Manufacturing Trends

The Formula for Fast and Sustainable Growth in Life Sciences

Bart Reitter - September 29, 2020

The analysts agree — it's a good time to be a life science startup. Life science companies have delivered tremendous innovation and seen tremendous growth in recent years — in gene and cell therapy, genetic engineering, immunotherapy and precision medicine. Many organizations have transitioned rapidly from small startups to large industry players with the aim of introducing revolutionary and often life-saving technology to the world.

Aspirations of helping people achieve a greater quality of life are quickly brought down to earth when these firms realize that they need more resources, more efficient facilities and more capital. As many life science companies have realized, scalability without sustainability doesn't lend itself to longevity in the industry.

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Find Funding and Outside Investments for Life Science Startups

Funding has always been a challenge for life science startups. Each type of funding has a variety of dependencies and the mix can vary from one organization to the next, depending on the level of concessions they're willing to make. Life science startups have traditionally relied on grants for the initial phase of funding. Grants are given to small or medium-sized companies with no requirement for payback and no surrender of control. The drawback to grants is that they're time-consuming and difficult to secure.

Life science organizations looking to grow quickly often look to outside investment, through angel investors or venture capital (VC) firms. Angel investments are usually investments from wealthy individuals, and like grants, don't require the organization to pay anything back. Instead, the transactions rely on an exchange of funding for equity. Organizations looking to use angel investment for rapid growth must contend with the ensuing loss of control since these angel investors now own a stake in the business.

With VC, like angel investment, there's an exchange of equity for capital, but these businesses offer significant expertise and guidance not provided by angel investors. Capital is infused at various stages of the organization's growth. VC investment has been extensive within life sciences since 2013, with a deal count well into the hundreds in 2019. Unfortunately, with the disruptions in 2020, VC deals have decreased by roughly 16 percent, making funding more of a challenge.

Scale and Grow Business with Acquisitions and Strategic Alliances

Organizations looking to grow quickly often turn to **acquisition and strategic alliances** to offset shortcomings in innovation, facilities and manufacturing capabilities. For organizations looking to grow rapidly, acquisition has become very attractive. Life science companies looking for complementary products or entrance into new markets explore mergers and acquisitions to expand their presence. The life science industry has also experienced an uptick in strategic alliances to help with rapid scalability without the requirement for serious investment. These strategic alliances allow both organizations to benefit from the relationship, making it a viable scenario for many growing businesses.

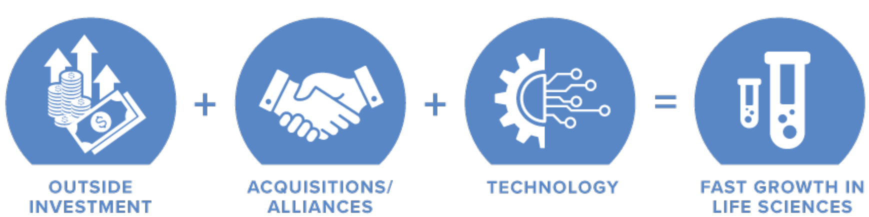
Technology Improves Efficiency, Accuracy and Smart Decision Making

Technology can also promote rapid growth. Technology has allowed many organizations to operate at a global scale regardless of size. The cloud has given organizations the ability to share real-time data, enabling better decision making. Cloud computing has helped leaders collaborate across the various strategic alliances in play. Technology allows organizations to rapidly integrate acquisitions, sharing data and strengthening the competitive advantage achieved by the acquisition. Emerging technologies such as AI, machine learning, and robotic process automation have given organizations the ability to drive change throughout each stage of manufacturing and the supply chain.

Build a Strong Foundation with Efficient and Scalable Operations

Not every life science organization has found the gold at the end of the rainbow. Growing too quickly has plagued many life science businesses with operational inefficiency and an inability to sustain current business operations. Often the desire to grow muddles an organization's view of all the required moving parts that must change. This lack of vision leads to operational inefficiencies such as insufficient training, an inability to manufacture or deliver efficiently and poor customer service. Organizations often find that their existing processes are inadequate to meet the current trajectory, leading to inadequate control of budgeting, supply chain, manufacturing, inventory, marketing and sales.

The Formula for Fast and Sustainable Growth



With this formula in mind, life science organizations can avoid the many risks of rapid growth. Continued vigilance and planning is a must. Organizations must look beyond their present successes and focus on the ability to sustain growth without damaging the existing organization or its customers.

TAGS budgeting business capital business resources cloud computing efficient facilities investment life science companies life sciences manufacturing Real-time data scalability supply chain sustainability venture capital

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