Strategic partnerships as a central success factor in biotechnology

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Strategic partnerships between biotech companies and large pharma players have become a cornerstone of innovation and market access. Biotech companies like Formycon, which specialize in biosimilars (biological medicines that are highly similar to already-approved medicines), rely on these alliances to efficiently bring their products to market. For instance, through partnerships with Fresenius Kabi, Sandoz and Teva, Formycon has successfully advanced the commercialization of several biosimilars. These collaborations underscore a broader industry trend: success in biotech is driven not only by scientific innovation but also by the ability to forge strong alliances that enable commercial access and scalability as well as mitigating financial risks. In an industry where regulatory approval processes and market access are highly complex, partnerships between small biotech firms and large pharma companies are essential for long-term sustainable growth.

One of the biggest challenges for biotech companies is bridging the gap between drug development and large-scale market entry. While biotech firms often drive early-stage innovation, they typically lack the financial and operational resources needed to scale production, establish distribution networks or secure global market access. In contrast, large pharmaceutical companies offer established manufacturing capabilities, commercial infrastructures and extensive market reach, yet are constantly struggling to deliver disruptive innovations at a reasonable internal rate of return. By partnering with these entities, biotech firms can focus on their core competencies in innovation, research and development while leveraging their partners' expertise in commercial execution. These collaborations are particularly critical in the biosimilars sector, where rapid market penetration and efficient commercialization are essential for quick success.

Challenges in biotech-pharma collaborations

For a partnership to be truly successful, both parties must be fully aligned in their objectives and share a common economic interest in the product's success. A key economic rationale behind biotech-pharma partnerships is that they often outperform mergers and acquisitions (M&A) in terms of return on investment (ROI) and risk minimization. EY research confirms that alliances historically deliver a 33% higher ROI than M&A, as highlighted in a recent analysis of life sciences partnerships.[1] This enhanced ROI is largely attributed to shared risk in financing costly Phase II and III clinical trials, as well as the synergistic combination of agile innovation from biotech firms and regulatory expertise and commercial infrastructure from pharmaceutical companies. Moreover, modern partnerships increasingly leverage artificial intelligence (AI)-powered platforms for real-time data sharing and analysis. For example, the Pfizer-BioNTech alliance implemented cloud-based systems to adapt clinical trial protocols in real time – a key factor in the record-breaking development of the COVID-19 vaccine. Such digital ecosystems reduce coordination efforts by up to 40% and enable predictive modeling of production scaling.[2] Finally, partnerships offer greater flexibility than acquisitions because each party remains legally independent, making it easier to collaborate with multiple partners across different programs.

Licensing and commercialization agreements are an integral part of these partnerships and must be well-structured to ensure mutual benefit. Clear milestones, revenue-sharing models and decision-making railways are critical to preventing conflicts. Beyond financial considerations, cultural and operational compatibility play an equally important role, especially when you put "big" and "small" in one environment. One of the most

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frequently cited challenges in biotech-pharma collaborations is the mismatch in decision-making speeds. Biotech firms often operate with lean, agile structures and fast innovation cycles, whereas large pharmaceutical companies tend to be slowed down by lengthy internal approval processes and rigorous regulatory due diligence. To bridge this gap, some partnerships adopt dedicated joint ventures with mixed teams, which allow for independent decision-making while still maintaining alignment with overall corporate strategies.

If a joint venture is not the preferred structure, effective communication and expectation management become essential. In such cases, frequent dialogue, transparency, and the early establishment of mutual expectations can help navigate the differences in decision-making speeds, e.g., in a strong and enabled joint stock company. A proven strategy is to have a strong advocate within the pharmaceutical company – an internal champion who drives the project from within. This internal advocate plays a crucial role in navigating corporate structures, securing funding and accelerating decision-making. Without a strong internal sponsor, projects might be at risk of being deprioritized amid competing business interests.

While strategic partnerships remain essential for biotech success, companies must also recognize their inherent risks. A major vulnerability is dependence on the right partner; if a biotech company fails to secure a committed partner or if deal terms become unfavorable due to shifting market conditions, financial sustainability can be jeopardized. Furthermore, early-stage financing gaps remain a persistent challenge. Many biotech firms struggle to attract investment after initial funding rounds, particularly if they lack the clinical data that is often key to secure a pharmaceutical partner. The biotech industry is also subject to rapid shifts in pharmaceutical investment priorities. Leading companies are expanding bilateral alliances into multi-stakeholder ecosystems. These complex networks often involve not just traditional pharma partners, but also technology providers, academic institutions, and regulatory bodies. Such ecosystems can accelerate development timelines and market entry but also demand greater agility from biotech firms and a very active management of such cooperations. For biotech

companies, participation in these ecosystems can provide enhanced visibility and access to a broader network of potential partners and investors. However, it requires careful management of multiple relationships and clear agreements on value distribution. As pharma companies continuously shift focus – from immunology to gene therapy or AI-driven drug discovery – biotech firms must anticipate these changes and (re-)align their development strategies accordingly. Understanding what pharmaceutical companies are seeking at any given time can be a decisive factor in securing the right partnerships and finally success.

Future trends in strategic partnering

In the long run, strategic partnerships in the biotech sector are not merely a means to an end; they are a fundamental driver of innovation and market success. Companies that master the art of building strong alliances gain faster access to global markets and navigate regulatory complexities more efficiently. Formycon's experience demonstrates that a well-structured partnership model can facilitate the successful commercialization of complex biopharmaceutical products, ultimately improving patient access to advanced therapies, while being always fully aware that one at least partially depends on the performance and success of a partner. As the biotech industry continues to evolve, companies that develop stable yet flexible partnerships – balancing scientific excellence with commercial execution – will be the ones driving the next wave of medical innovation.

1 „How strategic partnerships can benefit life sciences companies," EY website, www.ey.com/en_us/insights/tax/how-strategic-partnerships-can-benefit-life-sciences-firms

2 „Unleashing the Innovation Power of Alliances," BCG website, www.bcg.com/publications/2022/innovation-power-of-alliances, 13 January 2022