

# Gut Check

Sure, numbers have their place in business decisions, but so does intuition.

Tom Petzinger on the role of soul.



**DO A LOT OF DEALS** in my work, and I mean to make money for my investors.

This means I cast a cold and calculating look at where we put our time and money. My partners and I document the size of an opportunity, estimate the ratio of risk and reward, and apply every other analytical tool available to determine the potential profitability of a deal.

But I recently found myself falling back on a more qualitative tool: my feelings. Entire books have been written on intuition in decision making. But in one particular deal, I discovered firsthand that the kind of analysis you perform in your heart may reveal an opportunity sooner than you'll ever see it in a spreadsheet.

My business is biotechnology. In 2000, I started a for-profit company in Pittsburgh called LaunchCyte LLC. We search for novel technologies in university laboratories. In fact, we've looked at hundreds of them around the country, seeking profitable diamonds in the rough of academic research. When we find a compelling technology, we negotiate a license with the university and start a new venture, allocating some of the \$5 million in capital we've raised from private investors.

So far, we've started three companies, and they've all survived and grown despite punishing business conditions. If we've done good deals, it's largely because one of my partners, Jonathan Kaufman, was born to perform analysis like this. Besides a Ph.D. in molecular biophysics

from the Penn Medical School, Jon has an MBA from Wharton and has worked in the pharmaceutical industry. Jon looks at a business opportunity with both the rigor and the creativity of a scientist immersed in empiricism. In the end, it's all about the data.

One day, a research professor at the University of Pittsburgh named Robert Bowser walked into our offices. Bob's specialty is amyotrophic lateral sclerosis – ALS, the disease that killed Lou Gehrig. Bob was applying innovative methods to discover some of the unknown biology of ALS, in which motor neurons mysteriously degenerate until the patient can no longer walk, then swallow, then breathe. Almost every case is fatal. Bob's early discoveries held the potential to introduce a reliable lab test for ALS, which doesn't currently exist. His work was highly pre-

learned that the sister of a dear friend was struggling with ALS. As I began reading more about the disease, I could see the horror to individuals and families. ALS has been described as a front row seat to your own death. Your brain remains perfectly functional (witness the physicist Stephen Hawking, a rare, long-lived ALS patient) while your body wilts to nothing. Typically, you get this disease in the prime of your life, with your parents and children looking on.

I turned out for a 5K benefiting ALS research. I talked to the friends and families of patients. I noted the burst of public awareness concerning ALS evident on the best-seller lists from Mitch Albom's *Tuesdays with Morrie* to John Feinstein's *Caddy for Life*. None of this provided an iota of documentation for the size of the ALS market. But it did convince

## Intuition arises not from analysis but from feeling – in the gut, in the heart.

liminary, far riskier than the technologies we usually consider. But his passion was the first signal there might be hidden value that our usual tools of analysis would not reveal.

Our initial look at the market opportunity was hardly encouraging. ALS afflicts about 30,000 Americans, with about 5,000 new cases diagnosed a year. A market that size hardly seemed worth bothering with. I wished Bob well in his work and asked him to keep me posted.

But the investment opportunity – and disease – wouldn't go away. About then, I

me that the breadth of need is not the only measure of a market. The depth of individual need was not only moving, it felt persuasive. Even my ever-analytical partner, Jon, could see the potential of the biology to reveal drug discovery opportunities – but it was still only potential.

Of course, I had only intuition to go on. Only intuition? Intuition arises not from analysis but from feeling – in the gut, in the heart. In work as rigorous as mine, with other people's money at stake, you tend to resist your intuition. Yet intuition has *CONTINUED ON PAGE 96*

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been scientifically linked to effective decision-making. “At their best,” says the famous neurologist Antonio Damasio, “feelings point us in the proper direction, take us to the appropriate place in decision-making space, where we may put the instruments of logic to good use.”


I did not have this intuition alone. Interestingly, the additional push came from one of the very individuals whose capital and whose trust motivates our usual commitment to rational analysis – one of my investors, Greg Hebrank. Greg is a gynecologist, a surgeon and a longtime biotech investor – one of the few successful ones. Greg did well picking biotech stocks because he took the time to learn the biology behind the investment

**“Feelings point us in the proper direction”**

opportunity. And now he was learning business in the MBA program at Carnegie Mellon.

Greg was convinced Bob was onto something. I reminded Greg that the market opportunity was small, at least so far as we had documented so far. “This is one of the worst ways to die,” he said. “There’s interest in this disease way out of proportion with the numbers we see right now.”

Thus began our fourth venture, named Knopp NeuroSciences for an ALS patient in Pittsburgh, Walter Knopp, whose gift had helped finance Bob’s discoveries. Greg signed on as the founding CEO of our new company, with Bob as a consultant.

The risks remain high but the intuitions remain strong. Regardless of what the numbers show, anyone with a modicum of sensitivity to human suffering can see there’s a need for this technology. And there’s enough history to show that meeting a need so acute provides rewards, including financial ones. I wouldn’t bet on my feelings every time – but I’ve learned that it’s also unwise to ignore them. 

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Tom Petzinger was a writer, editor and columnist at the *Wall Street Journal* for 22 years prior to starting LaunchCyte, which builds companies from emerging health-care technologies.

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