

Exclusive: What kills a Life Sciences start-up?

29 August 2016 | Features

Exclusive: What kills a Life Sciences start-up?



But often times those mistakes end up being costly and start-ups and organizations have paid heavy price all throughout history. Learning from mistakes and avoiding them the second time sounds wise.

But what if an entrepreneur can identify the tell-tale signs of the end-game earlier? Is it possible to resurrect a dying or a dead Life Sciences start-up? What'd it take to make a big comeback on the scene to slay newer and bigger dragons? BioSpectrum's Raj Gunashekar finds out.

Dying Signs

An unstable team is perceived as the first sign of a dying start-up which displays a teams' disbelief in their venture.

"Lack of skilled personnel in the core technology is another indication that a venture is in trouble. Apart from the aforesaid point, lack of market space for the developed product is a clear sign of a dying [start-up](#)," comments Dr Kavitha Sairam, Director, [FIB-SOL Life Technologies](#).

Pushing on outdated scientific concepts, working on old technology platforms, and difficulty in attracting funding or top talents are the symptoms of a dying start-up, says Mr Sam Santhosh, Chairman, [MedGenome](#).

Improper business plans and lack of innovations can also act as a root cause for a start-up's deathblow.

Mr Pawan Samdani, Director & Founder, [Eumentis Informatics](#), says, "I do not think the tell-tale signs of a dying Life Science start-up is any different from start-ups in other sectors. Bad quality of products or services, lacking funds and having an unbalanced team are major signs."

Clinical or regulatory set-back is a loud death knell for any Life Sciences company.

However, there is a proven history of medical technology innovations that failed badly while addressing the original clinical

condition, but were extremely successful, and financially lucrative, in their cautionary conditions.

"In the medical devices side, the use of Doppler failed miserably during cardiac catheterization, but eventually had an impactful contribution in treating pediatric patients. The key is to figure out your product-market fit on a molecular scale that can be stretched over years sometimes," points Mr Nishith Chasmawala, Co-founder, [Consure Medical](#).

Dr Aman Sharma, Founder & Director, [ExoCan Healthcare Technologies](#), voices that a dying Life Sciences [start-up](#) is not a rare species.

"Simply put," he states, "dried up funds, no visibility, shrinking team, no signs of products or services in the near future, and diminishing spirit to innovate are important signs."

Lower employee morale can also be taken as a best sign for a dying start-up.

"Other signs may include lesser visibility, disinterest in serving customers, desperate measures for sales or collection," notes Mr Tony Jose, CEO, [Clevergene Biocorp](#).

Life Sciences [start-ups](#) typically go through multiple rounds of funding. The idea is to hit specific milestones like completion of preclinical or clinical trials, USFDA approval, and CE certification among others.

"If at any stage, a Life Sciences company is unable to attract new fundings -- either because it hasn't achieved its own targets or because investors are not confident about the company's prospects -- then it is a biggest tell-tale sign," mentions Dr Nilay Lakhkar, Founder & CEO, [SynThera Biomedical](#).

Mr Anant Agarwal, Founder, [Indoriv Clinical](#), feels that bad hiring decisions, untrained professionals, lack of communication, and poor documentation processes are bad for [start-ups](#).

He opines, "Life Sciences is complicated. While a lot of companies do have a good process flow and structure, many factors come up in the middle which have to be dealt with intelligently. This requires intelligent staff. My first mentor told me that it is okay to make mistakes in this sector, but it is not okay to hide them. Any form of cover-ups or poor documentations will come and bite you back."

Killer Mistakes

To the contrary belief, too much possessiveness about a particular idea or a product can serve as a stumbling block for a [start-up](#).

"....Procrastination, not having a clear commercialization vision, failing to raise enough capital, over dependence on organic growth; failing to connect with potential customers, can kill a start-up," says Mr Tony.

Ms Monisha Hajra, Founder, [ScientiaBio](#), voices that having no long term plan and unique selling point (USP) can be dangerous to an entrepreneur.

"Another important mistake committed by service-based Life Science [start-up](#) is not having the ability to change or modify the services as per the market demand from time-to-time," she adds.

Life sciences is an evolving field and it is very important to evolve with it. The science and regulation of Life Sciences change regularly. Thus, it is essential that entrepreneurs are updated with these changes.

"One of the key elements that can kill a Life Sciences [start-up](#) is the inability to follow protocols. Whether it is a clinical research or pharmaceuticals, or a biotech or medical devices company, all are surrounded by Standard Operating Procedures (SOPs). These SOPs are not just mere words; they represent what the regulators and the global healthcare community expect out of you," Mr Anant explains. "It is also important to note that SOPs are difficult to follow because they are not standardized. Global standards are different from local standards. In fact local standards also vary from state-to-state. On top of this, SOPs can also vary from one individual to another. To read between the lines and maintain a balance is extremely important in keeping a [start-up](#) alive."

Most [start-ups](#) in the Life Sciences sector have a common goal of making their products extremely cheaper.

Mr Pawan comments that it is a misconception that cheaper the product, the easier it would be to get a grant or funding.

"The founders should look at the problem that they are trying to solve and the technology that can enable them to solve it,

and then decide if it is feasible to reduce the product costs. Most of the time, the problems in the Life Sciences domain are too complex and therefore require technologies that are not currently cheap," he observes.

[Innovation](#) is the key in Life Science startups, and is the only way to ensure longer-life for the company. If a startup is developing a novel product, then they should also develop a good IPR strategy.

"This will enable them to reap benefits for their inventions for a very long time without worrying about competition copying their idea," advises Mr Pawan.

Sometimes, [start-ups](#) focus too much on research and product development, and not enough on sales and marketing.

Most Life Sciences [start-up](#) founders are technical professionals and are naturally inclined to concentrate on the technical aspects of the business, but ignore the equally crucial sales and marketing strategy.

Mr Pawan strongly believes that sales and marketing are as important as developing a good product.

"Companies that do not have strong sales and marketing plans are definitely going to fail no matter how good the product is. Improper usage of funds can surely kill a [start-up](#)," he says.

Dr Kavitha clarifies that lack of focus on proposed products, having unrealistic solutions, and improper resource planning could be deadly to a start-up.

[Start-ups](#) that have committed to older technologies are caught flat footed, points Mr Sam.

"Newer scientific developments make companies obsolete. When Gorillas fight, monkey can get trampled upon. Life Sciences industry is typically dominated by large players. Certain situations like IP disputes and M&As can severely distort the ecosystem that a start-up is in. If careful attention is not paid to the industry developments, a start-up can get trampled severely," he states.

Cash flow management is also a crucial factor in the success of a Life Sciences start-up, particularly when considering that the average product development cycle from idea-to-market in this domain can be up to 5 years or even more.

"Failure to effectively manage cash flows or to understand what customers, product regulators, and patent authorities want are detrimental to a start-up," Dr Nilay stresses.

Another fundamental mistake would be not picking up and pursuing unforeseen observations (UFOs) or results, which in fact may yield a totally new product.

"These UFOs could belong to scientific data, product building strategy, or IP strategization. Other vital mistakes are lack of scientific vision or product-building strategy. An entrepreneur should have an innovation-entrepreneur or inno-ventrepreneur spirit. An inno-ventrepreneur is essentially an entrepreneur who has an innovative mind, and a commercialization vision. In layman's language, I could say a combination of both Wright Brothers and JP Morgan," Dr Aman adds.

Mr Nishith says, "Unfavorable clinical evidence, ill-conceived or poorly executed regulatory strategy and inadequate resources to survive long gestation cycles can damage a start-up."

Dragon-Slaying Attitude

Attitudes really do determine an entrepreneur's altitude. Psychologists say that it not about the circumstances surrounding us, but rather it is all about how we respond to them that determine our success or failure.

Entrepreneurs mandatorily need to fuel their mojo tank on a regular, daily basis. Once they set out on their journey, there is no place for pity-parties or caving in. Either they can slay dragons or go home.

Mr Sam says that a strong passion towards Science and a clear understanding of translating it for the industry is important to succeed in the Life Sciences.

"Most people with Science background will not have an MBA or business-related experience; so a co-founder with strong business experience is needed," he says.

On similar lines, Mr Nishith points that it is essential to have nuts and bolts knowledge of health-economic environment.

"Up to a certain extent entrepreneurial DNA is universally alike... Ability to identify a latent clinical need, a flair to synthesize science to a story, and the stamina to run an ultra-marathon while chewing glasses will keep entrepreneurs moving further," he comments.

For entrepreneurs, it is significant to have the sharpest possible understanding of their target market and competition.

Dr Nilay explains, "Tailoring your products or services to satisfy the needs of your customers at acceptable price points should also be economically viable for a start-up. Entrepreneurs should also stay abreast of the prevailing regulatory environment as well as patents landscape."

Out of all the entrepreneurial qualities, perseverance occupies the top position, which often gets mentioned in the Life Sciences start-up ecosystem.

"Undeniably, all entrepreneurs share common qualities and attitudes. But a Life Sciences entrepreneur should have more perseverance. This quality will help overcome uncertainties in a biology-related product development space. They should have a quest for updating their knowledge, and should be able to deliver affordable technologies for social cause. Being passionate in technologies will convince investors to be a part of the venture," Dr Kavitha notes. "Most Life Sciences entrepreneurs are passionate about their technology, which drives them to business rather than the market or money."

"This could be both advantageous as well as disadvantageous. Their passion keeps them going through the odds of business. It may as well hinder the entrepreneur from taking dynamic decisions," she further adds.

High self-confidence, agility and high emotional intelligence are important says Mr Tony.

"In principle, there shouldn't be any difference between a Life Sciences entrepreneur and entrepreneurs in other sectors. But many times, entrepreneurs with scientific backgrounds tend to be over-possessive about their ideas," he highlights.

There are various types of leaderships in the corporate world. But the Life Sciences industry requires a visionary.

The most important skill any entrepreneur needs to have is being a great communicator.

"We get much business owing to our company's great communication ability. We keep in touch with all parts of the industry and effectively resolve and reply to their queries diligently," Mr Anant states.

"Constantly motivating your team, investing in their development and keeping your team happy is extremely important. Personally I have also experienced that one cannot keep everyone happy. Entrepreneurs might have the best products, but it affects different people differently. Therefore, while it is important to take inputs from everyone, do not change your goals; be flexible about your methods," he advises.

A couple of decades ago, Life Sciences firms were run by management, lawyers and marketing professionals who decided the course and direction of the company. Today, however, it's a different picture altogether.

"Today entrepreneurs sit with scientists and healthcare professionals to understand what works and how things need to be shaped up. A Life Sciences entrepreneur is usually someone who understands the specific field and the science behind it..." Mr Anant elaborates. "Life Sciences directly impacts peoples' health, so it needs to be more responsible and factual. This field can give you very high returns, but one mistake can also bring you down. Finances have to be monitored and divided carefully. There needs to be a 'R&D fund' and 'Risk fund' that needs to be separated to keep the company in good balance. Overall a Life Sciences start-up needs to have a more disciplined approach to things than other start-ups."

For a Life Sciences entrepreneur, technical competence is a given. Dr Nilay thinks that the most essential attributes for being a Life Sciences entrepreneur are patience and passion.

He says, "The road to profitability in Life Sciences is a long one; entrepreneurs must therefore have the patience to deal with all sorts of ups and downs along the way and the passion for their work to keep going regardless of the situation. Also, the commercial regulatory framework -- registrations with various authorities, timely filing of returns -- needs to be understood and meticulously implemented...Entrepreneurs in this space tend to be focused mainly on the technology side of the business. Often that means they may not pay the same attention to other aspects of their business, such as finance, company affairs, and marketing..."

Stronger vision and willpower, good ethics and morality, deeper domain knowledge, mindfulness, eye for detail, and being

actively involved in various developments are indispensable qualities, says Mr Pawan.

"... Entrepreneurs need to be ready to accept failures and learn from past mistakes. It is almost impossible to innovate or build novel products without extensive research. That means a lot of failures and getting stuck at various steps... They should listen to their gut while making critical decisions," he asserts.

Both intentional and unintentional mistakes in a Life Sciences start-up can lead to regulatory challenges and paralyze its business.

"In Life Sciences, entrepreneurs can play with their ideas at R&D stage. But the penalty for doing a mistake in the final product will be huge, and sometimes unforgivable," adds Ms Monisha.

Life Sciences is a need-based industry and not a want-based one. Entrepreneurs here need to have a problem-solving attitude towards their target communities.

"Entrepreneurs need to ask how they are going to solve a problem, will their technology or product make a difference, or is it just a lifestyle option," expresses Ms Firoza Kothari, Co-Founder & CTO, [Anatomiz3D](#).

Another much-needed entrepreneurial attitude is self-motivation.

"Entrepreneurs should be self-driven, and a challenge lover. Moreover, good PR skills, risk taking but de-risking efficiency, imaginative but creative, being patient and practical are few of the traits of a Life Sciences entrepreneur," Dr Aman lists. "Since attracting investors in early stages is not easy in this sector, entrepreneurs should be aggressive enough to take early R&D leads into individual products or services to raise the company's credibility even well before delivering key products. Life Sciences entrepreneurs are not wealthy like their counterparts in the IT or e-commerce industry. Probably the former are older in age and they face societal pressure since it takes longer incubation time for recognition."

Resurrection Possible?

When a Life Sciences start-up is experiencing near-death experience or is close to death, can there be a silver lining?

Most entrepreneurs believe it is possible. How to go about it? That solely is believed to depend on the founders, their resurrection strategy and the space they operate in.

"If the founders believe that their start-up still has a potential to make a high-impact, they should quickly identify the faults within the system and rectify them without wasting any time. This may include inviting resourceful professionals to the team, building systems for better accountability, identifying and focusing on crucial aspects of the operations, getting razor-sharp focus on primary offerings, and getting into alliances to boost growth. If funding is an issue, put everything else behind and raise it quickly," stresses Mr Tony.

Mr Nishith shares that usually a determined entrepreneur or a dogged inventor will eventually find clinical success.

"Most pragmatic investors and entrepreneurs engage in collaborative development, where a portion of the technology is licensed off for a milestone-based payout down the line," he says.

Developing new strategies and letting go of previous investments are also seen as a part of the resurrection plan.

"Bringing in new scientific advisors who are involved in the latest developments, and collaborating internationally with leading centres of excellence. Many NRI scientists are leading numerous efforts globally. This can help revive a [start-up](#)," Mr Sam opines.

Ms Monisha agrees to the point in engaging with qualified mentors and advisors.

"Mentors should be experienced in Life Science and marketing, who can lead the team with their sales strategy, marketing and funding. Other mentors should be technical experts having the ability to lead the team for executing the strategy," she advises.

Dr Aman recommends exploration of off-track products or services. "To get some oxygen for the next few months, [start-ups](#) can adopt a service model aligned with the team's strength and infrastructure. The company should vigilantly look for parallel funding options since grants take anywhere between 6 to 12 months post application process. It is also recommended to extend the network, in the meantime, by surviving on service model or advisory," he says.

"Once the signs of uncertainty are identified," Dr Kavitha says, "the first thing to do is to improvise the team by hiring highly-skilled professionals in core technologies... Increasing compatibility, and distributing jobs equally across the team is advisable. Raising necessary funds could help sustain the team..."

It is essential for Life Sciences [start-ups](#) to be able to devise and, if necessary, implement pivoting strategies to deal with a dynamic market environment.

In simple words, if plan A doesn't work, the entrepreneur must be ready to shift to plan B, C or D, or any other plan that can bring the company back on its track to profitability.

"Often this can mean diversifying into new sectors or markets, or shifting from product development to product distribution or contract services, or leveraging IP portfolio by licensing all or part of the technology to other companies, or initiating strategic tie-ups," adds Dr Nilay.

Life Sciences entrepreneurs endure a lot of [start-up](#) turmoil. They face the usual challenges of understanding the market's nuances, developing an air-tight business model and, acquiring sufficient capital.

Entrepreneurs in Medical Technologies and Biotech must navigate additional obstacles, which sometimes include gaining regulatory clearances, succeeding in clinical trials, and ensuring a strong pipeline of products.

"But even after the essential steps are complete, perhaps the biggest challenge for Life Sciences [start-ups](#) is demonstrating commercial viability, especially in a dynamic and challenging market as India," Mr Nishith ends.