were peripheral.
  - There was a relatively low number of people (about 30%) who had two or fewer collaborative ties (where both people shared information).
- **The problem solving network was cohesive and balanced between the two companies with a good level of connectivity, indicating that responsibilities within the network were being shared.**
- **People desired increased communication with others they don't already go to for problem solving. Raising awareness of who knows what would improve collaboration.**

Overall, Alliance Connectivity was Strong



"Please indicate (from the people listed below) who are important to you in helping you to understand the alliance strategy as well as solve problems associated with strategy deployment."

The two companies appear integrated, but unbalanced in terms of number.



The European arm of Company A is less connected to the alliance and Company B.

Company
- Company A
- Company B

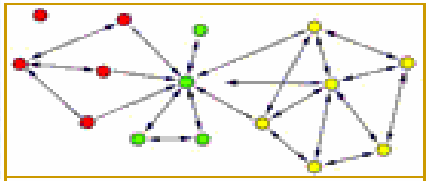
Network Measures
Density = 19%
Cohesion = 2.1
Centrality = 11

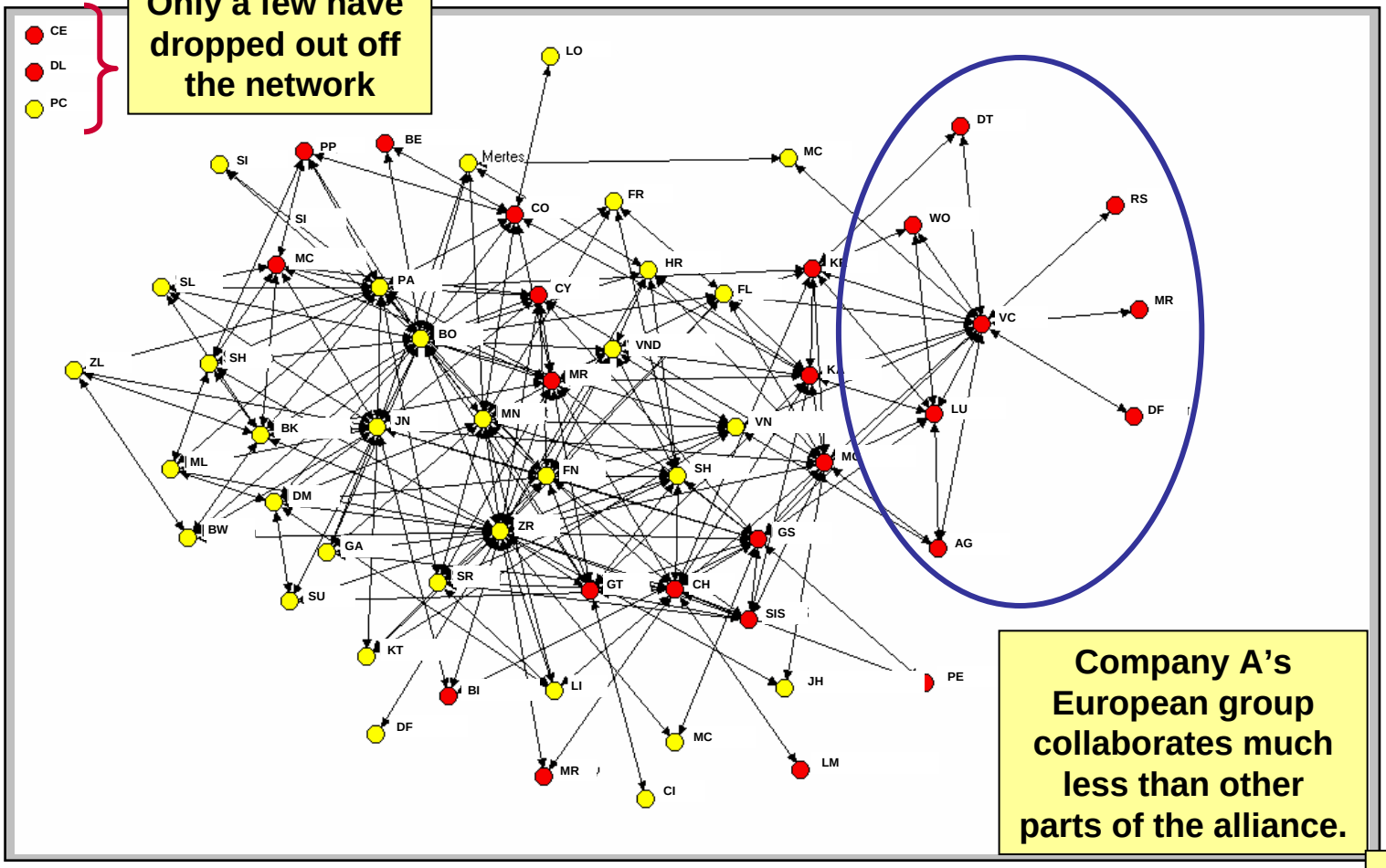
Central People
MN (37)
KA (34)
BO (33)
CH (31)
ZR (30)

There are three key network measures worth evaluating:

- **Density** identifies how many connections exist in a network. More connections means quicker and more accurate info flow. Density typically decreases as the number of people in a group increases (from 100% in very small groups). Density in this group is fairly strong.
- **Cohesion** shows the average number of people you must work through to get to all other people. Shorter distances mean faster and more accurate transmission/ sharing. People are much more likely to reach out to two other people (a friend of a friend) but the likelihood of reaching out and the likelihood of obtaining a response drops drastically above two people away.
- **Centrality:** measures the number of direct connections that individuals have with others in the group. Because this number is an average of all individuals, it is most useful to evaluate the connections on an individual basis.

In the Network of People Who Turned to Each Other (reciprocal flow), There Were 38% Fewer Ties Overall. However, This Improved From 54% the Previous Year.





Company A's European group collaborates much less than other parts of the alliance.

Company
- Company A
- Company B

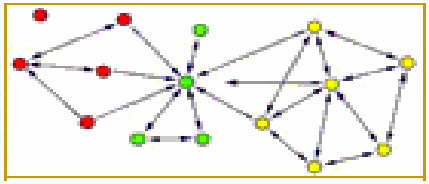
Network Measures
Density = 12%
Cohesion = 2.3
Centrality = 7

Central People
ZR (30)
BO (25)
CH (17)
PA (17)

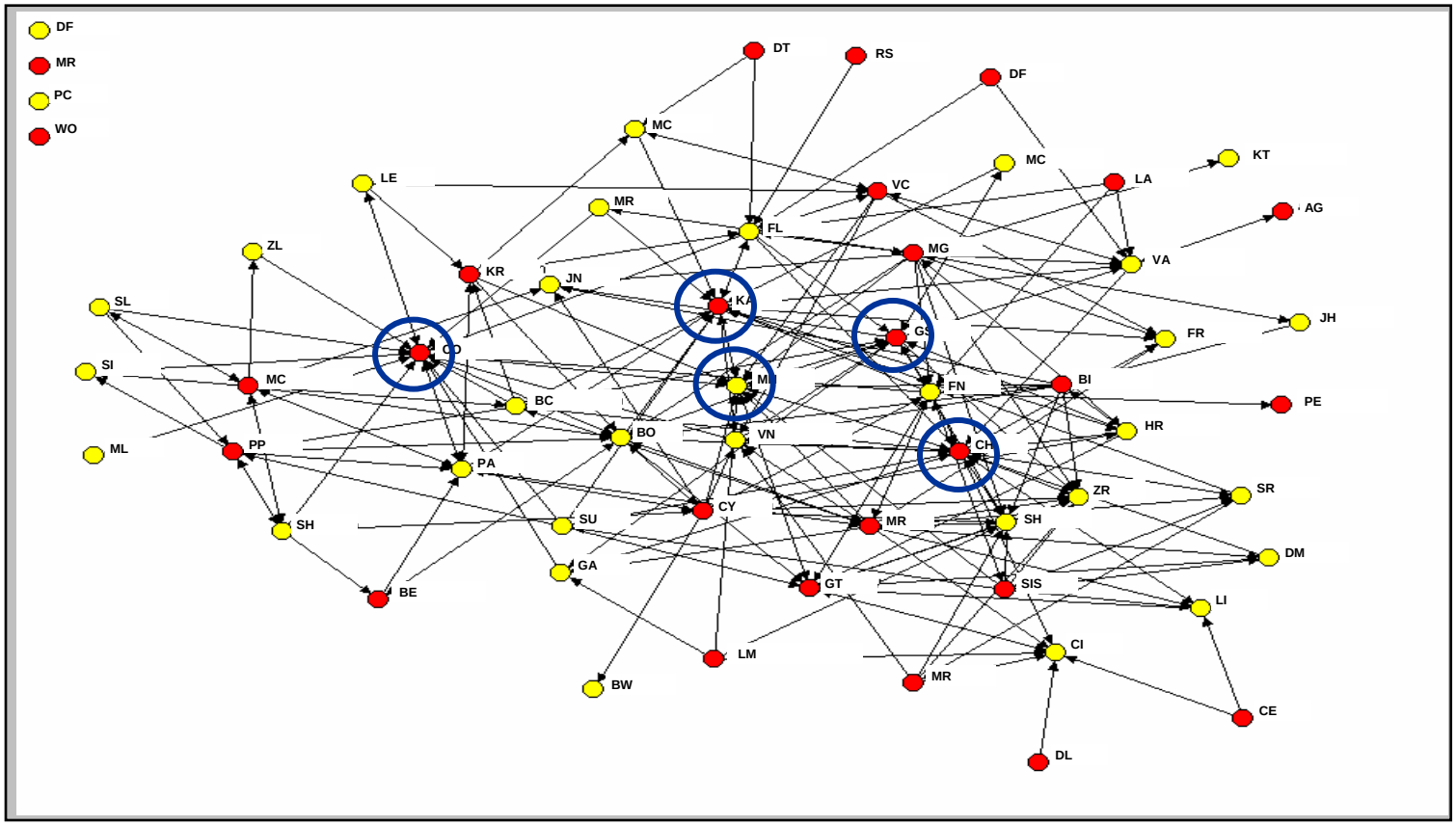
ZR collaborates with 30 other people on a regular basis. If ZR is a bottleneck, consider offloading work.

Reciprocal ties means that both people indicate that they go to each other for information (A goes to B and B goes to A)—confirmed two-way flow. Reciprocal ties represent a proxy for collaboration, whereas one-way ties are typically transactional.

Four of Five People Brokering Relationships Between Companies are From Company A



A third of ties are Company A to Company A, a third are Company B to Company B and a third between Company A and Company B.



Company
- Company A
- Company B

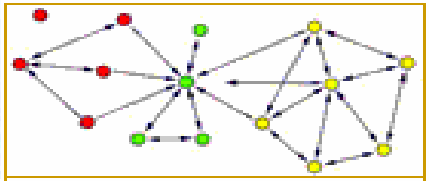
Network Measures
Density = 6%
Cohesion = 23.1
Centrality = 4

Central People
CO (16)
CH (14)
MN (13)
KA (13)

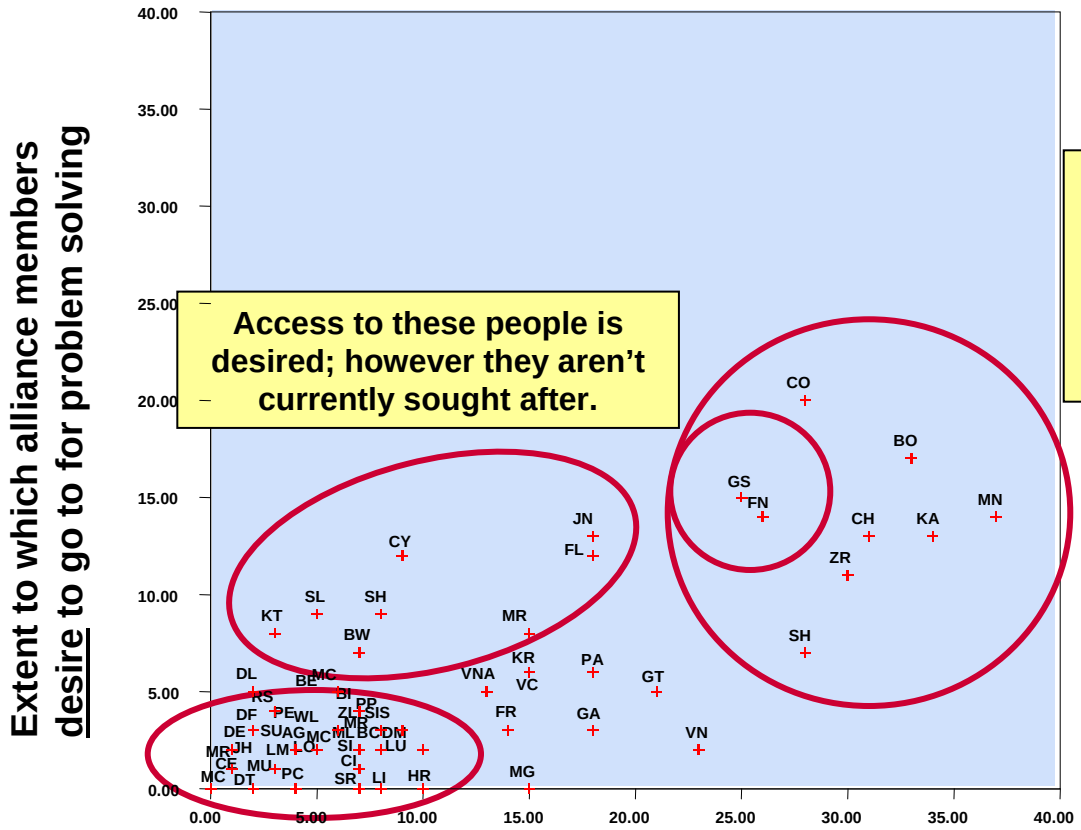
* Only ties between companies are included in the diagram, all within company ties have been deleted

The circled people are brokers, critical connectors between the both companies in the alliance.

Helping Individuals to Move Further to the Right Will Better Distribute Expertise



Current versus Desired Problem Solving

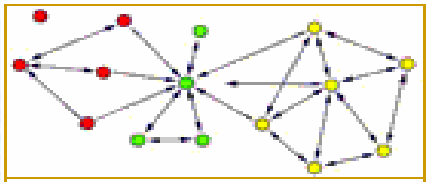


Access to these people is desired; however they aren't currently sought after.

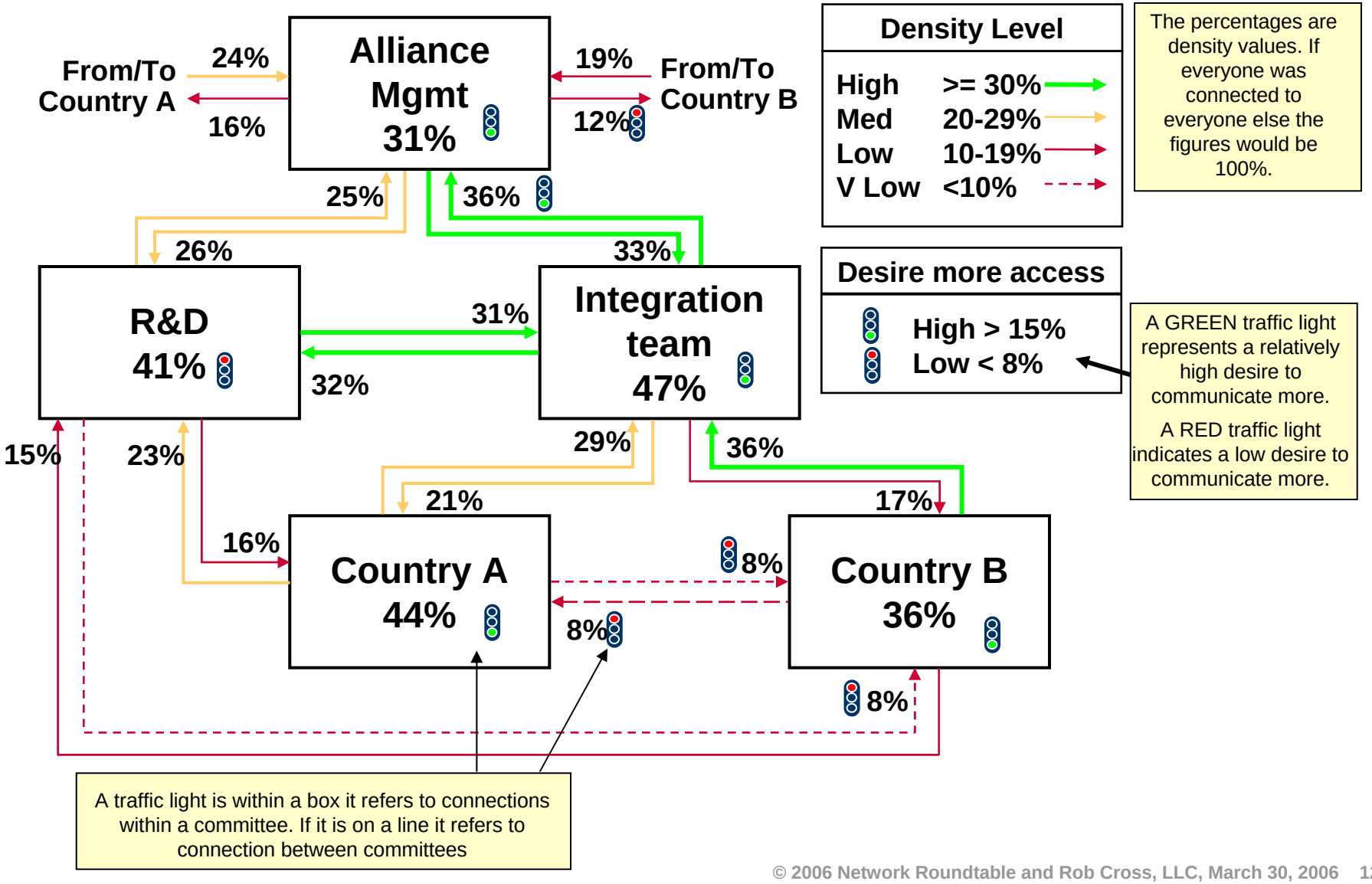
Some alliance leaders appear to have delegated accountability successfully, however, those at the far right may be overloaded.

The people in the lower-left corner need support in becoming more integrated.

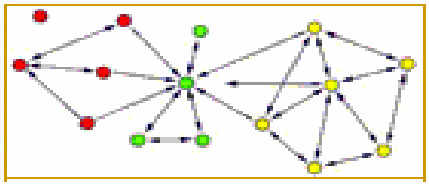
The Integrating Team Became the Great Unifier; However, Interdependency Between Countries Could Improve



This flow depicts the dependency among groups for problem solving.



There are Specific Junctures Where Collaboration Can Be Improved



Problem solving within and across teams

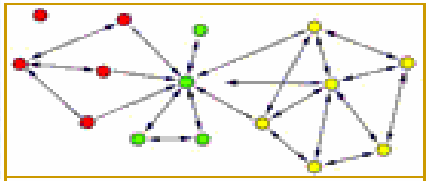
Info Seekers	Information Providers: Alliance Mgmt	Integration Team	Country A	Country B	R&D
Alliance Mgmt (21)	31%	33%	12%	16%	26%
Integration Team (19)	36%	47%	17%	21%	32%
Country A (9)	19%	36%	36%	8%	15%
Country B (19)	24%	29%	8%	44%	23%
R&D (17)	25%	31%	4%	16%	41%

Above Density Table: density levels on the diagonal represent collaboration within skill sets, such as sharing of best practices. Density levels off the diagonal represent collaboration across skill sets. The table is read from row to column when understanding who goes to whom for information.

This chart reveals interesting findings worth exploring:

- Problem solving within teams is fairly high, ranging from 31%-47%.
- Country A and B do little problem solving together. Only 8% of the ties exist between these two countries.
- R&D's ties to Country A are only 4%, however R&D connects with Country B 16%. Why is there such a difference?
- The Integration Team is the best connected of the management teams.

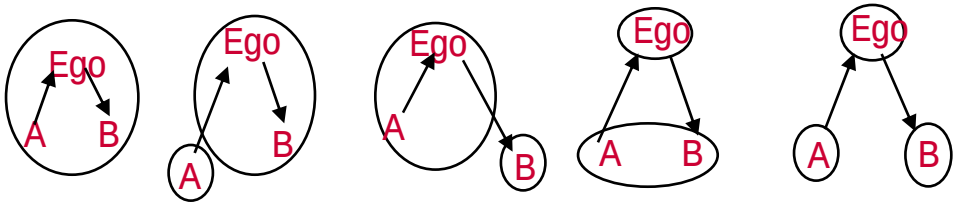
Key Brokers Were Identified to Fill Important Positions in the Alliance Community



The overall role of the broker is to control information flow. Brokers either help or complicate information exchange by limiting the information received or transmitted. When determining the appropriate person to support the network of an organization, the different brokerage roles can provide the first point of reference.

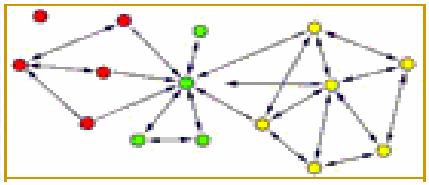
		Coordinator	Gatekeeper	Representative	Consultant	Liaison
Alliance Management	Co 1 Co 2	GS FN	GS BO	CH FN	CH BO	CH BO
Integration Team	Co 1 Co 2	KA BO	KA BO	GS BO	MG BO	KA BO
Country A	Co 1 Co 2	VC	VC FL	VC FL	VC FL	KR FL
Country B	Co 1 Co 2	CO BO	CO BO	MR BO	MR MN	MR BO
R&D	Co 1 Co 2	CH MN	CH MN	CH MN	KA MN	KA MN

The people who held these broker roles were important communicators on their respective teams. In many cases people held more than one broker role.



Appendix

Network Analysis Quickly Assessed the Alliance

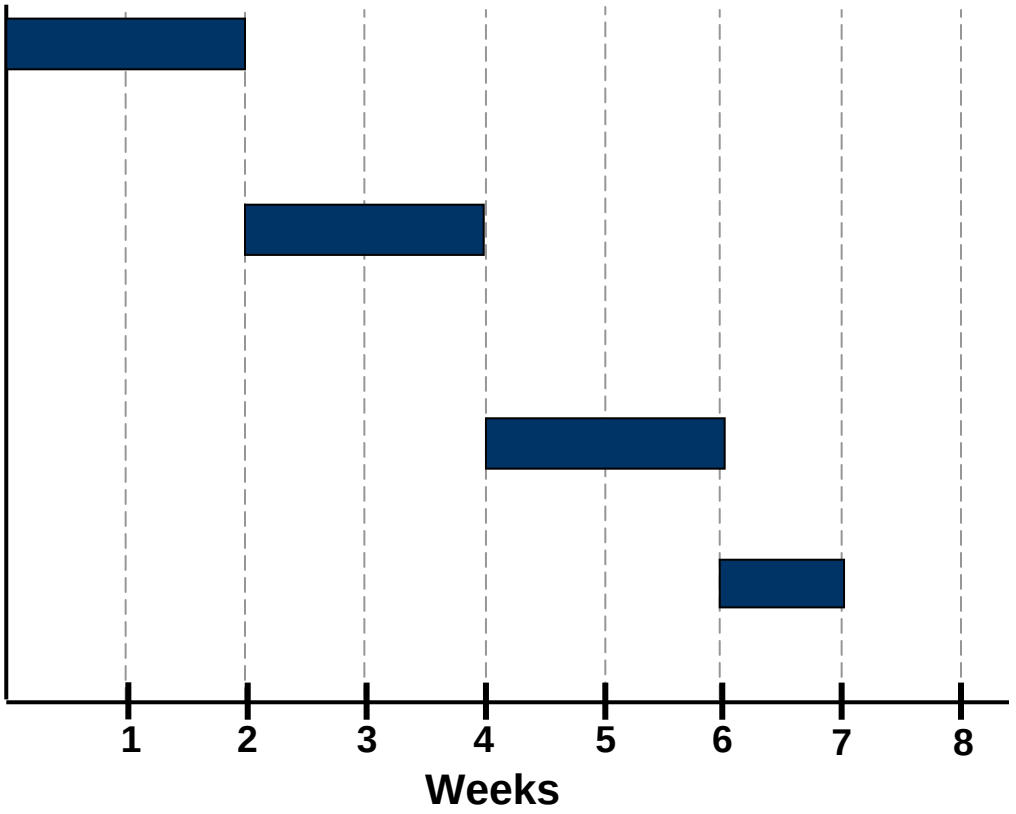


Plan
- create network survey
- define community members
- obtain senior sponsor

Run
- test diagnostic with small sub-group
- administer Web-based diagnostic
- send system-generated e-mails to obtain responses

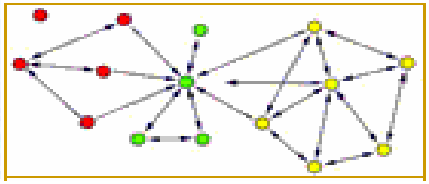
Assess
- create recommendation report
- provide personalized Web sites

Apply
- develop and implement project plan
- take action on personal network results



In just under two months, network analysis provided important insights into the state of the alliance and identified what actions would have the biggest impact to strengthen it.

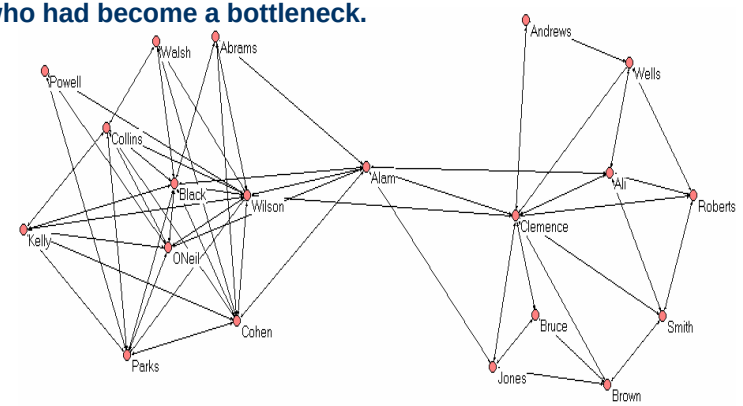
Each Network Analysis Provided Insight into Alliance Performance



- **The First Network Analysis Identified a Baseline of the Network**
  - Identified the current state
  - Produced a handful of meaningful action items
  - Identified resources for strengthening the alliance

Initial analysis in an illustrative network:

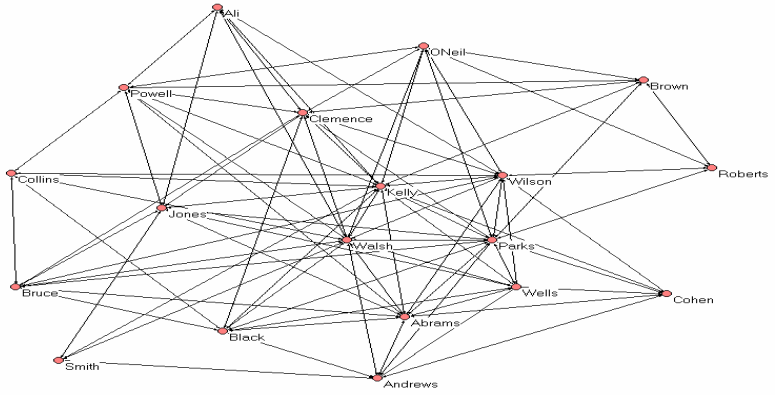
Initial analysis revealed that these two groups were divided. Expertise was not being tapped across silos and the central person (Alam) was an overloaded manager who had become a bottleneck.



- **The Second Network Analysis Tracked Progress and Targeted Future Efforts**
  - Surveyed alliance members one year later
  - Analyzed impact of interventions
  - Validated investment and changed scope

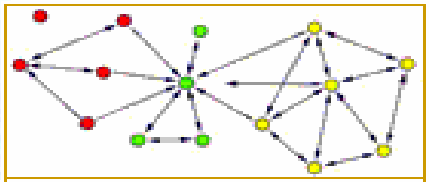
After interventions in an illustrative network:

Nine months later, after interventions, the groups operated much more fluidly. Projects were staffed with members from each group, new incentives were introduced, and the overloaded manager was transferred.



By taking a before and after snapshot of collaboration, the alliance identified and tracked interventions and progress over time.

How to Interpret a Network Diagram



- **Central People**
  - Are an important source of expertise
  - May become bottlenecks
- **Peripheral People**
  - Are underutilized resources
  - Feel isolated from the network
  - Have a higher likelihood of leaving
- **External Connectivity**
  - Provides balanced and appropriate sources of learning
  - Holds relevant influence with key stakeholders
- **Brokers**
  - Are critical connectors between diverse information sources and specific kinds of expertise. High leverage points.
- **Fragmentation Points**
  - Affect information flow across boundaries (e.g., cross functional, hierarchical, geographical, or expertise)
  - Provide targeted opportunities
- **Personal Connectivity**
  - Improves community leader effectiveness
  - Enables grass roots network development efforts