

CONFLICT

# The Right Kind of Conflict Leads to Better Products

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Oysters and alliances have something in common: a little irritation can produce a thing of beauty. When partners in an alliance come into conflict, it can be just what is needed to produce a technically and commercially successful product.

Eli Lilly and Company measures the health of its alliances with a “Voice of the Alliance Survey.” Members from each partner organization rate the alliance in areas related to strategic fit, operational fit, and cultural fit. Sample questions include: “Knowledge and information from our partner is freely shared with us” and “Our partner openly listens to our ideas and opinions.” Lilly recently analyzed fourteen years of data to understand the relationship between the health of these alliances (as

evidenced by the ratings on the survey) and the technical and commercial success of the products on which they worked.

The results were fascinating.

When the Lilly employees in the alliance were irritated with the partner, there was an *increased* probability of technical and commercial success. It wasn't that they didn't like their partners; they typically held them in high regard. What distinguished successful from unsuccessful alliances was more of a "productive" irritation — creative tension between differing ideas about how to develop alliance products — reflected in disagreements about the strategy and tactics of how best to develop a particular molecule. Even more interesting, there was no relationship between how the partner viewed the alliance and future success. What mattered in forecasting success was how Lilly people viewed the alliance.

Here's an example. Lilly and its alliance partners might differ in how to design a clinical trial. These design differences have significant resource implications for both organizations. Tensions are often high as experts from both sides argue the merits of each other's ideas. Professional opinions clash and irritation results as both parties struggle to make the best decision. It is this kind of irritation that forecasts later technical success, according to fourteen years of survey data.

Why does this happen? Enrique Conterno, Senior Vice President and President, Lilly Diabetes, sums it up well. "Nothing great is achieved without some conflict. Conflict sharpens the senses; it invites full engagement in solving important problems. However, you must create more light than heat when you engage in conflict. Heat degrades the substrate of innovation, while light catalyzes it."

This idea that disagreement and conflict between groups can be productive is not new. We see similar findings in research looking at individual work teams. For example, the research of [Amy Edmondson](#) and [Alicia Tucker](#) in hospital emergency rooms shows that the failure to speak up can lead to medical mistakes with disastrous consequences. Similar failures [among cockpit crews](#) can lead to airline crashes. Finally, there are countless examples of business misconduct among corporations where employees were aware of misconduct but they simply did not feel comfortable speaking up and reporting it. Creating an environment where team members feel "[psychologically safe](#)" to speak up and share their point of view can dramatically improve the effectiveness of these kinds of teams. Lilly's research shows these same effects can happen between members of alliance innovation teams.

The managers in charge of these alliances caution us, however, that a positive relationship between irritation and success does not mean that you should be looking for opportunities to create just any conflict. The beneficial irritation is respectful conflict on the most pivotal issues to the project.

Leaders can enhance the value they get from alliances using various strategies that reap the benefits of conflict:

**Focus on the areas of risk that produce the most productive conflict.** Lilly trains its alliance managers to look at risk as the precursor to conflict, as parties typically engage in conflict as a method of reducing or controlling alliance risk. They regularly see three common types of risks: *human risk* – the sum of the positive or negative affinities of people working in an alliance, weighted more heavily towards those leaders that govern the alliance; *business risk* – all of the factors related to getting a product or service to *market made easier or more difficult* due to the partnership; and *legal uncertainties* – the risk that is created by writing a contract that cannot possibly foresee all of the future obstacles and issues that will need to be surmounted by the alliance. Conflict in each of these areas is interconnected and is found in every alliance.

**Focus your conflict-management resources where it matters most.** In the pharmaceutical industry, the conflict surrounding a clinical trial design, for example, represents a value inflection point where managed or mismanaged conflict will yield disproportionate value creation or destruction. These clinical trials require thoughtful design and involve high levels of disagreement and conflict *even without* an alliance partner and *logarithmically more disagreement and conflict with* an alliance partner. Identify clearly where value is created and destroyed in your own value process and deploy your conflict management/alliance management resources there. During one alliance that was mired in conflict while designing a very complicated \$200M clinical trial, Lilly and its partner agreed to use both alliance management and decision science experts to help the group work through the complexity and the conflict.

**Train key alliance personnel to listen and make space for disagreement and conflict.** Lilly trains its alliance managers to use structured empathic listening, a manner of listening and responding to others that improves mutual understanding and trust. This skill is borrowed from couples' therapy and allows each party to be heard and understood, without having to necessarily agreeing to what is heard and understood. Lilly alliance managers report that conflict "heat" becomes "illumination" when partners truly listen to each other: "Although it seems counterintuitive, slowing down a conflict to allow time for listening to each other actually saves time in the long run." At Lilly, escalated alliance issues are strongly encouraged to be presented jointly. The disputants need not agree with each other, but they must agree that their joint presentation accurately reflects their disagreement. This aligned presentation often catalyzes quick and healthy issue resolution.

**Establish an alliance management function.** If resources allow, the formation of such an area within your organization will increase the chances of alliance success. Task the alliance management team with creating greater value by learning how to build, maintain, and unwind alliances efficiently and effectively – and train them in spotting and encouraging productive conflict. An alliance management department can be both a repository of information and experiences, as well as a champion for the organizational learning that comes from forming alliances, where each company can benefit by learning from and emulating the best that their partners have to offer. Lilly's [Office of Alliance Management](#) was established in 1999 and has published over twenty articles, focused on the "How To's of Alliance Management" which can be used as resources for the successful implementation of such a functional area. The [Association for Strategic Alliance Professionals](#), a

cross- industry organization dedicated to advancing the skills of alliance management professionals, offers a variety of tools and educational and developmental opportunities to support your efforts.

Particularly with partners, we often try to avoid conflict to avoid irritation. But too little irritation risks failing to create the pearls of wisdom that good conflict can produce. Leaders should look beyond irritation to the benefits of the right kind of conflict, even seeking to create good conflict at the most pivotal value and risk inflection points. An oyster takes up to 24 months to culture a grain of sand into a pearl; but with careful alliance structures, active listening, and other techniques suggested above, leaders can much more quickly use alliance conflict as a source of significant value.

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