

## Hot Seat: Scientists as CEOs

**BUSINESS OF BIOTECH** • Bill Gates wannabes line up, but few stay long **By Malorye A. Branca**

**I**f Bill Gates can do it, why can't I?"

The same question that has launched a thousand IT startups has se-

duced no shortage of scientific talent intent on proving their smarts in the boardroom as well as at the bench. "The Internet bubble brought about a lot of interest from your average guy in the science department wanting to be an entrepreneur," says Thomas Dickerson of venture firm Tullis-Dickerson. "You had fairly well-publicized folks who got rich."

But scientists with visions of dollar signs should note that few of them hold on to the reins of power for long. "At a certain point, the venture capitalists expect you to get a different kind of CEO," says Stephen DeFalco, who last year replaced scientist and founder Eugene Chan as CEO at U.S. Genomics. "It's just a given."

Indeed, at most biotech startups, someone with "real" management experience is quickly brought in. Just as Chan neatly filled the role of entrepreneurial prodigy and poster child, DeFalco epitomizes "the CEO as salesman," in Dickerson's words — someone who can woo employees and collaborators and help the company grow.

That usually requires a bushel of hard-core business experience, which DeFalco has. He was president of PerkinElmer Instruments, where he oversaw multiple acquisitions and 2,400 employees. (PerkinElmer is so business-oriented that its executives boast about their Six Sigma process engineering even at scientific meetings.) Prior to that, he was at McKinsey & Co.

To many scientists, running a company quickly wears thin. "The business part was the least enjoyable and most boring aspect of my job at Celera," says former president J. Craig Venter. "Maybe that's why I was fired!"

But those skills are critical once the organization's size has ballooned beyond a tight-knit group of buddies who can dictate business strategy over beer and pizza.

At ParAllele BioScience, twenty-something-year-old co-founder Tom Willis recently stepped down as president and CEO, acknowledging that he hoped to learn from incoming president Nick Naclerio's "leadership on the commercial aspects" of the business. In 2002, Cellzome founder and CEO Charles Co-



hen was replaced by David Brown, an experienced former Roche, GlaxoWellcome, and Pfizer executive best known for his role in discovering Viagra.

Clearly this is where training and experience are vital requisites. Scientists are trained to interpret data as objectively as possible, whereas successful businesspeople are often required to make gigantic leaps of faith. "You take two measly data points and say, 'I bet there is a good market for this test that doesn't exist,'" Dickerson says.

But some scientist-CEOs maintain they do have advantages. Training in "critical analytical thinking," says Lexicon Genetics CEO and founder Arthur Sands, has been particularly useful. According to Venter, the majority of business is learned on the job.

For someone well versed in scientific concepts, "the rules of business are not that complicated to learn," Venter says. "The problem at Celera was that I was just the president, and not the CEO."

Those who have avoided the revolving door include Sands, Affymetrix's Stephen Fodor, deCODE's Kari Stefansson, Human Genome Science's Bill Haseltine, and Rosetta Inpharmatics' Stephen Friend (now a vice president at Merck, which acquired Rosetta). Not one of these scientists was hired with the kind of credentials venture capitalists seek in a "real" CEO.

Sands says the key is to remain "deeply passionate" about the technology while remaining detached from specific projects.

Team spirit, discipline, and being able to deal with "long periods of lack of sleep" are also desirable attributes. He also points to a strategic advantage in having a CEO with a scientific background. "What you witness without a scientific leader is an eventual retreat to an end-licensing of drugs, rather than inventing new drugs," Sands says.

Even with the odds against them, some scientists cannot shake the entrepreneurial bug. Genaissance's founder and former CEO Gualberto Ruano, for example, is now president of startup Genomas and currently operating out of his living room. Ruano was replaced at Genaissance last Au-

gust by Kevin Rakin, formerly the president and CFO. Rakin is also a founder, but with a business and finance background. "We had crossed the line from science [development] to business," Rakin says.

Ruano eventually resigned to pioneer "preventive personalized medicine." He says he is back in business because "this is what I'm good at — coming up with the ideas and making them happen." He is building "the science and technology into a very tight package" before seeking other investors.

Dickerson says he is seeing more first-time scientist-entrepreneurs too, and that's keeping the field vital. But DeFalco points out one important fact for them to remember: "Even Gates eventually stepped aside." ●