Resilience in a Biotech Downturn

by Mark Thomas - Managing Director FGK UK

Between the years 2022 and 2025, the biotech, pharmaceutical, and medical device sectors experienced one of the most prolonged and challenging operating environments in life science industry since the global financial crisis of 2008. A sustained contraction in venture funding, a near-closure of the biotech IPO market, and heightened investor risk aversion especially for startups forced sponsors to reassess drug and device development priorities and fundamentally altered how clinical research programmes were funded, planned, and executed.

These pressures exposed clear differences in how clinical research organisations (CROs) were structured and managed. While many smaller CROs struggled to remain viable and several large global providers undertook significant downsizing to protect margins, a subset of mid-sized, privately owned CROs demonstrated notable resilience during these last years. These organisations maintained profitability, delivery continuity, and client confidence throughout a prolonged market contraction.

This paper examines the structural causes of the biotech downturn, its implications for clinical development and the CRO market, and the characteristics that differentiated resilient organisations within the life science industry. FGK Clinical Research is presented as a case study illustrating how long-term decision-making, staff continuity, and a policy of disciplined operating models translated into sustained performance during a period of exceptional stress in the health market.

The Biotech Downturn: Causes and Context

From Peak to Pressure: The Venture Capital Drought in Biotech

The downturn that began in 2022 was driven primarily by a sharp contraction in capital availability – which followed the high availability of financial resources during the years of the COVID pandemic – rather than by short-term operational weakness within the biotech sector. Rising interest rates, persistent inflationary pressures, and macroeconomic uncertainty led investors to retreat from innovations with high-risk and long-horizon assets. Biotech companies with a drug development pipeline, many of which are pre-revenue and dependent on external financing to fund clinical development, were disproportionately affected.

Venture capital funding declined sharply from its 2021 peak and remained depressed through the years 2023, 2024, and into 2025. At the same time, the biotech IPO market effectively closed, removing a critical pathway to late-stage capital for health innovations. Although public equity markets showed intermittent signs of recovery, this did not translate into improved funding conditions for private and clinical-stage companies. Investors shifted capital to de-risked, late-stage assets, making it even more challenging than before for clinical stage companies to secure funding for early clinical phases (Figure 1).

As a result, sponsors entered a prolonged period of years of capital preservation. Development strategies were reassessed, pipelines were rationalised, and fewer programmes were advanced in parallel. This venture capital and funding environment in general is widely described by industry analysts as the most sustained biotech financing downturn since 2008 (Figure 2).

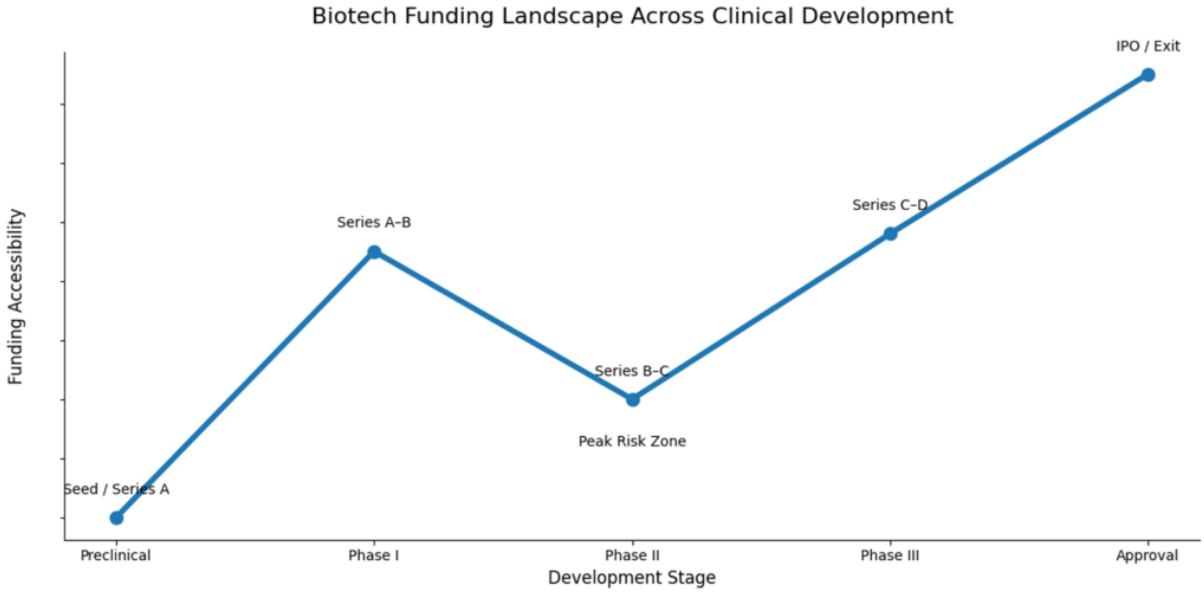

Figure 1: General scheme of funding rounds in biotechnology in correlation to clinical milestones: Capital availability generally follows a risk-adjusted trajectory that mirrors clinical success probabilities. Image created by FGK with help of AI

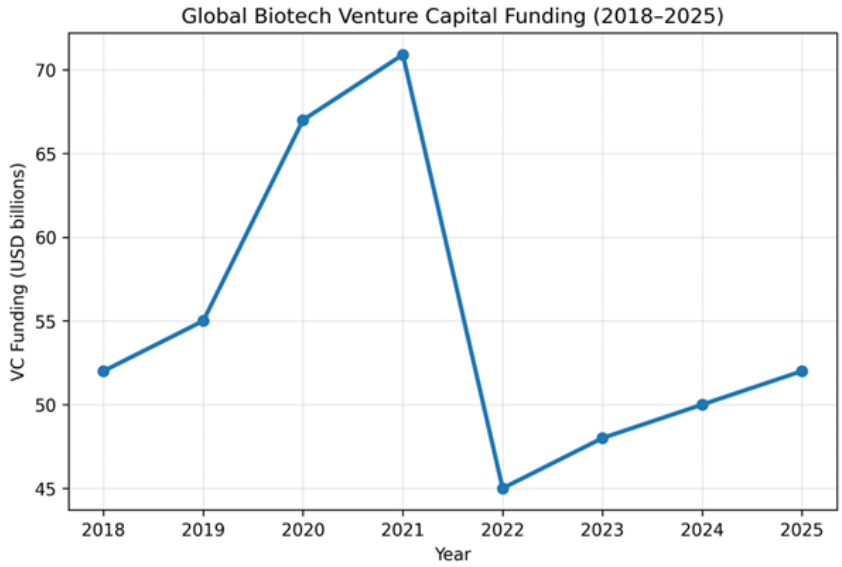

Figure 2. Global biotech venture funding, 2018–2025 (actual data). Image created by FGK with help of AI
Source: Publicly reported biotech venture funding data and industry analyses, including PitchBook, Precision for Medicine, EY, and BioPharma Dive.

Implications for Clinical Development

The contraction in funding during the last years did not halt clinical development, but it fundamentally changed its character. Sponsors became significantly more selective and risk-aware in how studies were initiated and outsourced.

Internal decision-making cycles lengthened, feasibility assumptions were scrutinised more closely, and tolerance for execution risk decreased markedly. Delays, inefficiencies, or loss of continuity could materially affect a company's ability to reach its next financing milestone.

The prolonged weakness of the biotech IPO market reinforced this behaviour (Figure 3). Even as select public markets stabilised, capital formation for clinical-stage companies remained constrained, resulting in delayed study starts, reduced trial volumes, and heightened pressure on development timelines.

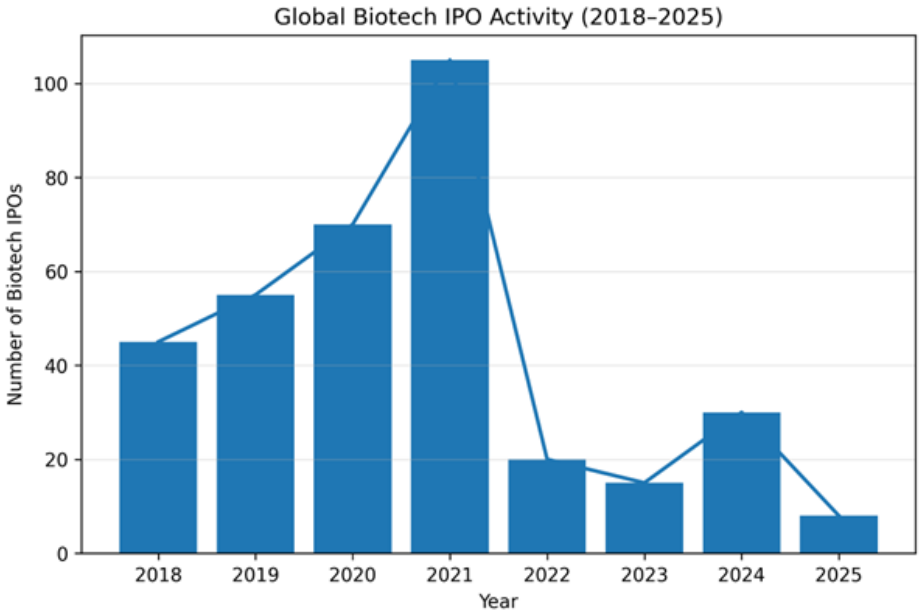

Figure 3. Annual biotech IPO counts, 2018–2025 (actual data). Image created by FGK with help of AI
Source: Compiled from published industry counts including BioSpace, BioPharma Dive, EY Global IPO reports, and Reuters.

How the Biotech Downturn Redefined the CRO Market

The Vulnerability of Global Giants vs. Small Providers

The sustained slowdown in sponsor activity placed significant strain on the CRO sector in the past years. Many organisations had expanded rapidly during the 2020–2021 upcycle, building cost structures aligned to peak demand. When funding conditions deteriorated, this operating leverage became a vulnerability.

Smaller CRO companies, often exposed to client concentration and cash-flow volatility, were particularly affected and especially in the years 2023-2025, a number exited the market

altogether. Larger global CROs were generally more resilient financially but responded through workforce reductions, hiring freezes, and internal reorganisations to protect margins.

These pressures led to a clear divergence of outcomes across the CRO sector, with some organisations downsizing or exiting while others maintained operational stability (Figure 4).

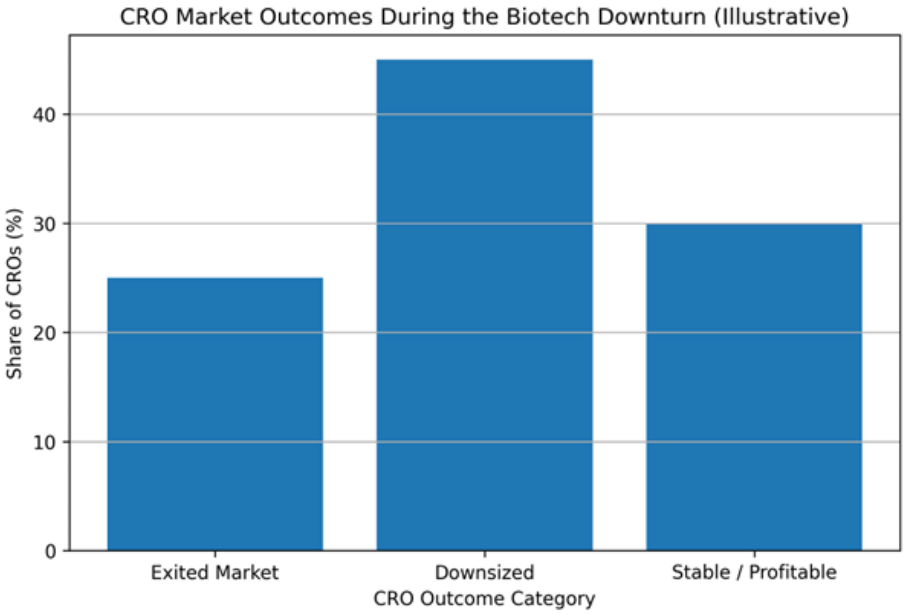

Figure 4. CRO market outcomes during the biotech downturn. Image created by FGK with help of AI
Source: Industry reporting and consulting analyses, including BCG, Reuters, and BioSpace.

The Rise of the Resilient Mid-Sized CRO

For sponsor companies, the most immediate impact of CRO restructuring was disruption to delivery continuity. Changes to project teams during or between studies resulted in loss of protocol-specific knowledge, increased onboarding requirements, and slower issue resolution.

At a time when sponsors were operating under constrained timelines and limited financial flexibility, this loss of continuity introduced unacceptable execution risk. As a result, continuity of people within a company, not just processes or systems, emerged as a key differentiator in CRO selection.

Key Differentiators of Sustainable Clinical Partnerships

Despite the challenging environment in the health market, a subset of CROs remained profitable and operationally stable throughout the downturn years. Examination of these organisations highlights several shared characteristics.

Ownership Structure and Long-Term Vision

Ownership structure played a meaningful role. Privately owned CROs, without external investors pushing short-term margin optimisation, were often better positioned to take a long-term view during years of uncertain project workload. This enabled them to avoid reactive cost-cutting, retain experienced staff during slower periods, and preserve delivery capability.

People over Process: Why Staff Continuity is the New Gold Standard

Staff retention emerged as a second critical factor. Low turnover supported stronger institutional knowledge, reduced handover risk, and more efficient execution. Over the years, continuity across studies enabled faster start-up, improved quality, and stronger sponsor relationships.

Finally, resilient CRO companies tended to operate disciplined, right-sized models. By aligning their hiring policy closely with deliverable work and avoiding over-expansion during peak periods, they reduced the need for disruptive restructuring when market conditions tightened.

Case Study: Navigating the Biotech Downturn with FGK Clinical Research

FGK Clinical Research provides a practical example of how these resilience factors translated into real-world performance during the public downturn.

Throughout the years 2022–2025, FGK remained profitable while continuing to support sponsors across a broad range of clinical development activities. This stability was achieved without large-scale restructuring and was underpinned by a deliberate focus on delivery quality, staff continuity, and long-term client partnerships.

FGK operates as a full-service clinical research organisation company, supporting sponsors across the full clinical development lifecycle, from early-stage studies through to late-phase and post-approval work. Services include clinical operations (study start-up, site management, and monitoring across Phase I–IV), integrated project management and governance, regulatory affairs across the UK, EU, and US, data management and biostatistics, pharmacovigilance and safety services, and medical writing.

A defining feature of FGK's delivery model is team continuity. FGK reported a staff turnover rate of 3.1% in the most recent year (internal HR data), enabling sponsors to work with stable teams that retain deep familiarity with sponsor organisations, protocols, and site networks. This continuity has supported efficient transitions between studies and contributed to a high level of repeat business for the company.

In an environment where execution risk could materially affect company viability, this predictability proved a decisive advantage for sponsors.

Future-Proofing: Choosing a CRO for the Next Cycle

Although market conditions have shown signs of stabilisation, sponsor behaviour has shifted in lasting ways.

The shift from 2021's capital abundance to 2024's efficiency-driven market has made 'Operational Resilience' the primary KPI for Biotech C-Levels.

Clinical development strategies are now more risk-aware, and CRO selection is increasingly viewed as a strategic risk-management decision rather than a purely transactional one.

Sponsors are likely to prioritise partners that can demonstrate resilience across market cycles, stable delivery teams, a policy of transparent operational planning, and financial discipline aligned with long-term programme success.

Endnotes

1. PitchBook (2024). *Global biotech venture funding trends*.
2. EY (2024). *Biotechnology IPO trends and capital markets update*.
3. BioSpace (2025). *Biotech IPO activity remains subdued as funding pressures persist*.
4. BioPharma Dive (2024). *Biotech winter extends into a third year*.
5. Boston Consulting Group (2023). *Resilience and restructuring in the CRO market*.
6. Reuters (2024). *Funding constraints reshape clinical development strategies*.

About the Author:

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Mark is the founder and Managing Director of Clinicology Ltd, a specialized Contract Research Organization (CRO) based in Guildford, UK, which was acquired by FGK Clinical Research in 2024. Before founding Clinicology, he was founding director and board member of a medium sized global CRO. Mark has over 30 years of experience in managing pharmaceutical and medical device studies.