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NIH Center for Accelerated Innovations at Cleveland Clinic

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I-Corps @ Ohio Key Partnerships

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Key Partnerships – Key Messages

- Understanding why should you partner, finding your benefit
- Understanding type of partnerships, and which one is right for you
- Managing partners risks

Why Should You Seek Partners?

- Building a business is not a silo-process.
  - There are dependencies to access **Key Resources** and **Key Activities**, that might not be readily available to your current business.

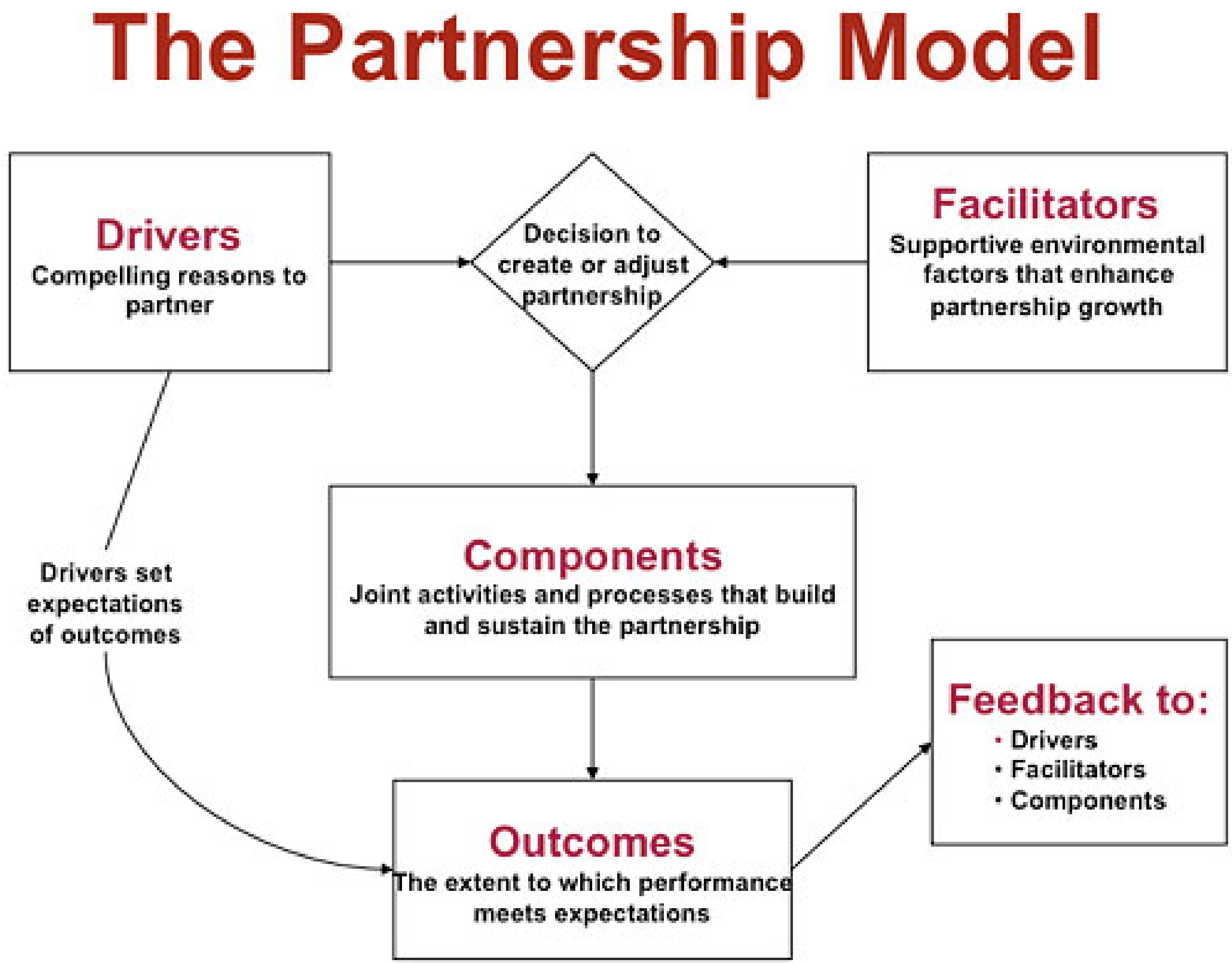
- Goal is to:
  - Improve business competitive advantage, and/or
  - Reduce cost when acquiring commodities or service.

- It needs to make sense to both parties:
  - Economic (e.g. supplier-type relationship)
  - Strategic (e.g. access to customers)
  - Know-how (e.g. unique technology)
  - "1+1 = 3" (e.g. joint venture, co-development, etc…)

Reasons for Seeking Partnerships

- Economies of Scale
  - e.g. Contract R&D or contract manufacturing with capacity for sale
- Money and Resources:
  - e.g. Co-development with a large company, or Joint Ventures
- Access to Customers
  - e.g. Distributors in a particular region (European distribution)
- Access to Marketing/Brand
  - e.g. Private labeling for a large company, OEM manufacturing

Need + Context = Partnership

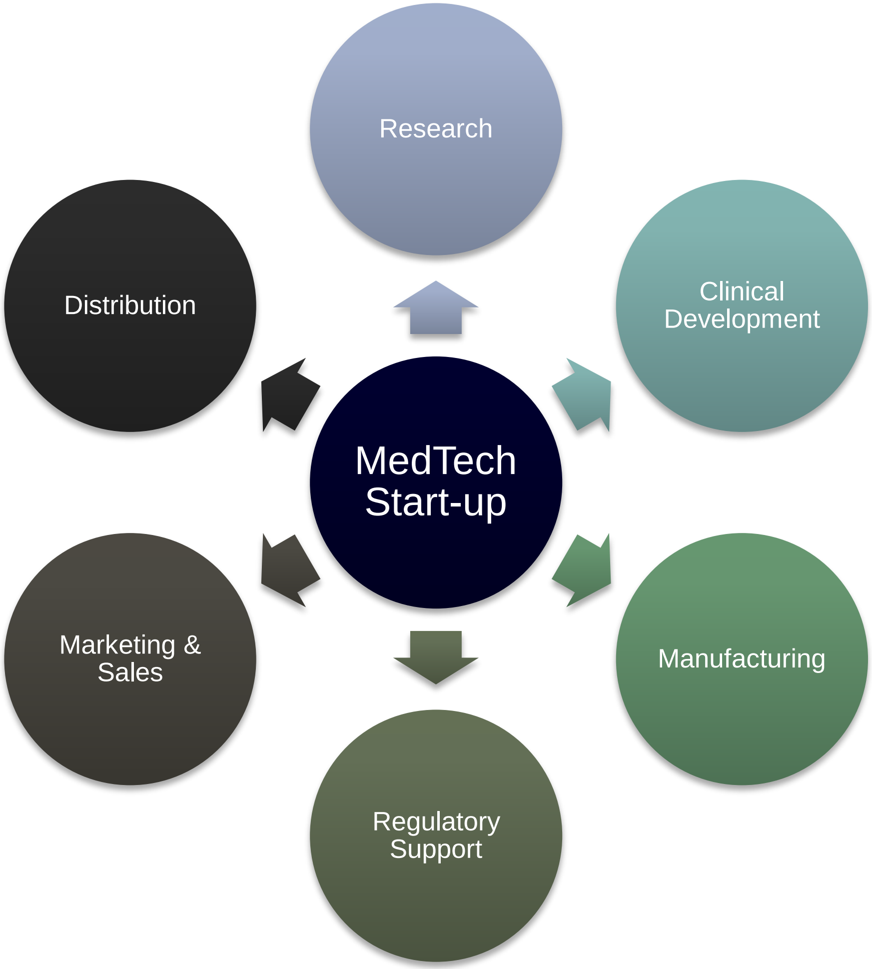


Some Drivers of Partnerships

- Opens up opportunities, a key factor for success - **COMPETITIVENESS**
- Gives credibility and greater visibility - **MARKETING**
- Key to scalability & faster time to market - **COMPETITIVENESS**
- Broader product offering - **COMPETITIVENESS**
- More efficient use of capital & streamline operations - **EFFICIENCIES**
- Unique customer knowledge or expertise - **DISTRIBUTION**
- Access to new markets – **DISTRIBUTION**

IDENTIFY YOUR NEED (DRIVER) WITH YOUR CURRENT CONTEXT (FACILITATOR) AND SEEK THE RIGHT PARTNER

Partnership – Lifeline for Medical Start-Ups



What Defines a Partner?

vs.

“WIIFM” Partnerships

- One-way street relationships
- One exerting leverage over the other.
- Typical WIIFM relationships:
  - Key component supplier
  - Regulatory relationship
  - Consultant and contractors
- Important for the company to own all IP coming out of the relationship.
- Typically, there is a low switching or termination costs.

Partnership based on Reciprocity

- Two-way relationship with shared economics, think “WIIFT” first
- Committed to mutual success and failure
- Typical Reciprocity Partnership:
    - Co-development (each party bringing value to the table)
    - Joint Venture (One brings IP, the other manufacturing or R&D)
    - Comparative Advantages relationships to reduce costs.
- IP could be shared between entities.
- Common and shared vision is necessary.

Establishing a Partnership

- Understand the value (core competency) each party brings to the table
- Plan adequately for positive and negative scenarios
- Consider short-term, medium-term, and long-term achievements
- Establish rules, expectations & performance standards for transparency
- Invest time & allocate adequate resources
- Plan for contingencies

Structure of a Partnership

- Use partners to build the "Whole Product" (i.e. complete solution)
- Transactional, Operational or Strategic?
  - Strategic Alliance
  - Joint R&D or Business development
  - Licenses
  - Coopetition
  - Key Suppliers – Outsource services
  - Equity Investment – Need to understand WIIFM vs. WIIFT
- Don't think about Partnership as an add-on, but rather a strategic transaction to improve your business position, either with new knowledge or expertise

Managing Risk in a Partnership

- "Impedance Mismatch":
  - Startup ($) vs. Strategics ($$$$) ➔ Who is controlling the conversation about partnership, typically "Who has the gold, makes the rules"
- Mismatch in priority and execution timeline:
  - Startup is nimble and fast driven by minimizing burn-rate and maximizing value
  - Partner could be large, with longer timeline, and different stakeholder to make decisions.
- No clear ownership of customer
- Who owns the vision

Managing Risk in a Strategic Partnership

- Don’t confuse big name company interested in your Startup vs. a liquidity event ➔ Long-term partnerships to avoid acquisition.

- Equity Investment – Risk Management:
  - Who is the sponsor?
  - What is the motivation?
  - Is this a partnership deal to avoid an acquisition cost?
  - Is this partnership driven by business motivation or core competency complementarity?
  - Do you want an investment deal or a sales deal?

Final Thoughts – Successful Relationship

- Shared vision, Right people, Clear plan
- Established performance standards within a certain timeframe
- Get out of the building to find these partners
- Find the partners that give an unfair advantage over the competition
- Remain positive, your partners can be a potential acquirer
- Partnership could be strategic to your business and they are definitely integral to your commercialization plan.

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