



Life Science Leaders

The newsletter for executives in Biotechnology and the Life Sciences

February 2005

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The Tango in Quotes

“Steering a company from early birth through adolescence, to adulthood and maturity requires a range of skills, many more than are in the possession of any one person.”

*Nature Biotechnology
June 2001*

“A bioentrepreneur may have to play many roles, becoming ‘cheerleader’, ‘coach’, ‘devil’s advocate’, and ‘lawyer,’ in order to create a cohesive team.”

*Rochelle Young Professor of
Management Engineering,
University of Colorado*

*“The world is given to those
whom the world can trust.”*

*Walter Bagehot (1826-1877)
English Economist and Journalist*

The Science/Business Tango, Part II

Following Cynthia Robbins-Roth’s advice from the last issue about listening to the venture capital community, we continue south in this edition to Sand Hill Road, to speak with one of the founding funders of biotechnology, Sam Colella.

I have always known Sam as a highly visible and respected venture capitalist and leader in life sciences investing.

By the time he cofounded Versant Ventures in 1999, Sam had more than seventeen years of experience with Institutional Venture Partners, and ran one of the first life science-focused groups in the venture community.

An engineering undergrad and Stanford MBA, Sam was in industry for twenty years, some as president of a New York Stock Exchange company. By the time he got into banking, Sam had significant hands-on experience in technology and business.

Over the years, Sam seems to have stayed consistently positive and excited about this industry. He has helped found and grow many of the most successful life science companies, as well as inspiring and encouraging many others. If anyone is an enthusiastic partner who understands the business side of this dance, it’s Sam.

*Mari Paul
Founder, Life Science Leaders*

Executive Interview: Samuel D. Colella Managing Director Versant Ventures

MP: As a headhunter, I often see resistance to relinquishing the top role. Why is it that the early-stage leaders can’t stay?

SC: I seldom run into resistance, because I make it a point at the start of the company to determine the founders’ commitment to success. I tell them that we may find a time in the development of the company, when we will need a more commercially-oriented CEO or a more experienced executive. I want to make sure that if the company needs to make a change, I won’t meet resistance.

MP: What are your observations and advice regarding getting and keeping optimal management in growing and changing companies?

SC: I don’t think we hire bad management, but it does not always work as originally intended. The failures occur when management doesn’t operate as a cohesive team. Early stage, technology-based companies develop a language and a group chemistry that’s unique to the organization. When I see failure, it generally is because a manager is not fitting with the group dynamics, language and chemistry. Most of these companies are not rich in financial assets; their only assets are their knowledge, talent and passion, so the management team has to fit

together, work well and carefully leverage its talents.

MP: Could you describe a typical management transition for an early stage biotech company?

SC: Founders are typically technology-oriented entrepreneurs. Startups generally do not have enough business issues to keep a commercial person occupied at the outset, particularly

in the life sciences. I remember hiring John Groom, a commercial y-oriented executive, during the early days of Athena Neuroscienc

es. He was going nuts with the pace of innovation, so he changed the company strategy and in-licensed a number of products. This fit his capabilities and his ambition better.

We look at management as the company reaches certain milestones. Certainly, when the company has assets that they could partner or sell, you've got to determine if the team is capable of succeeding in these endeavors. After the research phase, you need to determine whether the team is strong in development, marketing, operations, etc. I believe this is a never-ending cycle as companies progress and grow. We must continually make sure that the manpower is appropriate for the tasks at hand.

MP: What indicators do you use to anticipate how much "run time" a founder has? Degrees?

SC: Degrees do not matter. I was asked to give a talk at the Kellogg Business School a few years ago at a leadership seminar. In preparation, I took a look at successful CEOs in Silicon Valley whom I knew and at their backgrounds. Not surprisingly, the single most important characteristic that stood out was that each of these successful executives had

been a successful leader in some enterprise. If a founder exhibits leadership skills at the outset, he or she has a good chance of evolving into a competent CEO.

MP: What do you consider the average vs. ideal tenure of a scientific founder as CEO?

SC: I have never really timed it. As one of my partners constantly says, "It is hard to precisely schedule innovation." The only effective measure is to continually evaluate performance v. plan v. critical milestones. Many scientific founders grow to be effective CEOs: Lou Lange, Dave Goeddel, Steve Foder, etc.

MP: Doesn't that hold them to a tough hurdle? Most of the business plans I've seen are pretty optimistic.

SC: Business plans, by necessity, are optimistic. Can you imagine a venture capitalist funding a pessimistic business plan?! Good companies translate the business plan into an operating plan - I call it the roadmap to success. This is more short-term oriented and easier to evaluate in terms of progress against critical milestones. I constantly watch performance against that plan and try to recognize early indicators that might require a change in direction. Most failures are due to reacting too late.

MP: What, in your experience, are triggers for the need for new management or signals that time's up for the incumbent?

SC: As I said, you must watch performance v. plan very carefully. If they aren't hitting their goals, you want to know why. Some factors are unforeseen or beyond their control, so what you need to look for is anything related to incompetence or poor performance. This is the trigger to make a change.

MP: How do you tell your CEO that you need someone new? What is the healthiest way to carry this out?

SC: There is no easy way. I don't

believe it should come as a surprise to a CEO if he is failing. Boards of Directors owe CEOs constant feedback. They want it. They welcome it. They need it. So if you have done your job, it won't come as a surprise when you've got to have that heart-to-heart talk.

MP: Over the years, your talks and industry comments have had a recurring theme of encouragement to these companies. Is that a gift you are trying to give biotech?

SC: I'm not sure it's a gift, but it is a reflection of my optimism for the industry. I truly believe that health-care is in the early stage of its evolution.

No doubt, we are in a challenging and difficult field. Aside from the technology and business issues, we have to deal with the FDA, a conservative medical community and the vagaries of medicine. But we are in huge markets with fantastic opportunities. There are so many diseases that still don't have a cure. There is a bright future in this field.

Published quarterly by Life Science Leaders, a San Francisco executive search firm. Contact us at:

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MP: What insight would you give a company that's just starting out?

SC: One of the lessons I've learned is that you have to have patience - certainly in the life sciences. You are not going to see overnight successes. Companies that I was involved with starting in the early 1990s are just coming of age.

We are not in a sprint - we are in a marathon. You have to plan and spend realistically and expect that not everything works the first time. Unfortunately the cold, hard fact of our business is that it is blocking and tackling. You've got to stick to the basics. ❖