



## Strategy & Practice

How strategy helps biotech CEOs  
address key challenges in scaling



*“Biobridge Partners designed the Biotech Strategy Review to **help executives reflect on the core assumptions** and key strategic questions of their business”*



## Why do Strategy?

Many small and medium-sized biotech companies fail to design coherent and complete strategies. In some companies, the case against strategy is framed as a matter of favoring practicality and action-orientation over theory. However, a good strategy is both actionable and practical. With this article, we demonstrate how typical challenges faced by CEOs in small and medium-sized biotech companies can be proactively addressed through better strategy. Instilling strategic intent in the organization ensures stronger execution and better use of resources.

## Biotech is the New Center of Innovation in Life Sciences

The biotech industry had a staggering venture capital investment year in 2021: a total of 2.9 billion Danish kroner was invested in Danish life science companies, with biotech making up DKK 2.8 billion and medtech companies comprising the remainder<sup>1</sup>. This is more than a doubling from 2020, and 2022 hints of another strong investment year despite increased market uncertainty. These numbers reflect the rising attention on biotechs from biopharma companies reinventing the innovation model in their effort to build future competitive pipelines.

Indeed, biotech is the innovation heartbeat of the life science industry. The industry saw over 50 new molecular entities approved by the FDA in both 2020 and 2021, respectively, up from 29 in 2011<sup>2</sup>. Biotech companies account for 65% of the approximately 6,000 clinical asset candidates in active development today<sup>3</sup>.

These indicators point towards a new and more decentralized innovation model

adopted by an increasing number of biopharma companies. A model where smaller players in the biopharma innovation ecosystem create large amounts of innovation and value based on capital injections from the established players. Ultimately, the importance of small and medium-sized biotech companies in the development of new therapies benefitting patients is rapidly growing.

## CEOs in Biotech Scale-Ups Face a Multitude of Challenges

Biotech CEOs face several real challenges as they scale the company. In the current external environment, capital markets are tightening, and investor requirements are increasing due to rising interest rates, squeezing cashflows and driving increased competition for funding. Especially biotechs between Series A and an IPO see higher investor expectations combined with lower valuations. The market uncertainty challenges the strategic maneuverability for many biotechs and calls for stronger strategic direction-setting.

Internal complexity further tends to scale unfavorably in small and medium-sized biotech companies as assets are matured and clinical trials initiated, which again calls for stronger direction-setting and prioritization of resources to ensure that the whole organization is working towards a common goal.

Specific top-of-mind challenges mentioned by biotech CEOs include:

1. Raising funding
2. Moving the entire organization in the same direction
3. Choosing the right technology bets
4. Identifying the right partners

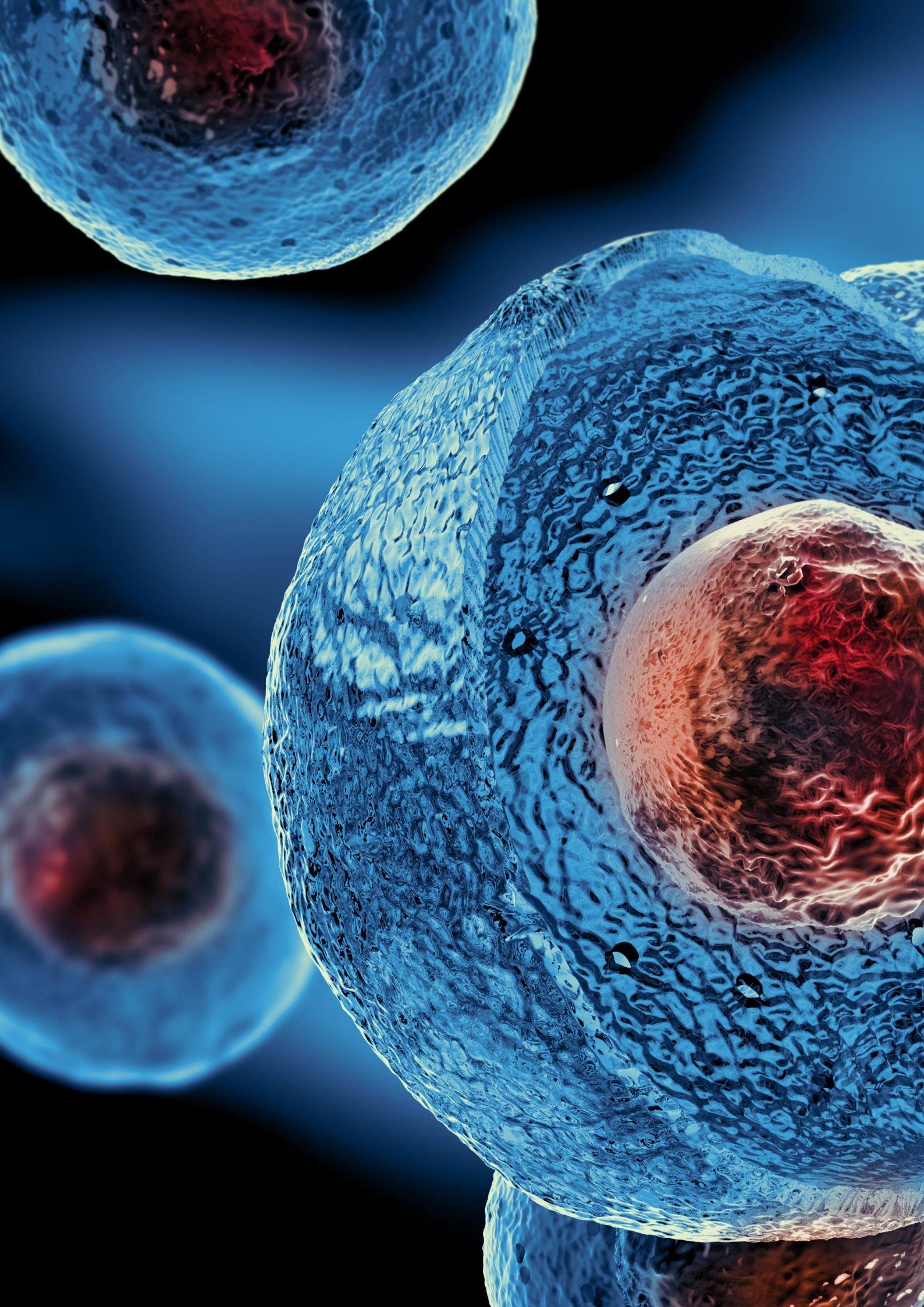
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<sup>1</sup> Vækstfonden data, "Public venture investments in Danish companies", 2022.

<sup>2</sup> FDA data, 2022.

<sup>3</sup> IQVIA, "Emerging Biopharma's Contribution to Innovation", 2022.







## Strategy Helps Proactively Resolve Key Challenges

Many small and medium-sized biotech companies fail to design coherent and practical strategies, possibly because strategy is considered inferior to execution, or because the strategy is developed in a near-vacuum without the necessary methodology, rigor, and external input.

A good strategy is both *actionable and practical*. It lays a clear direction for execution in a structured manner, which not only increases the odds of success, but also enhances learning along the way.

An actionable strategy uses scarce resources more effectively. It provides the foundation for making confident choices about what to do and what *not* to do. Interestingly, being unclear about what *not* to do, is a pitfall that many companies fall into. Being clear on deselections is a choice that takes courage – without a strong foundation for decision-making, hard dilemmas tend to remain unresolved, resulting in weaker execution.

A good strategy combined with vocal leadership allows the entire organization to act with strategic intent. As such, strategy development, albeit a somewhat conceptualizing exercise focused on longer term objectives, should also provide a foundation that helps biotech executives maneuver day-to-day challenges. It is our view that strategy *is* and *should be* practical.

Boxes 1-4 describe how strategy helps resolve the four key challenges in this article, namely raising funding, moving the entire organization in the same direction, choosing the right technology bets, and identifying the right partners.

### *Challenge 1: Raising funding*

Increased market uncertainty and tighter capital markets results in increased reluctance among investors. Combined with a blooming biotech industry, the competition for funding is increasing. The need for differentiation and clear communication is higher than ever.

*Strategy helps by:*

- Articulating well-defined strategic choices and roadmap implications, thereby improving communication towards potential investors.
- Being clear on required platform and positioning to create a competitive edge, including an understanding of how to win within specific customer segments and against competitors.
- Improving the ability to communicate the roadmap from R&D strategy through clinical trials to commercialization. Good strategy helps create transparency on the road ahead, including short-term actions as well as upcoming deflection points requiring executive attention.
- Enabling clear communication on how funding will be used to benefit the company's development with a well-defined capability-building plan supporting strategic and financial goals.

*Challenge 2: Moving the entire organization in the same direction*

Upcoming biotechs are rooted in good ideas; as the company grows, prioritization of ideas is needed. Often, there are not one but many reasonable options to pursue in early-stage biotechs. However, following too many options at once puts the company at risk. Driving alignment in the leadership group is required to mitigate the risk of pulling in different directions and not allocating resources effectively towards a common goal.

*Strategy helps by:*

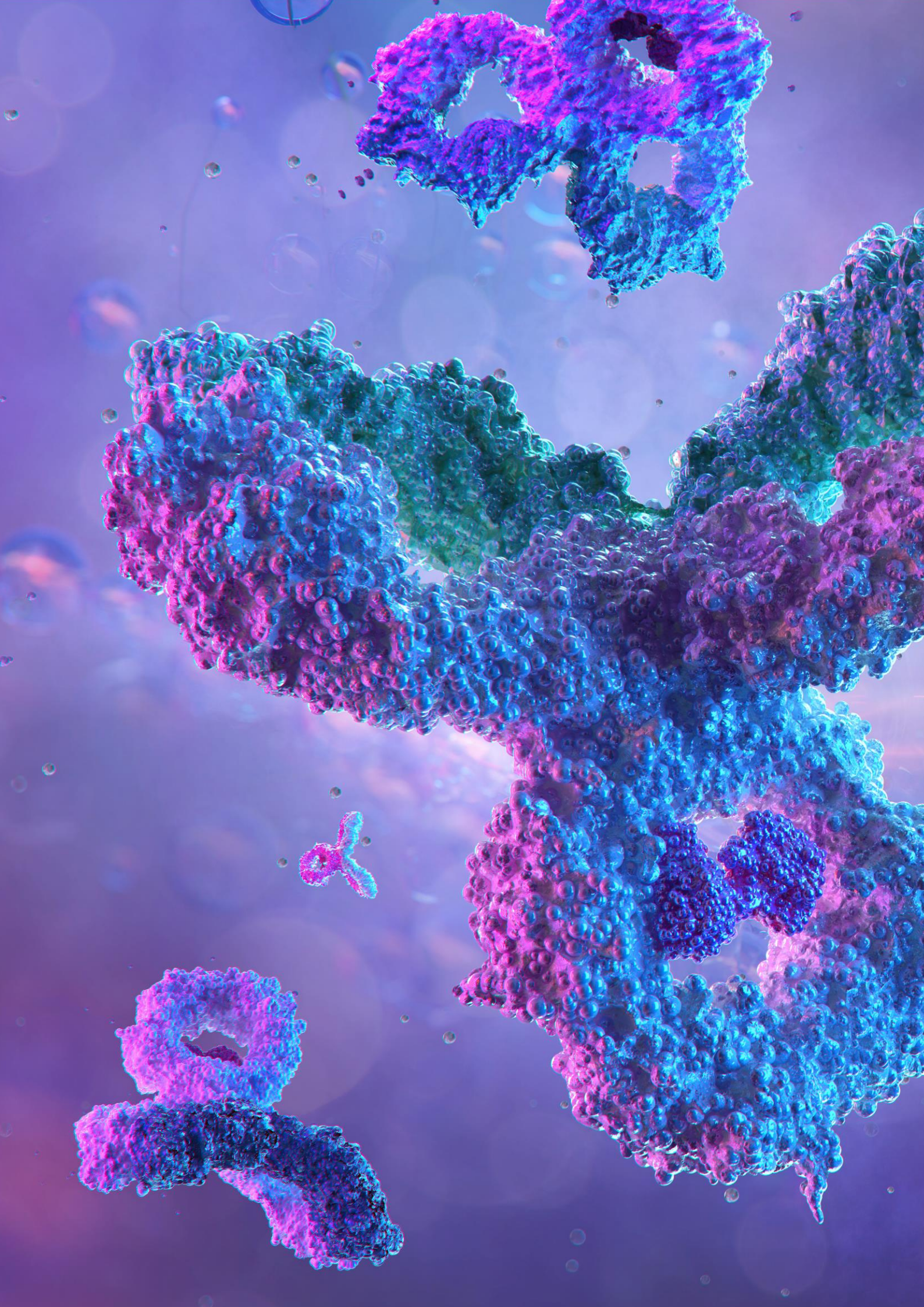
- Clearly defining choices for what to do and what not to do – the key is making *deselections*. It should be clear to everyone in the organization that there are directions and ideas (including potentially good ones) that the company will not pursue.
- Ensuring execution happens with strategic intent via a well-defined roadmap based on coherent choices with clear aspirations, a sufficiently narrow playing field, choices for how to win in that playing field, and the organizational capabilities needed to succeed.
- Driving alignment in the leadership group by involving them in the process of "hatching" the strategy in the first place. Exploring options developed by the group with external input and assessing the requirements for success can help resolve internal tension in a process that provides a data-driven foundation for decision-making.

## To Craft Better Strategies, Biotech CEOs Should Not Shy Away from Hard Questions

Crafting good strategies demands challenging conventional truths as well as the core assumptions of the business, whether they have been made explicitly or implicitly. Below are eight questions that every biotech CEO should ask himself or herself as part of the strategy process:

1. What are the explicit or implicit assumptions underpinning our strategy? Are these assumptions still valid given emerging market dynamics, and what could change?
2. Is our strategy founded on rigorous analysis and data-driven insights or gut feel only? Have we explored our options beyond organizational knowledge?
3. Does our strategy involve real trade-offs? What do we choose not to do, and where do we choose not to invest?
4. What is our split between investing in core, adjacent, and transformative bets for developing the company?
5. What is our strategy for expanding the company's portfolio? For example, do we invest in expanding our technology platform or in applying it more broadly across therapy areas, and why?
6. Do we have sufficient governance around developing our portfolio and placing our bets without becoming spread too thin?
7. How do we make decisions in the company? Do we have enough executive direction-setting to enable autonomous decision-making in the organization?
8. Does our product(s) have a good fit for the selected customer segment considering their wants and needs? Do we have the appropriate assets and capabilities to deliver?







## The Biobridge Partners Biotech Strategy Review is Designed to Help You Reflect on These Key Questions

Developing good strategy can seem like a lot for a small or medium-sized biotech company focused on driving technological progress while resolving a multitude of practical challenges. Nevertheless, it is our hope that this brief perspective and the four examples have convinced you that it is a worthwhile endeavor.

” *A good strategy is both actionable and practical. It lays a clear direction for execution that enables distributed decision making and allows the entire organization to act with strategic intent, ensuring better use of resources.* “

Biobridge Partners developed the *Biotech Strategy Review* offering to help executive management in small and medium-sized biotech companies reflect on their strategy and its core assumptions. The *Biotech Strategy Review* offers a chance for executives to receive proper challenge, potentially revealing weaknesses and blind spots in the current strategy, and further helps drive alignment in the leadership team on the path forward.

The goal is to enable organizations to execute with strategic intent.

The *Biotech Strategy Review* is a light strategy process designed to drive clarity on strategic goals without going into a highly time-consuming and expensive strategy development process. It is divided into three phases:

### *Challenge 3: Choosing the right technology bets*

Choosing the right technology bets is a key challenge in biotech. Sometimes, early R&D success becomes a double-edged sword that risk driving the company in the wrong direction. Success also requires a commercial perspective on market conditions and customer needs, but these capabilities are often limited in smaller biotech organizations. Basing decisions on an inside-out approach risks loss of time and money, and pivots that could have been avoided.

*Strategy helps by:*

- Defining a coherent portfolio strategy allowing the company to play to its strengths while placing multiple bets along well-defined axes, whether related to the technology platform or the application of the platform across therapy areas.
- Clarifying the company's core, adjacent, and transformative bets, including the target allocation of resources and the governance around it.
- Ensuring that the technology and individual products that are being developed solve an unmet need driving commercial value.
- Providing a better baseline understanding of the therapeutic, technological, and competitive landscape as well as future market dynamics and growth.
- Bringing in market research and knowledge from external experts that help validate or challenge assumptions related to the R&D strategy and the commercial opportunity in different bets.



1. *Baseline analysis:* Develops and documents a baseline understanding of the company's current platform, its market positioning and roadmap choices, as well as the explicit and implicit assumptions underpinning choices. Inside-out analysis based on company data and interviews with executive management, board, and investors, as well as outside-in analysis based on market research and external expert interviews ensure a holistic view of the business and its current and future environment.
2. *Challenge workshop:* Synthesizes baseline findings and identifies strategic options that are brought into the management workshop. The workshop challenges and aligns management on the assumptions underpinning key strategy and roadmap choices, operational priorities, and identified key uncertainties in the strategy.
3. *Recommendations:* Presents findings in a structured report documenting baseline analysis, workshop outcomes, and recommendations for focus areas. Proposes a roadmap for solving key challenges based on identified principal uncertainties and assumptions.

#### *Challenge 4: Identifying the right partners*

Identifying the right partnerships is a challenge that takes time and effort. As a result, some biotechs may adopt a somewhat reactive and opportunistic approach to partnerships, rather than acting with strategic intent. On the one hand, CEOs and senior executives may end up spending an unfair share of their time in meetings with potential and current partners without much return on investment. On the other, the risk persists that small and medium-sized biotechs are not utilizing the life science ecosystem sufficiently, which could be a missed opportunity for getting access to complementary capabilities and extracting value from the ecosystem.

#### *Strategy helps by:*

- Deepening the understanding of the company's platform and how it could benefit other players, including which positions could be taken in the value chain and ecosystem.
- Clarifying internal capabilities and identifying gaps needed to deliver on the company roadmap, and specifying which partnerships (if any) are needed to address those gaps.
- Defining criteria for how to choose and evaluate partnerships. This helps respond to opportunities as they emerge and allows screening for partners that fulfill specific needs and deliver value to the organization.



## Biobridge Partners - A Dedicated Life Science Strategy Consultancy

Biobridge Partners is a dedicated life science strategy consultancy, highly experienced with strategy development in global biopharma and biotech companies. We engage in a structured and analytical manner to help our clients look ahead, drive the necessary change, and prepare their organizations for the future.

Biobridge Partners was established because we believe that advancements in biotechnology will revolutionize humanity in the 21st century.

We are passionate about facilitating positive change via life sciences and our founding principles allow “making investments” in biotech clients by working at attractive terms for biotechs that are interesting from an impact perspective.

Contact us to learn more about the Biotech Strategy Review and how we are helping biopharma and biotech companies adapt for the future.

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## Contact Us



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Bo has 15+ years of experience from life sciences. He is specialized in the R&D value chain and has previously held several senior leadership positions across R&D, including in drug discovery & development, strategy, portfolio management and innovation, latest within a transformational stem cell R&D unit. Bo advice R&D organizations, biotechs, and venture capital firms on topics related to drug discovery and development, R&D operating models, and innovation and sourcing of assets and technology.





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