

# OPINION /

## BIOTECH BACK TO BASICS

That the largest biotechnology companies did not dominate the Association of Biotechnology Companies' (ABC, Washington, DC) Fourth International Biotechnology Meeting may be one reason why participants had so much fun. Held in Toronto in May, the meeting was as invigorating as the springtime Canadian air. The attendees seemed still infused with the entrepreneurial spirit, excitement, and naïveté synonymous with the start-up of commercial biotechnology. The imposing presence of the first-generation corporate successes, whose agendas have changed with recognition by the public markets, wasn't missed.

ABC's membership is comprised primarily of second- and third-tier biotech companies and supporting groups—the suppliers and servicers that include contract research and testing laboratories, legal and accounting advisors, public-sector economic development offices, and university technology transfer functions. Included as well are a handful of the big players in biopharmaceuticals—Cetus, Chiron, and Genetics Institute—and divisions of some East Coast pharmaceutical giants. But the trade group's priorities revolve around the very different needs of small companies. These companies often cannot afford to stockpile in-house expertise in regulatory affairs, process scale-up, patents, and strategic planning. Their managers wear more hats, and don't travel the circuit as much. Thus, the desire to exchange information and pick up some nuts-and-bolts know-how was more acute here. The talk was straightforward. There was a lot of service-oriented networking.

These companies are competing in an arena off center-stage, where tight money is a given. The name of their game is scraping up sufficient cash to survive until the first products emerge and their names become more well-known to public investors.

Shearson Lehman Hutton's (New York) Frederick Frank, the architect of the Genentech-Hoffmann La-Roche conjugation, told the participants that, in his view, what will make financing available is commercial success. "Capital will flow from validation." Unlike the top-tier companies, however, many ABC members are single-technology and/or single-product companies, and so are perched even more delicately within the pharmaceutical realm. A successful alternative approach to treating a disease could end their existence, or at least their independence. And the suppliers and service companies are alarmed by what seems to be a contracting universe of clients.

This very paucity of available capital and sources of revenue may have contributed to the meeting's relaxed atmosphere. Intricacies in financing, managing more money, and addressing the needs of a large, often-public group of shareholders bring changes in resource and time allocation, as shown by the first-generation successes. When a company goes public, its CEO may spend up to 60 percent of the time managing that, and a steady 25 percent post-IPO dealing with shareholders in one form or another. But no investment bankers or securities analysts were found here, moving in and out of meeting rooms listening to CEOs pitch for big bucks. So it was not surprising that these executives were more easy-going. Their words were not being measured so precisely; they did not have to worry that their companies' stock would react to a carelessly turned phrase.

Management consultant Margaret Quinn observed during the meeting that "when we have money needs, we get scared," and people start to act in ways that are not good for their future. But while the audience heard over and over that cash concerns are most critical for the smaller companies, its collective enthusiasm was undiminished.

Successful companies seem world-weary by comparison. Have Wall Street, Capitol Hill, and the media taken some of the spirit out of the first generation of biotechnology? Or is it just a natural progression yet to be felt by the companies still in gestation? If so, the threat from the pharmaceutical companies, with time and cash on their side, merely awaits the success of this next group of entrants.

—Mark Ratner

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