

Outsourcing? When Both Sides Of The Table Are Investor-Backed, Everything Changes

By Kishore Hotha, Ph.D., MBA, president, Dr. Hotha's Life Sciences LLC

Walk into almost any outsourcing negotiation in drug development today and you will see the same structure repeated.

A venture-backed biotech sponsor, operating against a financing timeline and a board that expects milestone delivery, sits across from a CDMO or CRO that is itself owned by private equity — working underutilization targets and valuation expectations of its own.

Both organizations have boards. Both have capital constraints. Both are managing leadership teams under pressure to hit numbers that determine what happens next.

And in most cases, neither side acknowledges this out loud.

The outsourcing industry has not fully reckoned with what this convergence means — operationally, culturally, and structurally. The old mental model assumed asymmetry: a resource-constrained emerging biotech leaning on the stability of an established, independently operated service provider. That model no longer reflects reality.

Today, a significant portion of major CROs and CDMOs in the U.S. operates under private equity or institutional ownership. The provider landscape — once dominated by founder-led firms or long-standing public companies — has been reshaped by investor capital seeking predictable returns from sustained outsourcing demand.

This means the pharmaceutical outsourcing relationship is increasingly not sponsor versus provider. It is two investor-backed organizations navigating parallel pressures — with a shared program sitting in the middle.

That shift matters.

What Investor Ownership Changes Inside A CDMO Or CRO

Private equity ownership introduces explicit performance frameworks: revenue per slot, utilization rates, on-time delivery, EBITDA trajectory, client retention. These aren't just metrics; they are drivers of valuation.

Business development teams are incentivized to secure work and fill capacity. Operations teams are tasked with executing commitments that may have been scoped aggressively to win the deal. Leadership balances investor expectations for growth against client expectations for flawless delivery.

This tension shows up in predictable ways:

- Optimistic timelines at proposal stage
- Bandwidth constraints emerging mid-program
- Communication that frames risk cautiously rather than surfacing it early

None of this is malicious. It is structural.

Consider a common scenario: a CDMO enters the final years of an investment hold period. Capacity is largely committed, but new revenue is still required to support valuation targets. A new biotech program is onboarded with a timeline that assumes ideal resource availability. Three months in, experienced staff are stretched across multiple late-stage projects. Prioritization decisions begin quietly. The sponsor experiences unexpected slippage. Internally, the CDMO team is navigating constraints that were entirely predictable given investor pressure.

This is not poor intent. It is misaligned transparency.

The Biotech Sponsor Faces The Same Clock

Now look at the other side. A venture-backed biotech is not simply managing science. It is managing narrative — to its board, to existing investors, to future investors. Every CMC milestone carries capital consequences.



If an IND slips, the next financing round may shift. If a technical package weakens, partnering discussions change. If external execution falters, the internal story absorbs the damage.

When a CDMO underperforms, the biotech sponsor carries the downstream impact across its entire trajectory. That pressure shapes scope decisions, budget negotiations, and sometimes risk tolerance.

Two organizations. Parallel pressures. A shared program in the middle.

Yet the working relationship is still often structured as if one side is capital-stable and the other is capital-fragile. That fiction is no longer useful.

What A Fit-For-Purpose Partnership Looks Like

If both parties are investor-backed, partnership design has to evolve.

On the CDMO and CRO side, investor ownership should not be treated as a hidden variable. Sponsors deserve clarity about realistic utilization levels, resource allocation frameworks, and where their program sits in internal priority structures.

Transparency is not weakness. It is maturity.

The providers that build durable client loyalty in this environment are those that escalate risk early, speak in terms of milestone impact rather than task completion, and align communication style with the governance expectations their clients face internally. A biotech executive reporting to a board understands structured risk discussion. A CDMO that mirrors that discipline earns trust.

On the biotech sponsor side, the obligation runs the other direction. Treating the service provider as an execution arm to be managed at distance misses the structural reality. When biotech leadership shares milestone context openly — explaining financing timing, partnership inflection points, or board-level expectations — the CDMO team can prioritize intelligently.

When a provider understands that a deliverable directly influences a Series C raise or a strategic transaction, internal decisions shift.

Accountability improves when stakes are visible.

The Governance Layer No One Discusses

There is another layer most partnerships ignore: governance synchronization.

A PE-backed CDMO approaching exit may optimize EBITDA differently than one early in an investment cycle. A biotech between financing rounds may reduce scope to preserve capital, affecting technical robustness.

Neither dynamic is inherently wrong. But if they remain unspoken, they surface later as operational friction.

The partnerships that perform best are those where executive leadership on both sides builds enough trust to acknowledge structural pressure before it becomes execution risk.

This Is Not A Problem. It Is A Reality.

The convergence of investor ownership across the outsourcing relationship is not a flaw in the system. It is the system.

The organizations that thrive are not pretending the old asymmetry still applies. They recognize the shared condition. They design communication and governance around it. They treat capital structure as part of program strategy rather than background noise.

Both sides are under pressure, are accountable upward, and are running clocks.

Both clocks are running. The partnerships that succeed are the ones that say so.

About The Author:

Kishore Hotha, Ph.D., is the president of Dr. Hotha's Life Sciences LLC, a global consulting firm. He is an accomplished scientific and business leader in the pharmaceutical biotech and CDMO sectors, spanning drug development from early-stage research to commercialization. He has made significant contributions to numerous IND, NDA, and ANDA submissions for drug substances and products across small and large molecules, including ADCs, oligonucleotides, and peptides, through commercialization. Hotha holds a Ph.D. from JNT University and an MBA from SNHU. Previously to his current role, he served as the global VP at Veronova and global director at Johnson Matthey, with pivotal roles at Lupin and Dr. Reddy's. He has contributed to over 80 publications and serves on various editorial boards.

