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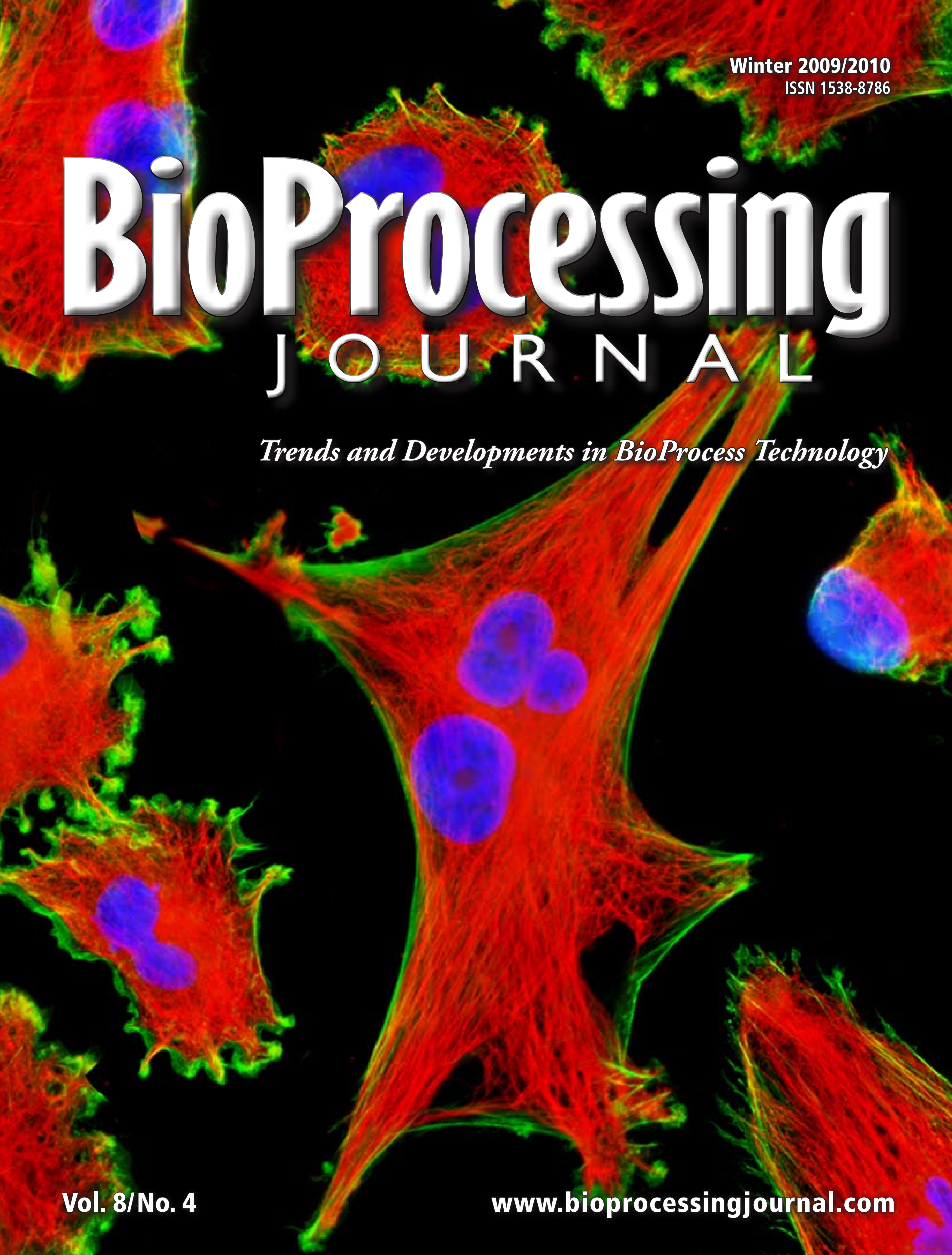

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From the Publisher

Mergers and acquisitions (M&As) continue at a dizzying pace even while so many organizations are just trying to hang on. Apparently some of the biggest firms still have excess money or access to cheap money, and they would rather spend it acquiring than building or solidifying what they have. But if they have so much money, why are they laying so many people off?

At a biotech business meeting I recently attended in DC, I kept hearing that "companies have a lot of money." But when I followed-up on this point with a panelist, I was told that much of this money could not be used for operations. Apparently because of the off-shore location, or other locations where it's hiding, it can only be used to buy stock. So as I tried my best to make sense of things, they appeared to be getting even crazier.

Then from another panel of financial experts, I asked why there had been so few initial public offerings (IPOs) while there have been so many M&As, and if the M&As were just easier. But the overwhelming panel opinion was that M&As were not necessarily easier or a better choice. The bottom line was that the investment banking community wasn't interested in doing IPOs. "But why?" I asked, and the most audible response was, "I don't trust anything the banks tell me," which left me unfulfilled. So I asked if the investment banks, which typically handle IPOs, were just too busy buying exotic investment instruments and swapping default credits. No one could dispute this assertion.

The only financial bright spot of the meeting was during a keynote presentation from Tom Watkins, president and CEO of Human Genome Sciences (HGS). He was questioned about a company that HGS had spun off, and whether he regretted not owning all of what turned out to be a very successful venture. Mr. Watkins responded that HGS wasn't able to "get to" the technology and products that were spun off, and that the team which left to run the new venture was passionate about making it a success. In addition, he said that HGS maintained a small but significant ownership position in the company and was able to benefit financially. So according to Watkins, the choice was either sitting on technology he wouldn't get to, or allowing passionate people to make it successful while HGS maintained an equity position.

I ran into Mr. Watkins later and encouraged him to convince other companies to do something similar. I said I firmly believed that the industry needed more companies and not fewer, and that passionate individuals emotionally involved in a technology would do more with it. And since more innovation and jobs come from smaller companies, big firms should be seeking other ways to grow and participate in what these small companies want to do. So please join Tom Watkins and me in urging our big industry players to start thinking outside the box. To make this industry vibrant again, they should be spinning out companies and participating in others without gobbling them up.

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