

THE LAST WORD

OF BUSINESS AND BREAKTHROUGHS

by John L. Sullivan, Jr.

We need brains, not businessmen." Executive search professionals often heard statements like this in the heady days of the late 1970s and early '80s, when scientist-entrepreneurs began launching their own biotechnology companies. If the scientists took care of the breakthroughs—the logic went—the business would take care of itself.

"Give us brainy business types," is what we hear today. The same scientists—and many who have entered the fray in the interim—are finding that elucidating the structure of a cross-licensing deal is no child's play.

What's happened? Young biotech companies are growing up. Business decisions are more complex. More is at stake. And many firms have grown to the point where they don't have to choose between taking care of business or breakthroughs.

Increasingly, biotech companies are turning to executive search firms to find professional managers who can help them convert cells into sales. They're looking for executives with ingenuity, experience in more than one function, and great track records. They want managers who can:

Raise cash. The investment community's rebuff of biotech stocks in the last two years has been well documented by the financial media. Today, the picture is a bit brighter. Start-up companies looking for venture capital are often able to find it. And the strongest, best-capitalized companies, like Cetus (Emeryville, CA), Amgen (Thousand Oaks, CA), Genzyme (Boston, MA), and Genetics Institute (Cambridge, MA)—those with the most obvious earning potential—are once again attracting investors' interest. Still, domestic equity markets remain virtually closed to most biotech companies. And that situation is unlikely to change. In the meantime, those firms need aggressive financial officers who can negotiate global capital markets, and who can take innovative approaches to raising cash. And they need decision-makers who can help build partnerships that work to their advantage.

Forge strategic alliances. With so little cash coming in, "recombinant" operations are the rule rather than the exception. Here again, biotech firms need executives who are comfortable operating in the global arena, since partnerships with Japanese and Western European organizations are increasingly common. When small firms are hammering out joint licensing agreements with Fortune 100 companies, "It takes a keen and experienced mind not to give away the store. A point that seems hardly worth notice today can kill you five years down the road," explains Susan Racca of the Industrial Biotechnology Association (Washington, DC). Understandably, many smaller firms are looking for managers who have been on the other side of the table—as top executives for the large pharmaceutical houses.

Create market-driven strategies. Biotech's scientist-entrepreneurs—being more comfortable in the lab than in the

executive suite—built businesses that are research oriented, rather than market driven. In today's environment, that has to change. There is a real need for strategic planners who have the marketing skills to help companies focus research on potential winners. Product goals need to be more precise. And companies need to buy time—to identify ways to generate short-term profits so they can survive the 10–12 years it takes to see a therapeutic product through clinical trials and regulatory mazes.

Build manufacturing capacity—or develop workable alternatives. Manufacturing is becoming a key issue. There are critical decisions to make every step of the way. Should you go the manufacturing route? If you do, how do you set up a successful facility? And how do you work out the financing? How can you find a partner whose interests blend well with your own? Biotech managers need a grasp of manufacturing issues, and the experience necessary to understand the full implications of each decision.

Develop human resources policies. There is a great deal of mobility at the top in biotech today. Companies need managers with human resources experience—to assemble and retain effective teams. They need to offer flexibility to the industry's bright, independent people—without compromising a company's ability to do business. Compensation policies should be state of the art. And since many top performers in the field are in their thirties, realistic child-care and parental-leave programs are also a must.

Provide leadership in law and ethics. The policies and practices surrounding regulatory issues and patent law are very much in flux. The animal patent issue, for example, is certainly still up in the air. Ethical questions loom large. How a company responds to this fast-changing situation hinges to a great extent on the maturity and vision of its leaders.

Strengthen public relations. The financial media have documented all too well American investors' retreat from biotech issues. They have even reported a trend toward renaming or repackaging businesses to obscure their roots in biotechnology. Ask securities analysts what biotech companies can do to restore investor confidence, and they'll answer without a moment's hesitation—make money. Until that happens, companies must continue to get the word out—in a manner that is both upbeat and credible—about their own long-term goals and prospects, as well as those of the biotech community as a whole.

These are the major challenges facing biotech companies in the next decade. Success depends upon breakthroughs in both science and management—and professionals of the highest caliber to carry them off.

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