Innovation needs new ways of thinking

*a conversation with Lisa Suennen, part 2*

Lisa Suennen is a co-founder and Managing Member of Psilos Group, a healthcare venture capital and growth equity investment firm with over $577 million under management. Ms. Suennen has headed Psilos' West Coast office since the firm's founding in 1998 and focuses on the medical device, healthcare information technology and healthcare services sectors. She serves as a Director on the Board of several Psilos portfolio companies, including AngioScore (chairman), PatientSafe Solutions, OmniGuide and VeraLight (chairman).

Ms. Suennen holds an M.A. in political science, a B.A. in political science and a B.A. in mass communications, all from the University of California, Berkeley. Ms. Suennen is also Vice Chair of the National Advisory Council of the Institute of Governmental Studies at the University of California, Berkeley and a visiting lecturer at the U.C. Berkeley Haas School of Business. In 2011 Ms. Suennen was awarded the U.C. Berkeley Institute for Governmental Studies Outstanding Alumni Award. She has also recently been named to the Advisory Board of the U.S. Health and Human Services Office of the National Coordinator Investing in Innovations program.

Sophie C. Shen (Engelberg Center for Health Care Reform, The Brookings Institution, Washington, DC 20036, USA. E-mail: sophie.shen@jbscience.org)

**Sophie:** *Your company-Psilos Group- takes a holistic approach to investment and actually provides long-term support for entrepreneurs to succeed. It is a very different from the other funds. What’s the favorite part of your job?*

**Lisa:** My primary job function is to meet with a myriad of unbelievably smart and accomplished people to hear about and help them with the amazing ideas they have come up with to improve the delivery of healthcare. That is a pretty great job description, if you ask me. Every great job starts with the quality of the people you spend your time with, so I am also very lucky to have partners and colleagues, who I truly love and admire. To have an opportunity to interact with such high quality people on such a consistent basis is a real gift. I feel very fortunate to have a job that fosters both doing well personally and doing good in the world, since we measure our success as a firm by whether we have improved both the quality and cost-effectiveness of the healthcare system.

**Sophie:** *Most VC bloggers wears the tech hat and your blog (Venture Valkyrie) has a very different touch. What made you start blogging and how do you fit that in your professional portfolio?*

**Lisa:** I love to write; my original career goal was to be a journalist like Bob Woodward. I had been thinking about getting back to it but was desperately trying to stay off the Face-
book/Twitter information superhighway in an effort to remain firmly aligned with the ghost of Internet past. I know it sounds old-fashioned, but I’m still getting used to the whole social media thing and how to use it in a way that doesn’t scare my teenage daughter. But then I had this sort of harmonic convergence experience; in one week I saw an article by Jeff Bussgang, a well-known VC, that was a clarion call for more healthcare bloggers in a world filled with tech scribes. That same week I saw a list of all of the VC-authored blogs (137 at that time) and only 3 had female authors; only 1 or 2 were about healthcare. A great friend and marketing strategy advisor kept urging me to blog to tell our firm’s story. In the end I felt there was a void that had to be filled and Venture Valkyrie was born. Now it is an addiction. I feel strange when I don’t get to post something every 5-6 days and I have started seeing the potential blog post in every experience I have. Who knew?

Blogging is an opportunity to share my thinking process about some of the critical issues in the fields of healthcare and healthcare investing. It also allows me to expand my ideas outside of the areas of healthcare that I might immediately be working on. Lastly, the writing gives me a chance to point out the absurd and bring humor to a field sorely in need of a little levity at times.

I have been amazed at the world that writing Venture Valkyrie has opened up for me and it never ceases to amaze me that so many thousands of people read it. It has led to many new relationships and opportunities to participate in activities outside my day-to-day responsibilities that add a great richness to my professional experience.

**Sophie:** I saw your recent blog on Venture Valkyrie that “The line between the private healthcare industry and the world of public policy seems to have completely disappeared.” I think your divergent interests — political science and technology — actually catapults you beyond your peers, making you a strong voice for both sides. What is your career advice for those who are working in either side but want to make a meaningful impact?

**Lisa:** Thanks much for the compliment. I think the best advice to someone from either the public sector or private sector is to never ignore the other and to be open to learning and using the tools that the other side relies on to get things done. People too often get caught up in how things have always been done in their own field and are quick to denigrate the methods of the other. That is precisely the path to small ideas and incrementalism. Since the public and private sector are so intrinsically intertwined in healthcare, people from each side must appreciate their counterpart’s respective motivations and goals.
and figure out how to find solutions that align each other’s incentives. Many of our nation’s greatest leaps forward were the product of public/private initiatives.

**Sophie:** Over 70% of startup innovations fail. What leads to their failure? How can you proactively optimize their strategy and plans, giving their innovative idea the very best chance to succeed?

**Lisa:** After doing this for 13 years, it is readily apparent that the majority of innovations fail for one of two reasons: solution in search of a problem and/or pilot error.

By "solution in search of a problem" I mean that people too often focus on inventing things without thinking about who really needs them and most importantly, what will motivate people to part with their money. Just because something is an "innovation" doesn't mean anyone really needs it. In my world, if no one will pay for your gizmo to solve a real problem or dramatically improve his/her quality of life, it’s just a novelty, not a real innovation.

I think the biggest cause of young company failure, however, is what I call pilot error, by which I mean it's the people behind the innovation that matter--the one's shepherding it from brain to store shelves. Yes, it's true that some ideas just turn out not to work despite talent and best efforts, and sometimes circumstances kill a company (e.g., a major economic meltdown or 9/11), but usually it's old fashioned failure to execute that summons the Grim Reaper. This is why we so frequently see decent ideas with great leaders succeed while seemingly great ideas with mediocre managers almost always fail.

The best way to inoculate against this is through total intellectual honesty about the people on your team, including yourself. Everyone knows that it is best to hire people smarter than yourself, but too many people are too insecure to actually do it. Founders and leaders must also be incredibly realistic about their own ability to perform and be confident enough to recognize when they have outlived their "sell by" date. Yes, it's hard on the ego to admit you might not be the best person to bring your company to the promised-land, but it's better to get there at all, even if as a passenger. I'm amazed by people's ability to fail to get out of their own way to success by failing to always put quality of team first.

**Sophie:** What are the some good examples of partnering academic medical/
biotechnology research with industry to take potential treatments/research more quickly from the bench to the bedside and store shelf? What are the barriers for that partnership to happen more often?

Lisa: Many of the best medical technology ideas evolved out of academia. We have numerous examples of that in our own investment portfolio, such as Mauna Kea Technologies, OmniGuide, and VeraLight.

There are many academic programs that have very active partnerships with industry to spawn commercial enterprises, MIT, Stanford the Cleveland Clinic and the University of California system being some of the most prolific. The key to success here is making the process purposeful and creating a program that rewards both the academician and institution for evolving the idea while enabling the business enterprise to take it and run with it without constraint.

In a perfect world, collaborations start with academicians working hand-in-hand with business people to devise solutions to burning market problems, rather than with inventions looking for a problem to solve. The best way to optimize this is by establishing organized programs that have a specific goal of commercialization and which place academicians, business people and investors—all from multi-disciplinary backgrounds—together in incubator-like environments. As with all things healthcare, alignment of incentives for all parties is key.