



Better together

**Why collaboration between Biotech
and Big Pharma is good for innovation,
business, and global healthcare.**



In 2018, Goldman Sachs posed an ‘eyebrow raising’ question within their biotech research report ‘The Genome Revolution’¹:

“Is curing patients a sustainable business model?”

Their answer was a clear ‘no’. That while the benefits to individuals and society are clear, for those firms creating ‘one-shot’ cures, the number of potential patients rapidly declines. As do their profits.

Regardless of how you feel about the ‘no’ answer, it’s clear that life science firms need to remain profitable. But the challenges facing the life sciences industry go beyond patient numbers.

The coronavirus pandemic has been hugely disruptive and as of early 2022 has caused over 6 million deaths worldwide, with the true number probably three times higher². Not only is it showing any immediate signs of ending, which means more deaths, but those suffering from ‘long covid’³ will continue to impact healthcare systems around the world.

Beyond the pandemic, calls are increasing for organisations (alongside governments) to help address a range of global issues – most notably with the United Nation’s 17 Sustainable Development Goals⁴ (such as ‘no poverty’, ‘zero hunger’, and ‘sustainable cities and communities’). For life sciences, a significant section is SDG 3.8⁵, which is the UN’s call for universal health coverage by 2030. This is leading to a range of new and changing regulations when it comes to cross-border business.

Another area of concern is the long-term impact on health due to climate change (which you can read about it in our ‘Life Sciences for a Better World’ whitepaper).

And if that’s not enough, the entire industry is quickly embracing digitalisation with omnichannel solutions. This ‘hyper-connectivity’ can bring massive benefits, but getting it right is a substantial challenge.

1 <https://home.kpmg/be/en/home/insights/2022/01/sus-life-sciences-for-a-better-world.html>

2 https://www.bbc.com/news/health-60690251?fbclid=IwAR0CKERubkE4RugjeTpQLGggqIEJtGS3a4TohSMOy_ygSskS4jXawIXdy6E

3 <https://www.helmholtz.de/en/newsroom/article/what-we-know-about-long-covid/>

4 <https://sdgs.un.org/goals>

5 <https://unric.org/en/sdg-3/>

6 <https://home.kpmg/be/en/home/insights/2022/01/sus-life-sciences-for-a-better-world.html>

Partnerships - in a time of uncertainty.

All of this is a clear indicator that life sciences will have their hands full in the coming years, especially when it comes to meeting global health initiatives. But is big pharma agile enough to quickly develop innovative solutions? Can biotech firms amass the right capital and build channels that ensure appropriate coverage? Can each ensure they meet rapidly changing regulations while managing risks and compliance?

As the scale, cost, and complexity of rapidly developing new drugs and medical devices for an increasingly global market increase, it's clear that Do-it-Yourself, in-house research is becoming less relevant and the below solution more obvious:

Develop strategic partnerships and collaborations.

Doing so has the greatest potential to reach new people, drive innovation, and help develop diverse solutions for multiple indications. This is especially relevant in today's patient-driven market, where the right partnership can closely focus on patient centric treatment and where partnerships can provide more value for money, spread the risks between partners, introduce diverse technologies, and increase the spread of knowledge.

Ultimately, biotech firms can benefit from the scope and spending power of big pharma to focus on more targeted solutions, while being recognised as more than a glorified research and development department. Biotech is smaller, but that certainly doesn't mean

they're less effective, as noted in a Cambridge Judge Business School study¹: *"Biotech companies created 40 per cent more US Food & Drug Administration-approved "priority" drugs than the entire pharmaceutical industry from 1998 through 2016 while spending less than half as much."*

Big pharma, on the other hand, can benefit from the flexibility of biotech to help them achieve what they want within realistic timelines and on budget. Ultimately, they cannot cover everything and aren't usually as innovative and agile as smaller biotech firms.

Both are in a unique position to help each other out. Especially as 'going it alone' is becoming harder.

This isn't to say that partnerships between biotech and big pharma are a recent occurrence – though in previous years this was more about mergers and acquisitions.

What is changing is the scale and type of partnership, which can include patent licensing, equity acquisition, non-equity alliances, joint ventures, research and discovery collaborations, development, and commercialisation. Today, partnerships are more likely to encompass strategic and collaborative approaches that spread out risk and better distribute potential rewards.

¹ <https://www.jbs.cam.ac.uk/insight/2020/biotech-vs-big-pharma/>

All right stop, collaborate, and listen

It is important to note that not every partnership succeeds. This can be for multiple reasons. A product can fail. The market changes. A competitor simply gets there first. Or, more often than not, it's that goals and interests change, there is poor communication, different cultures that clash, unclear roles, and a host of other interpersonal issues.

But there are ways of mitigating them and building a partnership that focuses on maximising efficiency, cooperation, and performance. The path to a successful partnership includes seven clear steps:

1. Consider the risks (don't just focus on benefits)

- a. What are the implementation challenges?
- b. Could there be resource issues?
- c. What if there is a conflict of interest with your partner?
- d. If something goes wrong, what are the reputational impacts?

2. Determine the scope of your partnership

- a. What will be the overall partnership structure?
- b. Who is in charge?
- c. Who does what – roles and responsibilities?
- d. How will it impact your taxes and how will the partnership affect regulations?

3. Put together a detailed partnership agreement

- a. This is where you can set clear business boundaries, clarify how risk sharing and profit-sharing will function, and define other legal protections
- b. What happens if leadership changes?
- c. How do you resolve disputes?

4. Audit your technologies and competencies

- a. Is everything compatible, and if not, what will it take to make it so?
- b. What skill sets need updating and where must training occur?

5. Consider the length of time of the partnership and what you want to achieve in that time

- a. Develop a vision of the relationship over 2, 5, 10, or more years
- b. Within that, set up an exit strategy that is beneficial for both parties

6. Put together a exit strategy

- a. If the partnership ends, how will resources be divided, and clients served?
- b. What compensation should be given to employees, etc?

7. Conduct regular and purposeful business assessments by defining milestones that can be measured reliably as stop-and-go decision points

- a. What's working and what isn't (by analysing your key performance indicators)?
- b. Where can things be improved and/or optimised?
- c. What elements of the partnership need attention?

It can be a daunting task but setting up a successful partnership requires extensive effort. If you're not sure it's something you can do internally, KPMG can help at every stage by supporting your leadership and governance board, helping you set up the deal, and aiding you in developing an appropriate growth strategy.

Start something that matters

The world is changing. We're more connected, more socially and environmentally aware, and we understand the need to provide healthcare for all. Biotech and big pharma are significant actors in this drama, and both have the most to gain.

Together, they can help everyone accomplish it faster and better while building a competitive advantage and developing innovative – and profitable – solutions for complex problems.

For the benefit of everyone.

How KPMG can help

Looking for assistance in setting up your partnership? Click on a link below to start your partnership journey.

Contract Compliance: <https://home.kpmg/xx/en/home/services/advisory/risk-consulting/internal-audit-risk/contract-compliance-service.html>

Accounting: <https://home.kpmg/xx/en/home/services/advisory/risk-consulting/accounting-advisory-services.html>

Contact us today to discuss how we can help you for your next partnership.

KPMG UK: [Life Sciences - KPMG United Kingdom \(home.kpmg\)](#)

KPMG France: [Santé & Sciences de la vie - KPMG France \(home.kpmg\)](#) & [Cédric Adens - KPMG France \(home.kpmg\)](#)

KPMG Germany: [Life Sciences & Chemie - KPMG Deutschland \(home.kpmg\)](#) & [Biotechnologie-Branche - KPMG Deutschland \(home.kpmg\)](#)

KPMG Switzerland: [Life Sciences - KPMG Schweiz \(home.kpmg\)](#)

KPMG Netherlands: [Life Sciences - KPMG Netherlands \(home.kpmg\)](#) & [Ruben Rog, partner Accounting Advisory Services - KPMG Nederland \(home.kpmg\)](#)

KPMG Belgium: [Life Sciences - KPMG Belgium \(home.kpmg\)](#)

KPMG Ireland: [Life Sciences - Pharmaceutical & Medical Devices - KPMG Ireland \(home.kpmg\)](#)

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