

# Ten Years On—The European Perspective

Biotech company founders talk about what made their companies tick

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## 10 CELEBRATING A DECADE OF EXCELLENCE

Compared to the U.S., Europe has spawned relatively few independent biotechnology firms, although their relative success rate is high. Some of the European successes of the 1980s and early 1990s have been European affiliates of biotech firms of U.S. origin. EuroCetus (Amsterdam) and Amgen (Cambridge, U.K., and Lucerne) are examples of European organizations founded in the 1980s, both of which have grown to provide an integrated pan-European approach to clinical development, regulatory affairs, licensing, and sales/marketing functions.

In contrast to the trend in the U.S., it seems that European firms have a high degree of management continuity. In most cases in Europe, the founder still runs the company, having seen the organization through several phases of development. Of the dozen or so biotech company founders contacted for this article, only one was no longer with the original company.

Europe is well-known for its scientific credentials, less so for its ability to commercialize. The European biotech business successes of the 1980s appear to be those companies that have harnessed science and commerce in a highly focused way.

### Harnessing science and commerce

One example is Xenova (Slough, U.K.), founded by Louis Nisbet in 1986, with a strong venture capital backing that has supported the company through four financing rounds in five years. Would he have done anything differently? In Nisbet's words, "In setting up Xenova in 1986 there were three major questions: Was there an active venture capital market that would support such a company? Would skilled biologists, chemists, and commercial executives be prepared to leave secure jobs to join an entrepreneurial start-up?"

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Would the chemical creativity and diversity of microbes provide sufficient lead compounds to generate novel therapeutics?"

The answers have clearly been "yes." In six years Xenova has raised £35.9 million, its employees number 107, and it has identified 15 lead compounds.

In questioning the founders of some of the major European biotech firms founded in the early to mid-1980s, we found a consistency of response concerning the best way to get a biotech startup off the ground: First, ensure that you have a marketable product; second, hire the best talent and recruit from the top down; and finally, ensure that you have strong, well-spread funding. Below are a few examples of these ideas at work.

### Diverse business strategies

The year 1987 saw the establishment of EuroCetus, the fully integrated European operation of the then-Cetus Corporation (now Chiron) headed by Filippo La Monica, headquartered near Amsterdam. Six years later, the company employs 175 people, with marketing and sales subsidiaries in the major European countries, several marketed products, and state-of-the-art technology development and manufacturing facilities.

Looking back, La Monica explained, "It is obvious that for a project like EuroCetus, one needs adequate funding. But I believe it is the people who really create the competitive edge. In creating an entirely new organization, we have the unique opportunity to recruit very selectively, and staff from the management to the operational level." Thus far this strategy has paid off, with EuroCetus being held up in Europe as a role model for successful, stable organizational development.

Many diverse business strategies have been used in Europe. One well-recognized route has been to introduce a measure of self-finance by initiating projects in both diagnostics and therapeutic fields, with the sale of either diagnostics or research products generating early positive cash flow. Both British Biotechnology (Oxford, U.K.) and Innogenetics (Gent, Belgium) have used this approach.

Innogenetics' founder and CEO Hugo Van

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Heuverswijn illustrates the point. “Taking into account the financial limitations, Innogenetics was created (in 1988) as a research-based, business-driven company.” Success appears to have come from having close links with one of Europe’s major centers of molecular biology and from having a strategy that called for creating a broad portfolio of projects for licensing to larger pharmaceutical companies. Van Heuverswijn believes that he would change very little if he were attempting to start the company over again, except perhaps for tapping more heavily into U.S. capital.

### Funding, funding, and more funding

Funding issues were a source of hindsight for some European founders. Celltech (Slough, U.K.), certainly one of Europe’s earliest biotechnology ventures, has evolved through several stages of development to its current structure. Celltech’s found and former CEO, Gerard Fairtlough, comments, “What did my colleagues and I do right when we founded Celltech in 1980? We created a research-based business, closely linked to academic science, at a time when this was not a fashionable idea. The example of Celltech stimulated a lot of entrepreneurial biotechnology in Europe. What could we have done better? We could have attracted a leading investor who did not go into receivership!” (One of Celltech’s founding investors, British and Commonwealth, did just that—Ed.)

This theme is taken up by the founder of Agricultural Genetics Company (AGC, Cambridge, U.K.), Roger Gilmore. “AGC had its main fund-raising in 1984 with a mission to transfer promising plant biotechnology research programs into products. Now, with plants and microbial products in the marketplace and profits in sight, what would we do differently? We would probably approach our fund-raising requirements differently to obtain a wider spread of shareholders and to allow shareholder changes with time.”

### The people factor

As international headhunters specializing in the biotechnology field, we strongly believe that human resource considerations in building up a fledgling biotechnology concern are of paramount importance—simply put, biotechnology needs good people, and, as the majority of European biotechnology enterprises do succeed, biotechnology will continue to need more of them as we move toward the millennium.

In the words of Xenova’s Louis Nisbet, “It is a great privilege to be part of the biotechnology industry. In Europe, we have world-leading science and scientists with the innovative skills and entrepreneurial spirit to seed tens if not hundreds of companies. We have managers able to steer and develop young companies towards maturity, and we have sources of capital that could fuel this premier industry into the 21st century.”

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