



## TATUM PARTNERS

Financial and Information Technology Leadership

### EXECUTIVE PROFILE SERIES: NEWBIOTICS



Tatum CFO Partner Irwin Hurn (left) with Tom Mizelle, President and CEO of NewBiotics.

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**Tom Mizelle**

*President and CEO, NewBiotics*

At NewBiotics, excitement and expectations are high. The biotech company has begun clinical trials for its cancer treatment drug at two prominent medical centers in California. It has another compound for rheumatoid arthritis for which it is planning clinical trials in Europe. The budget is balanced; cash flow is under control; information technology systems are solid; the company’s facility is spacious and efficient; productivity is up; and a fourth round of venture capital is promising.

The scene at NewBiotics today is dramatically different from the one Tom Mizelle faced when he stepped in as CEO last year. Essentially, the company had been formed by a group of cutting-edge scientists pursuing an innovative approach to develop new drugs for cancer and infectious diseases. The company’s technology embeds a powerful toxin into a benign compound. The diseased cell’s resistance mechanism activates the toxin, causing the cell to self-destruct with minimal side effects to the patient. “It was breakthrough science, but the company was not operating as an efficient business,” says Mizelle. In fact, since its founding in 1997, the biotech firm had never had a clear and detailed budget nor very structured financial or management systems in place. It was growing fast in cramped quarters and increasing research and development spending rapidly. “There had never been a full-time CEO and there had not been a sound business management perspective,” he comments. “NewBiotics had almost no infrastructure. However, it had good people, novel and proprietary technology, and an excellent opportunity if it could get its products to the marketplace. NewBiotics needed discipline, but we did not want to impede the growth of the company.”

As CEO, Mizelle set out to bring that discipline to NewBiotics. The first need was in finance. He heard about Tatum CFO Partners through NewBiotics’ law firm and made contact. Two months after Mizelle took the reins as CEO, Tatum CFO Partner Irwin Hurn joined NewBiotics. “We could not have found a better partner than Irwin,” says Mizelle. “He brought maturity, leadership and good, sound business reasoning where there was none. He has so many skill



sets and he stepped up to the plate in any number of things.” An added plus was Hurn’s background in biology as a researcher and as a CFO in the healthcare and biomedical industries. It gave him credibility with NewBiotics’ scientists, and an intimate understanding of the company’s physical and operational needs.

Within two weeks of his arrival at NewBiotics, Hurn’s responsibilities expanded from finance to include information systems and facilities. “The mission was to change a free-wheeling research group into a business,” Hurn notes. It was a challenging assignment. In the first month, he created a forward-looking cash flow model, which identified a severe cash flow crisis only six months away. By the second month, he implemented a comprehensive plan to manage \$15 million in cash that had been received from venture capitalists. Within three months, he created a comprehensive departmental budget, set accounting and reporting policies, and prepared for a major accounting system conversion. He introduced NewBiotics to venture capital sources and assisted in presentations to venture capital and investment banking firms. He also put in place the first directors and officers and employment practices insurance. Skillful planning and negotiation yielded hundreds of thousands of dollars in savings while improving results. Throughout the process, Hurn used other Tatum partners, Tatum’s CFO Link, and Tatum’s BluePlan as resources for these sweeping changes.

Says Mizelle, “Money was our biggest concern and the need for financial controls was very important. Irwin put in place the first meaningful budget the company had ever had. It was a sophisticated departmentalized budget to provide NewBiotics with financial stability for 15 months. Getting that budget widely accepted took some convincing and some politicking as well,” he adds. “We worked hard to develop a corporate culture of cost consciousness. It didn’t take long for everyone to see the value of financial discipline and the procedures we established. It’s amazing what a different view our people have now.”

While making the financial changes, Hurn evaluated information technology systems and infrastructure.

Within one month, he introduced NewBiotics to Tatum CIO and engaged Tatum CIO Partner Norbert Kubilus to perform an in-depth analysis of information technology needs and prepare a plan for action. NewBiotics restructured the entire information system. Over the next six months, Hurn restructured and hardened network architecture to improve security and hired a full-time IT specialist. He also began an electronic document management system compatible with FDA requirements, started a system to archive critical intellectual property resources such as scientific records and patent documents, and developed an intranet to form a corporate “digital nervous system.”

Meanwhile, NewBiotics was bursting out of its 14,000 square feet of cramped, inefficient laboratory space. Hurn took immediate action. Within one month, he evaluated architectural designs and construction plans and worked with the research scientists so that they knew their needs were being met. As a result of the planning, it became clear that there was a critical need for larger and more efficient laboratory space to accommodate growth. Hurn searched for new corporate headquarters and within two months found what Mizelle calls a “fabulous opportunity.” A large biotech company was building “beautiful new space with state-of-the-art scientific labs,” and wanted to sublease 35,000 square feet of office and lab space, explains Mizelle. Hurn negotiated a lease at below market rate, with terms that preserved NewBiotics’ precious cash. Hurn led the design and construction team for fast track modifications to the new facilities. Moving the entire company required precise orchestrating that included the transfer of numerous radioactive materials, toxic chemicals and delicate temperature-sensitive biologic samples (some at minus 250 degrees F). All this while NewBiotics’ research and business continued.

“It was a complex move that was well-coordinated,” says Mizelle. “And there is no question that the move improved our productivity. NewBiotics’ goal is to have a new molecule in clinical trials every year. One year later, we are a disciplined organization, with finance, business systems and productivity running at top level. Now, NewBiotics can accomplish that goal.”

*Tatum Partners is the largest professional services provider of financial and information technology leadership in the country. Operating through Tatum CFO Partners, LLP and Tatum CIO Partners, LLP, the firm currently has over 400 partners in more than 30 offices nationwide. The partners, all highly experienced CFOs and CIOs with significant operating experience, serve clients as interim, project, or employed financial and information technology executives. Tatum’s clients range from emerging growth to large multinational organizations. The foundation of the firm’s unique service model consists of its experienced partners, responsiveness, deep intellectual capital and flexible, low risk engagement structures.*

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