



Life Science Leaders

The newsletter for executives in Biotechnology and the Life Sciences

November 2004

Inside this Issue

- **Biotech Leadership: The Science/Business Tango**
- **Executive interview: Cynthia Robbins-Roth Founder, BioVenture Associates**
- **The Tango in Quotes**

The Tango in Quotes

“A new biotech firm needs to have its science and business bases covered right from the beginning.”

*Keith Brownlee
head of Ernst & Young’s
Life Science Practice, 1993*

“I like the first stages of a startup best. Those are the stages where there are many more ideas and challenges than employees.”

*Kent Bottles, MD
managing member
Proteomed Capital, LP*

The Science/Business Tango

I come from the business camp. From as far back as I can remember, my dad, an entrepreneur, instructed me to Take Business. Not realizing that he meant “learn typing and become a secretary”, I did Take Business....Seriously. And still do.

So forgive me if I emphasize that the purpose of all of our enterprising is to make a profit. I’m quoting the first sentence in the Frederick Taylor Introduction to Management 101. It’s business that we are doing; no matter what our job is.

Several years later...Mari enters, from left field, the biotech industry. My heretofore little world where the Balance Sheet was king was rocked by concepts that sounded heretical. Market and competitive research DIDN’T come first? And budgets were sometimes ignored? And the President/CEO hadn’t gone to a Harvard or Sloane MBA program, but chose instead a PhD/MD? Aaagh!

Yet what Biotechnology had to offer was something that many other companies have long since forgotten: They were here to harness the latest medical knowledge to help improve our lives. Many, ignoring the profit motive, heroically focused on the science. I’m sure we have all heard “going commercial” used to describe what academics and scientist call selling out to the enemy or going to the dark side.

So the new bottom line is really a question: Are Biotech companies applying science or running a

business? Should the top management have PhDs or MBAs? After many years of watching both good and bad on both sides, I don’t know anymore. The answer probably lies in between; a genderless tango between business and science that requires each side to sometimes choose a direction and drive forward or sometimes go backward and dip under the other’s leadership.

But more than one person in the driver’s seat is a recipe for disaster, so leadership in these companies often changes at different stages in their development. As each market for each technology plays a different tune, business and science must partner and change according to the music. The key they must have in common is that they both hear the same music.

As with almost any company, there is a clear formula for a biotech company’s development. To be successful, a biotech must efficiently and effectively manage four main growth stages:

1. Startup
2. Partnerships & trials
3. Submission & commercialization
4. Sales, manufacturing & beyond

Learning these formulas is like learning dance footprints from a sheet of paper. We do our best to make them automatic, because when the music starts, then timing is everything. Sometimes, top priority is executing good science. Sometimes, it is executing the business well. How do we choose what is important when? How do we tune in to the rhythm?

Executive Interview:

Cynthia Robbins-Roth

Founder BioVenture Associates

This quarter's executive interview is with Cynthia Robbins-Roth, who has followed the biotech industry from both a scientific and business perspective almost since the industry began.

To help add perspective and improve my "ear" for the Science Business Tango, my pilgrimage took me south to San Mateo to the world headquarters of BioVenture Associates. As Cynthia is from the science side, we were soon in a challenging discussion. Here is her perspective on the issue.

MP: Cynthia, where do you see the biggest leadership challenges to the early stage biotech company?

CRR: Overcoming "founderitis". The scientific founder is often not the best person to raise money for the company.

MP: Yes, but don't you need the scientist at first to set the science into the company in a way that it can survive outside of a lab?

CRR: I think so, but then you need to learn how to contain research to where it is cost effective. If you are starting to raise money, you need to be listening to what type of leader a potential investor would like to see. I have seen founders almost kill early stage companies by failing to do this.

MP: But we know that most companies start from the science.

CRR: Yes, and we have to know early enough when to bring in business leadership. I find that generally doesn't happen soon enough.

MP: I try to assess how much "run time" the founding CEO has. What is his/her appetite for raising money? Generally, when one becomes really efficient at raising money is about the time one realizes how much more money than expected it really takes. Therefore, the CEO's job, whether you're good or not good at it, is mostly out raising money. So a key question is 'How happy will s/he be away from the lab?'

CRR: They have to accept that there comes a point where they don't get to go to the lab anymore.

MP: I wonder if the scientists aren't "people oriented" enough.

CRR: I don't think that's it. I think that they need to get out into industry more, and most would like to, but I think science keeps them busy. Scientists will know each other by their research, though. I still am recognized for my research; and that was many years ago.

MP: As a headhunter, I try to listen to which they are most intrigued by, the science or the business proposition. Do they really want the technology to prove itself, or are they most concerned with the business model winning in the market? It seems like a scientific founder ultimately must choose whether s/he will be one or the other because the two jobs will eventually become too big for one person to do. Hopefully s/he will choose the first love.

CRR: They also are smart to listen to the VC community as well. The VC's often have ideas about who would be the best to lead the company, and have very

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good networks.

If investors aren't responding to company presentations, the scientific founder CEO could be part of the problem. But control is a hard thing to give up.

MP: I think that we are also conditioned to always "shoot for the top" – the CEO role – so we have a little bit of the Peter Principle at work as founders deter themselves from the job where they are really good, in order to take what is seen as the more important one.

So what is the best thing we can do?

CRR: I think you and I agree that we need to accept the fact that companies will be led in their early days by scientists, and that a transition to a business leader generally occurs. We need to learn more about how the business CEO and scientific founder/CSO can partner better.

MP: OK Cindy, that's what I'll try to do next issue. Thanks for all of your ideas.

"The pharmaceuticals industry CEO of the future must be someone who speaks the language of science, the language of operations, the language of finance, the language of marketing, the language of regulatory affairs, the language of government affairs, and so on. Future leaders will have come up through a particular function within the organization, but they also will have spent considerable time performing other business functions. That's the kind of experience you will need to get in order to be fluent in a range of areas."

Gary Paisano, Faculty Chair,
Leadership and Strategy in
Pharmaceuticals and Biotech
Harvard Business School