



When Virtual is Reality:

How High Performing Teams are trading Brick & Mortar with Technology and Human Capital

A movie about virtual companies might open in a spacious, modest, yet well-furnished office with a wall of windows looking out onto a Southern California landscape. The large, paperless rosewood desk has a complex multi-lined phone system, a wide-screen, high resolution color monitor, oversized ergonomic keyboard, and a computer docking station connected to a tiny laptop, barely weighing 2.2 pounds. Behind the top-of-the-line Aeron chair, there's a compact wheel-aboard suitcase with a blue blazer neatly arranged on the raised handle. The camera pans to the door, zooming in on "Pharmaceuticals."

This office is modeled after Tony McKinney's, COO of Orexigen, a clinical stage neuroscience company developing drug combinations to treat obesity. Seasoned entrepreneurs like McKinney, using the most advanced technologies, are creating companies most people would envision only as bricks and mortar. Founded in 2003, Orexigen has completed 10 clinical trials with McKinney in San Diego and its president, Gary Tollefson, MD, PhD. in Indianapolis, as the only two full time executives managing teams of outsourced resources based in different cities across the continent. In October, 2006, building on the successful trials of several drug candidates, Orexigen added five new members to its senior management team, beginning the shift from virtual to a more traditional structure.

Noting that "it's an issue of management," McKinney emphasizes several key success factors. These virtual drug companies choose highly experienced people, whose backgrounds include experience in drug development, running a biotech company and raising capital. McKinney, whose background includes both big pharma and biotech start-up experience says with a smile, "I like grey hair." In addition, these entrepreneurs are confident decision-makers who collaborate well and are willing to park their egos at the door.

Virtual companies, a radical approach unheard of just years ago, demonstrate new capabilities for biopharmaceutical companies. Eckard Weber, MD, a managing partner at Domain Associates, has been perfecting this business model for some time. Syndax Pharmaceuticals, Inc., an oncology start-up launched in late 2005, is recent case in point. One of the scientific founders is employee number one. Based in San Diego at Domain's headquarters, he was promptly joined by a Chief Medical Officer, CFO, and VPs of Business and Product Development, all independent consultants working from cities across California. Each has worked with other Domain-funded companies before and knows she will be replaced by a Syndax employee at some point, perhaps years, in the future. Massachusetts-based CEO and President, Joanna Horobin, MD joined the Syndax team early in 2006.

Dr. Horobin is a seasoned executive from traditionally structured biopharmaceutical companies in the US and Europe. In the past, her teams were co-located and all members were full-time employees. Horobin's success in getting Syndax off the ground is due to how she leads her dispersed, mostly part-time and temporary colleagues

Syndax applies the best practices of virtual teams. Strong emphasis on timely, complete communication helps delay the start of functional silos, potentially accelerated by the early use of geographically dispersed

specialists. All team members are technologically adept. In addition to steady email, Horobin meets telephonically with each staff member and committee tasked with accomplishing elements of the business plan, and with the whole team at least weekly. With the goal of creating a “virtual water fountain” around which to communicate even more easily, they are considering instant messaging and other formats.

Horobin has invested in laying the foundation for an effective, high-performing team. Roles, responsibilities, interdependencies, and hand-offs are revisited from time to time to assure alignment and avoid gaps. Work is defined by deliverables, rather than process. Moving beyond technological connections, Horobin brings them together every few months to make important decisions, resolve issues, and strengthen the relationships that produce effective, open communication. Described by one of her staff as a leader who “nurtures without nursing,” Horobin has invested in building strong relationships with each team member, creating a collaborative environment that enables each member to deliver. Horobin’s staff noted that she “makes everyone feel part of the team,” especially important in a virtual environment. The team’s interactions demonstrate their articulated shared values (respect, honesty and objectivity), as well as decisiveness and cooperation. Syndax’s chief scientist likens the virtual model to a scientific collaboration: few people are involved, and there is very little bureaucracy.

The virtual pharmaceutical company model has a number of strengths, which build on each other. First, it’s less expensive to start. There’s no need to invest immediately in lab space or equipment. That in turn enables the investors to focus on securing the best intellectual capital and intellectual property to get new products off the ground and increase the number of ventures it supports. The heavy reliance on consultants then eliminates the need to build large staff until the drugs show strong promise.

This business model, however, contains more built-in stressors than most. When one’s colleagues also have obligations to other companies, delays and ensuing frustrations can be magnified. Scheduling around multiple commitments and shared loyalties requires careful, long-term planning. The tight deadlines of start-ups and emerging stage companies, however, often require being able to act – now. This tension is well-understood by all at Syndax. The challenge described by one of Syndax’s consultant-leaders is that she is “part-time and not on-call 24/5.” The reality for many start-up employees is a 24/7 work-life style.

A server going down in a traditional business can be an annoyance. Unstable technology can cripple one working exclusively in this virtual mode. Syndax recently obtained its own server, installed shared calendar management, and assesses other tools to expedite its business.

Horobin notes that “operationalizing ‘change is coming’ is essential” for companies like Syndax. One of the greatest stressors is the tenure of the initial team members. While the consulting executives sign on with the knowledge they will be replaced as the business grows, it is natural to wonder when one will be replaced. Some positions, such as Business Development, currently handled by a Domain associate, are likely to transition early. Team members agree that others, such as a full-time clinical oncologist, would be a positive addition. Any start-up’s progress can make hiring schedules unpredictable. The CEO must build deep, strong relationships to bolster the consultants’ willingness to stay fully engaged during the inevitable search for their successors and smoothly transition their roles.

The Syndax business model emphasizes investing in human capital, rather than bricks and mortar, making manifest the oft-repeated claim “people are our most important asset.” Superior leadership, team building, and change management practices are thus essential to making virtual companies a success.

Elaine Crowley, M.Ed.

Executive coach and organizational development consultant is founder and president of a global, Boston-based firm that prepares leaders and their organizations to meet complex business and personal challenges. She also served as part-time as Consulting VP, Organizational Development for Syndax Pharmaceuticals. The Crowley Group partners with clients to navigate change. For more information, visit <http://www.TheCrowleyGroup.com>. or call 617-471-1800.