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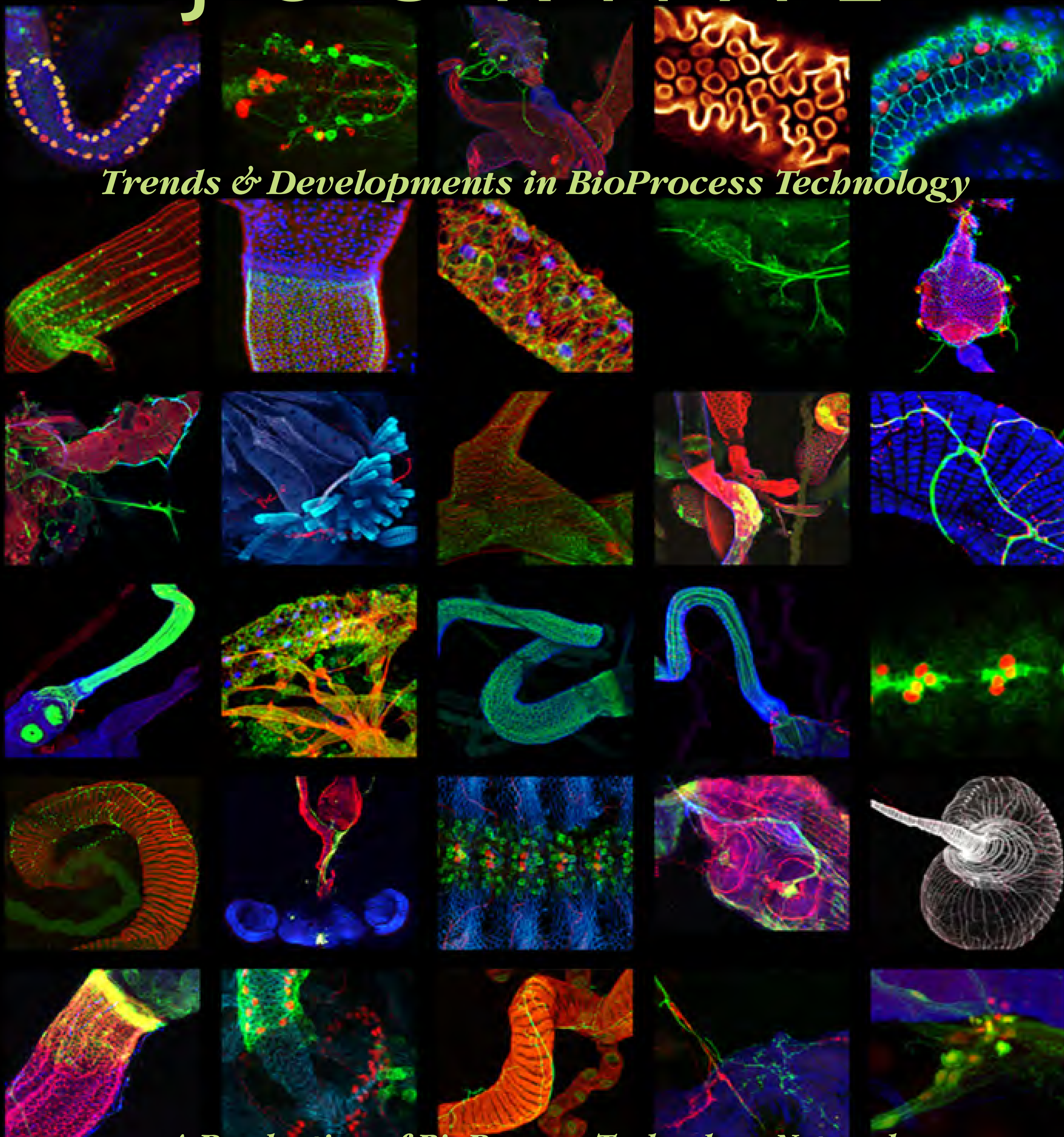
Trends & Developments in BioProcess Technology



A Production of BioProcess Technology Network

From the Editor-in-Chief

Consistent with our well-established format, this issue contains a very interesting collection of technical articles. However, we have stepped outside our normal content with a manuscript on the successful implementation of a "spin-out" company that was formed to develop a highly specialized technology. I'm hoping that this article by Dr. Charlotte Dyring will provide inspiration to others who have envisioned a similar business model, plus trace a roadmap for organizations which have discovered that mergers and acquisitions aren't giving them the products or sustainable growth they really need.

Clearly, mergers and acquisitions (M&A) have been the growth model of choice for much of the biopharmaceutical industry over the past decade, but I'm still convinced that this model has not been successful in most instances, and has really been quite destructive in many of its applications. Besides, this model has been driven by factors that have little or nothing to do with building a healthy biotech industry. In my opinion, the M&A model has been driven by an obsession with short-term improvements to corporate financial statements, management bonus incentives, and the self-indulgent promotion of the legal and investment-banking professions.

What's needed for a strong product pipeline, and therefore corporate value, is to nurture the people who are passionate about particular products or technologies, and who will serve as their champions. Products and technologies simply don't advance themselves, and without passionate champions, they typically die a slow and painful death. When they've been acquired through M&A, typically little or no thought has been given to this principle, and the vast majority of these assets have been allowed to fester on back-burners. In many cases, the champions who came with the acquisitions end up on the dole as the geniuses who cooked up these deals have termed them expendable, and part of the cost-cutting needed to pay for the deal. Clearly, these people don't know what they're doing, or at a minimum, they have no concept of what it takes to develop product and technology pipelines.

However, what can work is to spin-off these assets along with the champions who can make them succeed. The parent company can maintain a healthy ownership, if not a majority, plus keep valuable rights such as manufacturing and marketing for specified indications, markets, and follow-on products. This sounds amazingly similar to the dictum so often stuffed down the throats of entrepreneurs in which they are told "it's much better to own a small percentage of something rather than one-hundred percent of nothing."

So what will it take to get these M&A-obsessed organizations to adopt such "spin-off" models? Certainly, their legal and investment-banker advisors won't be leading the charge, and their institutional investors have been drinking the same Kool Aid that everyone else has about M&As. Then their smaller investors clearly have no influence and couldn't even affect a small change in the management structure at JPMorgan Chase.

Let's all hope that successful examples as the one depicted in our featured article will have some influence, and possibly some of the key decision-makers will actually read this article. Plus there are other great examples out there, such as the one that Human Genome Sciences likes to talk about at the annual BIO meeting. We'll continue to do all we can to promote this development model as one that makes total sense; and for those who see the reasoning, please share this article with others. The legal and investment banking professionals will continue to make their cut, but possibly management incentive structures can be changed to support this far more practical spin-off model.

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