



INEVITABLE UNEXPECTED EVENTS: **WHAT THEY ARE AND HOW TO NAVIGATE THEM**

Stan Rose, PhD

Technology-based startups are inherently risky businesses.

Roughly 90% fail within five years. The most common reasons for failure are well understood and covered in any decent business school curriculum. What is less well appreciated is the impact of such events coming with no warning. Too often, business leaders and their teams are ill-prepared to deal with situations they didn't plan for.

As an MIT PhD biologist turned serial entrepreneur in the emerging field of genome analysis, I managed to succeed more than most. Of course, I had my share of setbacks. We all do. But hopefully, we learn from these experiences and continue moving forward.

One of the most important lessons I took from more than 30 years in the life science business was to always beware of the "inevitable unexpected event." No matter how smart founders, CEOs, or their Boards are, no matter how strong their plans, no matter how well vetted by investors, events regularly occur that could never have been anticipated. This is true in business and in life.

I refer to these events as "inevitable" because they will occur and usually happen frequently. Over a five-year period, I would guess that any CEO will encounter several. I've yet to meet a CEO who doesn't have a story of encountering a life-or-death issue for their business that they had never anticipated. Sometimes these events are challenges that must be overcome. Other times they are opportunities which one must decide whether or not to pursue—often quickly, and with incomplete information available.

RESPONDING EFFECTIVELY

The inability of business leaders and their teams to effectively respond when confronted with inevitable unexpected events represents a critical source of business failure. There are certain values, skills and approaches however, that when practiced increase the likelihood of being able to navigate beyond such events to successful outcomes.

To be best prepared to navigate unforeseen events, maximize your adaptive abilities. Rather than trying to prepare for every eventuality, an impossible task, a better strategy is to incorporate a “practice” into your approach to business. Some of its more important elements should include:

- Listening to others and building relationships, often with no immediate agenda. You never know when you might need access to a skill, contact, or resource someone else has.
- Accumulating resources, since you’ll always need more than you think, often for reasons you never imagined.
- Considering numerous options. Treat your business plan as a living being in a dynamic environment. Think about multiple paths forward, and periodically reconsider them rather than waiting until your chosen path is blocked.

Beyond specific strategies, your practice should include pursuing your company’s mission with a sense of passion, persistence, resilience, and adaptability.

PRACTICES IN ACTION

When I joined NimbleGen as CEO in the early 2000s, the company was focused on rapidly producing custom-designed, high-density DNA microarrays of any design a customer desired. Although the technology was powerful, the business was not growing as fast as the company had projected.

As the new CEO, I realized that the custom business is simply tough: it's characterized by small lot sizes and extreme design ideas. In addition, every customer needs extensive support, which often involves custom process development. We needed to find a new strategy for growth.

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At the same time our scientists were collaborating on the NIH-funded ENCODE project. They were using our technology to enable a variety of novel analytical techniques for studying genome structure and function. One day, we had an epiphany: the same flexibility allowing us to rapidly make custom-designed arrays could be used for rapid prototyping of optimized designs for new applications. Once optimized, these newly designed arrays could then be produced at scale.

Seeing the opportunity to be first to market with the best design for multiple new applications, we threw everything at this new strategy. A year or so later, we had leading positions in multiple new markets, each with significant growth potential. Not long after, we were acquired by Roche.

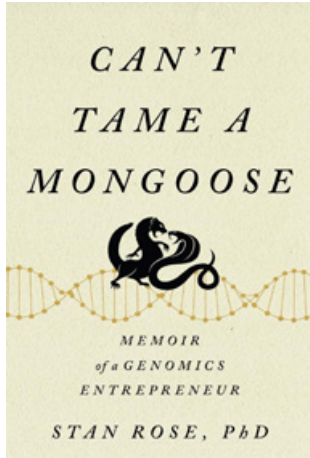
As CEO of Transplant Genomics in the late 2010s, I had gone from co-founding a startup with three partners to having a validated blood test that could be used to monitor the health and guide treatment of kidney transplant recipients. Based on our business plans, we thought we had raised sufficient funds to secure reimbursement, drive adoption, and build a healthy growing business. But an unexpected request from Medicare for additional data left us needing \$3 to 5 million more to complete the additional studies required for reimbursement.

No venture capital firms would invest in a molecular diagnostics company in advance of a reimbursement decision. Several companies were interested in acquiring our business, but not at a valuation that would satisfy our shareholders. In the midst of painful negotiations, where we imagined we might have to sell our business at an unattractive valuation, our banker suggested we speak to a Chinese company with a strategic interest in renal care. Although an unconventional source of financing, they wound up investing \$5 million in exchange for preferred stock at an increased valuation compared to our prior round.

This funding enabled us to complete the studies required for reimbursement, at which point Eurofins acquired our company in a deal that rewarded all of our shareholders. **It was being able to navigate past the unexpected that led to this success.** 📌



Info



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ABOUT THE AUTHOR

Stan Rose, PhD is an MIT biologist turned life sciences executive and entrepreneur who has created and led multiple businesses in the emerging fields of DNA analysis and genomics. After several successful ventures, he was suddenly diagnosed with a life-threatening genetic disease. Some of the same technologies he had helped bring to the clinic became critical to his own survival. Following a kidney transplant, he's continued to contribute to science and medicine. His firm, Rose Ventures, Inc., works with early-stage companies developing innovative, high-impact life science products and services. His new book is *Can't Tame a Mongoose: Memoir of a Genomics Entrepreneur*. Learn more at roseventures.net.



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