



Stanford eCorner

Why Does The Foundry Work as an Incubator?

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Gifford has found that having The Foundry act as an incubator was the best method possible to help new ventures get started. Over the cycles of incubation, The Foundry becomes familiar with procedures such as the FDA approval process and clinical trial details.



Transcript

So why do we work as an incubator? And people say, "Gosh, why do you even call yourself an incubator?" That whole name has been sullied by the dot-com incubator and so on. Why don't you call yourself an accelerator or whatever. Well, we incubate new things. That's what we do and people recognize that it works. And partly it works because the medical device industry has just the right characteristics. We have billion dollar opportunities where the money is there to justify the creation of new companies. We are able to make a lot of progress very quickly. To go from an idea which is written on a napkin to a prototype which we make in our lab and are able to put it to an early animal study to get proof of principle, to lower the risk, and increase the perceived value at our next funding round. And a lot of times we're using similar technology, similar materials and so on. And the business process of dealing with the FDA, getting to those clinical trials, follow similar pathways so we know how to direct the companies going forward.

Further, the first years of the company really are indeed driven. You've got to get the product design, develop, and get it into clinical trials. So that can be done on a low-key basis if you will. It doesn't need a full management team with a whole lot of focus on marketing and sales, and so on. It's really proving that the device works and making sure it is ready for human use. Another reason the Foundry works is that we have been at this a long time and certainly during the dot-com era we wounded up. We were old dogs who couldn't learn new tricks and we were in the wrong place. But the medical device world treats diseases the end of the road, that what's most important is your health. So, we've been at it a while. We know what it takes.

We've seen the evolution of the industry and we know a lot of the players. So we can really be useful in a lot of ways throughout the lifecycle of the company. And then maybe this is moving on from the shameless motion that I rather mention to the philosophy of questionable value which is that we really work well together as a team. I think that's really important. I was reading a book this summer called "The Wisdom of Crowds" by James Surowiecki which crystallized some of that thinking and his thesis was that in the past, people have always said, "Find the expert. Find the one guy who knows the very most about this area and he'll give you the right answer. And actually, if you look at taking the opinions of a group of people who may have varying levels of knowledge about an area. And have them all vote or reach a decision together, you will get a better decision to the expert every time. In order for that to work, you have to have a group which place well together which isn't being led by a single person, which feels comfortable sharing wacky ideas and asking stupid questions, and challenging each other very aggressively without sort of making feelings get hurt and undermining the process. So we know each other very well.

We trust each other. We try to be as creative as possible and then we try as hard as possible to knock down each others' ideas. And that process is what helps us pick, we hope, the very best ideas going forward. And that partnership is what makes, you know, a great venture partnerships like Morgan Taylor ventures work well and we think that that partnership that works for us extends to our investing partners, our attorneys, everybody we worked with we feel that kind of relationship weaved in it. It really helps us get to the right answers. And we have fun doing it. You know, I think one of the reasons that incubators don't survive is that they sometimes succeed. And so, people move on to being venture capitalist or move on with the company. The great company they've created, to run just that company. And we really enjoy doing what we do.

I think the rewards will be there for doing what we do. And so, we're going to keep starting new companies and hopefully seeing success by doing it. Moving past to all the nonsense philosophy, the real reason we succeed is the people in each of the companies and as I've mentioned a lot of them have come from your angst at Stanford and have just done an incredible job of executing development, clinical trials, and commercialization of these companies. And as I have also said, it takes five to seven years and we are most developed the first year and a half. They're carrying it the rest of the way. We get 10% of the way they earned. We can also get a -10% of the way they are, and they're carrying it the rest of the way. So looking forward, we think that we enjoy what we're doing. The opportunities were made and we can keep making the Foundry a successful incubator in the world of medical devices.