How young biotech companies can avoid bankruptcy

A Max Planck researcher has received the Ludwig Erhard Award for his dissertation in economics.

Holger Patzelt, a junior researcher at the Max Planck Institute for Economics in Jena, has won the Ludwig Erhard award for his doctoral thesis entitled "Biotechnology Start-up Companies in Germany". The award, which this year is worth 4000 euros, was presented to him on the 110th anniversary of Ludwig Erhard’s birth by the Chancellor, Angela Merkel, in the Stadthalle in Fürth.

Sometimes it pays to adopt a different course - in science, as in any other area. With a doctorate in Chemistry, Holger Patzelt could have been quietly carrying out his research at some institute. Instead, the junior scientist decided to follow up his first course in Biological Sciences at the University in Heidelberg with a second doctorate in Economics at the University of Bamberg.

When he finished his thesis on "Biotechnology Start-up Companies in Germany" just over a year ago, he had no idea that it would be both a successful and a profitable coup. First, the Department of Social Economics and Business
Administration at his alma mater awarded him the 2,500 euro "Haarmann Prize" for the best doctoral thesis 2006/2007. This was swiftly followed by the Ludwig Erhard Award, which he received this week from the German Chancellor in Fürth.

The dissertation, which earned its 33-year-old writer a great deal of attention and many awards, deals with various topics related to start-ups in the biotechnology sector and highlights the problems they might encounter, along with the solutions to these problems. Outlining his area of research Patzelt says: "Biotechnology has been one of the most important innovation drivers in the world over the last twenty years." Modern biotechnology products and methods have made it possible to research molecular processes in human, animal, plant and bacterial organisms, which have brought the development of some new therapies and diagnostic methods within reach for the first time. Some biotechnology concerns earn several billion euros every year from these products, although managing these companies makes great demands on their founders and managers. "In Germany alone, over 80 new biotechnology companies declared themselves bankrupt between 2002 and 2004, which represents almost a quarter of the biotechnology companies currently in existence," explains the young holder of two doctorates. This high bankruptcy rate has led to many innovations never making it onto the market. "Management errors are a major factor in the failure of these companies," Patzelt explains. In his study he uses a number of industry-specific cases to illustrate how managers can adapt their financial strategy when capital is scarce, through M+A transactions and successful crisis management to ensure the survival and growth of biotechnology companies so that many promising and innovative potential product can be marketed.

This approach to solving the problems persuaded the jury in Fürth to award him the Ludwig Erhard Prize ahead of 11 other applicants. "I suppose I chose the right subject," he says. He is delighted with the award, which also gave him the opportunity to meet the Chancellor. Switching from Chemistry to Economics does not look at first sight particularly single-minded, but for Holger Patzelt it proved to be a step in the right direction. "I just wanted to study another subject in addition to the natural sciences," he says in explanation of his change of heart. He thinks that his move away from science would represent an enhancement, even without the prizes and awards. "I’ve found that it is even more fascinating to research the economic issues of biology than to conduct basic research in the laboratory." He now has a firm idea of how he will be spending the immediate future and confirms that he will not be changing his area of research again. Instead, he will be focusing on continuity in two respects. "I am planning to continue working in my research group and to investigate sustainable company start-ups. Not much has been done in this area and I want to see what I can turn up," he says. However, there is a suggestion that he might be leaving himself a little way out as he adds "Opportunities often arrive unexpectedly - sometimes you just have to say yes."

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