

DONALD B. HAWTHORNE**Experience**

- 30 years as CEO, COO, CFO, partner in equity fund, and strategic advisor to CEOs, Boards of Directors, and investors at both public and privately held companies.
- Executive, board member, or strategic advisor to 44 companies during career.
- 36 years in the life sciences industry, spanning 15 market sectors, primarily in medical diagnostics, diagnostic lab services, medical devices, life science tools, and healthcare IT.
- National industry network in US.

Accomplishments

- Leader in 20 go-to-market (GTM) initiatives, with key successes including:
 - Value
 - Grew unit sales 40% in 9 months, to third highest quarterly result in company's 12-year history.
 - Developed 2 new go-to-market commercialization strategies that led to 2 financing term sheets.
 - Speed
 - Redesigned organization with new CEO to deliver third straight year of 50% revenue growth, contributing to \$370 million acquisition price 18 months later.
 - Prepared company operationally for product launch, enabling increase in revenue run rate from \$14 million to \$45 million and IPO in subsequent 12 months.
 - Cost
 - Designed new manufacturing process, forecasted to reduce costs by 70% and increase gross margins by 32%.
 - Increased rate of customer on-time delivery from record low of 79% to a record high of 95% in 3 months, decreased manufacturing failure rate by 55% in 8 months, and reduced inventories by 54% in 6 months.
- Raised more than \$310 million of debt and equity monies in public (IPOs, secondaries, PIPES) and private markets.
- Closed 10 business development deals.
- Sold one company and supported four other M&A transactions.

Education

MBA Stanford Graduate School of Business

BS Mathematics, Harvey Mudd College

Case Study #13: Technology in search of unmet market needs.

Type of Company: Company with proprietary formulation that enables improved remote blood sample collection.

Go-To-Market Challenge: Determine if the technology's target product profile offered competitively differentiated benefits for specific customer use cases that could create meaningful economic value for testing in nonclinical settings.

Go-To-Market Results: The first key finding was greater clarity about the technology's value proposition: There were more differentiated benefits to it than originally realized, opening up a broader range of potential market opportunities.

Two broad market trends were confirmed. First, there is growing activity in the decentralized diagnostic testing marketplace toward expanded point-of-care, home and consumer testing. Yet, much of this activity relies on paper products, which some do not believe deliver quality clinical care results. Second, established diagnostic testing lab companies are expressing initial interest in higher-quality decentralized sample collection technologies that could allow them to aggressively expand their presence in the decentralized testing markets. This still-emerging development was the second key finding, as it created an opportunity for the company to distinguish itself.

A third key finding was the identification of specific use cases that led to feasibility testing pilot projects with multiple larger companies. These efforts have the potential to drive value creation through future partnering/funding transactions.

Go-To-Market Lessons Learned: This 13th case study highlights the importance of starting go-to-market (GTM) activities early, when a technology and hypotheses about unmet market needs are still unproven. At its core, this project consisted of testing a series of hypotheses, first about the benefits of the technology and then about potential market opportunities.

This project integrated new clarity about the value proposition of the company's technology; the discovery of broad market trends; capabilities and limitations of various competing technologies; the strategic interests of specific companies in the space, including potential channel partners; and the identification of some initial market opportunities.

Crisp product value propositions and validated business models do not appear out of the blue. The importance of an adaptive mindset cannot be emphasized enough, because it drives the willingness to seek market feedback, learn from it and adjust direction. These insights can rarely be forecasted. The companies that get the biggest payoff from our GTM collaborations are those that actively address what is learned and then adapt their operating plans and strategies accordingly, including their intellectual property strategy.



Case Study #12: Hastening speed to market.

Type of Company: Personalized medicine oncology services company.

Go-To-Market Challenge: Critical raw material shortages limiting future revenue growth.

Go-To-Market Results: Tapping a global industry network, unlocked access in four months to a previously unavailable volume of raw materials from multiple new regions of the world:

- Delivered as much as 3.8x increase in high-priority raw material supply commitments compared with cumulative efforts during prior three years.
- By bringing clarity to global market conditions for accessing raw materials, enabled company to respond by rapidly developing two new product offerings that aligned with those conditions.
- The new global pipeline of strategic raw materials is forecasted to enable 36% growth in the existing revenue run rate.

Go-To-Market Lessons Learned: GTM® Hawthorne's unique methodology builds on the Commercial Spectrum™ as a different way to think about go-to-market (GTM), replacing the traditional Product Life Cycle. The Commercial Spectrum identifies four GTM action steps – unlock unmet need, hasten speed to market, maximize revenue trajectory, and accelerate positive cash flow.

Most GTM conversations focus on strategic marketing, the offering of products deeply valued by the market. But this project highlighted the importance of strategic operations, the delivery of products to the market in the timeliest and most cost-competitive way. An unmet market need will not be satisfied without clear product specifications and the qualification of suppliers who can reliably meet those specs and volume requirements over time.

This project was also an example of how, once an unmet need is clearly defined, the Commercial Spectrum directs a company's focus to speed-to-market and then to accelerating the revenue trajectory.

Finally, the rapid response to market feedback was an example of how GTM success – measured by dominant operating performance – requires an adaptive corporate culture in order to compete and win in a dynamic, ever-changing marketplace.

Case Study #11: Launching in a new geographic market.

Type of Company: Global bioinformatics company, headquartered outside U.S., offering customizable genomic management and analysis solutions to enable precision medicine.

Go-To-Market Challenge: Lay foundation for establishing beachhead presence in the U.S., which was a new market, and identify key go-to-market (GTM) lessons essential for future commercial success.

Go-To-Market Results: Tapping a national industry network, conducted 19 interviews and generated five qualified leads. Sales to academia move slowly; company continues to advance leads after completion of the project, building on one U.S. deal closed during the project term.

More significantly, identified four critical GTM hurdles to overcome in order to gain traction in an early, still-evolving marketplace. Recommended action steps to realize future commercial success.

GTM Lessons Learned: Osterwalder et al, in *Value Proposition Design*, describe how a powerful value proposition requires a deep understanding of customer jobs, pain points and gains. As such, insights into the following four factors were the longer-term value created during this project, specifically:

The Data Hurdle – Cleaning up legacy data is both taking more time than expected or desired while yielding uncertain future benefits and distracting from newer initiatives. At the same time, there is an explosion of new data which many existing systems are having difficulty integrating and harmonizing. Competing potential use cases, with different data requirements, make it harder to channel new data in ways that improve productivity across the spectrum.

The Organizational Hurdle – Academia’s principal-investigator-centric culture creates organizational silos and draws out decision-making, while creating a more data-centric world requires a large sample of data and harmonization.

The Ecosystem Hurdle – The presence of a large number of offerings and players means the marketplace has not yet rationalized itself; people are evaluating and using many different solutions, few of which appear to satisfy their current needs.

The Value Proposition Hurdle – Potential customers said the state of their data was their greatest pain point, and they often couldn’t think beyond those immediate problems. Relieving this impediment would add tremendous value.

This case study is a reminder that GTM success requires extensive, iterative field work with customers and then acting on lessons learned.

Case Study #10: Private equity investment due diligence.

Type of Company: Biosimilar.

Go-To-Market Challenge: Clarify key economic drivers in business model – including supply contract, reimbursement and general dialysis operations issues for potential investment in existing renal biosimilar operating business.

Go-To-Market Results: Interviewed executives (CEO, CFO, other financial executives, VP of Business Development, Director of Operations) and board members at DaVita, Fresenius, multiple independent dialysis service companies and National Renal Administrators Association.

Interviews uncovered key contract pricing, term and exclusivity trends, as well as specific pricing and reimbursement information, including how FDA label changes and Medicare bundle payments were changing clinical practices and patient economics. Confirmed central role of Chief Medical Officers in changing clinical protocols for introduction of new drugs, followed by the complex operational tasks of altering IT systems that capture and store clinical information for new therapies based on existing protocols.

Following the due diligence process, the private equity fund made the investment.

Go-To-Market Lessons Learned: Two results ultimately measure GTM success - valuations and operating performance. Being prepared for due diligence and for operational execution must necessarily precede GTM success.

Private-equity financing due diligence for an operating company in large part amounts to a critique of an existing value proposition and current operating performance, as well as an assessment of management's ability to deliver ongoing GTM results that maximize valuations and deliver dominant operating performance.

That critique requires a deep dive into the company's business model, to understand key economic drivers that may not be immediately visible. Pressure-testing the business model provides insights into whether the company can translate that understanding into revenue growth and cost-reduction opportunities.

Delivering on those opportunities requires mastering the three GTM challenge areas: product/service-specific, organizational, and external marketplace. The combination is both complex and dynamic, which is why many companies struggle to do it well.

Case Study #9: Designing new manufacturing process to cut costs and generate cash flow to fund new GTM growth strategies.

Type of Company: Specialty pharmaceuticals.

Go-To-Market Challenge: Develop backup GTM strategy if contemplated M&A transaction failed, after declining revenue and lower-than-desired margins led to investors forcing sale of company.

Go-To-Market Results: While developing Plan B option, created initial design for manufacturing process change forecasted to slash direct manufacturing costs from \$8 million to \$2.2 million (70%) at \$18 million revenue company, generating \$50 million of incremental cash flow over 10 years and improving gross margins by 32%.

The projected cost savings were forecasted to allow the self-funding of three clinical trials (Phases 2a, 2b, and 3) for new products or new indications for an existing product with estimated combined market potential of \$1.75 billion.

To reverse sales decline, developed three sales force staffing and selling initiatives.

To strengthen the clinical case for product and enhance market awareness, developed plan to publish data from 11 completed clinical studies and investigator-sponsored trials (ISTs), fund 11 more ISTs, and restart previous training and communications activities.

Go-To-Market Lessons Learned: The solution to this company's situation exemplifies Jim Collins's words in *Good to Great*: "Greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice...Think of the transformation as a process of buildup followed by breakthrough, broken into three broad stages: disciplined people, disciplined thought, and disciplined action."

Acting otherwise leaves patients, employees, and investors hanging.

The high production costs didn't make sense, so I asked a friend who had run process development at Genentech to investigate. He found published data showing the finished product had a four-year shelf life at room temperature. With the status quo being over 40 people doing only one or two production runs per year, the possibility of outsourcing manufacturing and doing single runs every three+ years could be envisioned.

The typical cascade effect from a lack of disciplined thoughts and actions: The company was up against a huge competitor. But, its product had known competitive advantages for certain clinical indications, with initial clinical study data to prove it. Yet, cash demands from high production costs made it hard to get the word out and fund more differentiating studies – all unforced GTM errors that didn't have to happen, leading to a company sale.

Case Study #8: Venture capital investment due diligence.

Type of Company: Hospital pharmacy logistics management.

Go-To-Market Challenge: Asked by venture capital investor to determine if there was an unmet market need for a company's beta product that automated tracking, chain-of-custody recordkeeping, and inventory management of medications distributed in hospitals.

Go-To-Market Results: Conducted marketing value proposition research study with hospital-based directors of pharmacy and nursing.

The study demonstrated how this product automated a part of the hospital operation that had not historically been captured by existing systems.

Key drivers that created market interest were the needs to prevent losses of high-cost medications and to shore up chain-of-custody processes for controlled substances.

Overall benefits included improving patient safety, enhancing cost efficiencies by streamlining workflows and ensuring greater chain-of-custody compliance, and providing analytic tools for record-keeping.

The product aligned with a broader trend in the industry of moving to full automation of the medication-use process, from the point medication is delivered to the pharmacy all the way through to patient administration.

The company subsequently closed on a new equity investment.

Go-To-Market Lessons Learned: Two results ultimately measure GTM success - valuations and operating performance. Venture capital financing due diligence for an early-stage company is largely a critique of GTM preparedness. This includes seeking validation of market opportunities, competitive landscapes and preliminary customer value proposition(s), as well as an assessment of management's ability to deliver results.

As described in case study #7, successful GTM initiatives – including preparedness – begin early in product development and touch all key value-creation moments throughout a company's existence: financing due diligence, taking new products to market, negotiating partnerships, improving existing product performance, and M&A deals.

That means there is GTM work to be done at every company stage. It is common to hear management teams describe GTM activities as something to consider when pursuing strategic financing or partnering transactions or when nearing the launch of products/services. That is simply not enough. Rather, addressing all three interrelated GTM challenges – product/service-specific, organizational, and marketplace – must be top-of-mind every day to rapidly develop products/services with compelling and sustainable value proposition(s) and then drive them to market in a capital-efficient manner that delivers maximum valuations and, eventually, dominant operating performance.

Case Study #7: Determining merits of launching new business unit.

Type of Company: Life science tools.

Go-To-Market Challenge: Evaluate merits of establishing a new business unit to bank outsourced biological samples from clinical trials and provide related biobanking services.

Go-To-Market Results: Extensive primary market research with over three dozen executives across the industry clarified the lack of a “got-to-have” value proposition for such a business. Using the parent company’s clinical trial activities as stealth entry points might have enabled new synergies and leveraging of existing relationships to become a solutions provider in clinical trials. However, client was cautioned that marketplace dynamics created significant obstacles to success, since biobanking services are often commodity offerings devoid of differentiation. Because biobanking is more of a back-office requirement in the clinical-trial continuum, the field is crowded with competitors for whom biobanking is neither a core competency nor critical to their central mission. This impacts the way services are bundled and priced, potentially distorting the true economics.

Also identified critical operational success factors, such as logistic capabilities and attention to service capabilities – including project management, turnaround time, and robust informatics – that would burden the business unit’s cost structure.

Go-To-Market Lessons Learned: This case study highlights a valuable and often overlooked GTM lesson. It is very tempting to develop presentations that focus on macro-market conditions, such as overall market size. That temptation can lead to comments like “it is a \$5 billion market, and all we need is 2% market share to have a winning business.” However, that approach fails to define initial market beachheads and the chasm that a GTM strategy must typically bridge to succeed. Macro-customers don’t place purchase orders.

In contrast, successful companies begin building their business cases early in product development, when a practical tug-of-war starts between a technology’s or service’s evolving capabilities, the resulting target product/service profile, and the dynamic definition of unmet customer needs.

That process leads to a deeper understanding of the jobs customers are trying to get done, including their pains and how existing solutions in the market are or are not working for them. Real market opportunities can then be identified and sized, and competitive landscapes understood. All of this crystallizes value propositions based on different customer-use cases and related product/service specifications.

This is essential to clarifying which unmet market needs are being solved in competitively differentiated ways, and whether the product’s/service’s unfolding microeconomics can be modeled well enough to confirm a viable business model.

A viable business model and compelling value proposition(s) enable successful due diligence scrutiny and top-flight operational execution. Both steps are necessary to deliver maximum valuations and dominant operating performance, results that lead to GTM success.

Case Study #6: Developing a go-to-market growth strategy.

Type of Company: Women's health diagnostic testing laboratory.

Go-To-Market Challenge: Company offered only undifferentiated, me-too products, limiting long-term growth opportunities and making it vulnerable to larger competitors.

Go-To-Market Results: In only three quarters, spending time in field with sales team achieved a record number of doctors placing test orders as well as a 40% increase in tested lab specimens, realizing third-highest quarterly specimen count in company's 12-year history.

In parallel, designed and initiated implementation of novel Innovation Hub GTM strategy, to create proprietary revenue-growth opportunities. The strategy included initiating licensing discussions for seven proprietary technologies, followed by reaching informal understandings (subject to closing a new financing) with leading clinical study sites led by clinicians affiliated with Harvard University, Whitehead Institute, Brown University, Washington University, Oregon Health Sciences University, UCSF, Stanford University, and UCLA. Strategy led to receipt of an \$8 million equity financing term sheet for company then operating on bridge loan monies.

Go-To-Market Lessons Learned: Kirk Raab, then-CEO of Genentech, once told me he expected his executive team to spend regular time in the field with customers. The ability to develop and evaluate the effectiveness of go-to-market (GTM) strategies demands it.

The Innovation Hub GTM strategy idea was originally created by a scientific/clinical advisor to the company, in response to a marketplace filled with undifferentiated, me-too products. Validated in the field, the strategy addressed a central, unmet market need arising from published clinical studies that lacked meaningful sample sizes and sometimes offered contradictory outcomes. In other words, doctors were not given clear outcomes data to make their practices more clinically effective.

The GTM solution was to license proprietary technologies that would deepen scientific and clinical understanding in a still-evolving field, while drawing on thought leaders who were also clinicians to test the technologies with appropriate sample sizes and publish the results. The company would get clinically validated, differentiated products, as well as gain credibility by supporting publication of both positive and negative outcomes data. The thought leaders would gain recognition from publications and an enhanced practice from newly validated technologies.



Case Study #5: Transforming a corporate strategy.

Type of Company: Translational medicine software and services solutions.

Go-To-Market Challenge: Dealing with a failed legacy business model.

Go-To-Market Results: Transformed business model via a new go-to-market (GTM) corporate strategy, with reconfigured software and service offerings that enabled the acceleration of translational medicine. Demonstrated proof of principle for new business model, closing six new sales transactions and initiating four licensing and co-marketing deal negotiations. At the same time, divested legacy business assets and transferred related personnel, equipment and facility lease.

Go-To-Market Lessons Learned: This is a challenging case study story. Why? The team had profound insights about where the market would go. They were ahead of their time, and time has largely proven them right. But they needed more.

The first GTM insight is that leading with a company-promoted "you-should-have" offering instead of a "got-to-have" customer solution will not satisfy existing unmet market needs. That gap led to a business model that caused the company to lose money at the beginning and then to lose progressively more.

The second GTM insight was that the company had, in the process, actually developed a translational medicine solution focused on what mattered to the market: the outsourced delivery of quality clinical and molecular information made possible by standardized physical workflows and structured data annotation, with an effective IT backbone.

The third GTM insight was that the failure to change direction rapidly enough resulted in the unnecessary burning of cash, which reduced the company's flexibility to develop the promising solution. The proof of principle was shown, but the company's limited cash resources eventually required a restructuring sale of the company.

It is a haunting GTM story of what could have been.

Case Study #4: Aligning organizational structure with growth strategy.

Type of Company: Medical devices.

Go-To-Market Challenge: Team capabilities and organizational structure not aligned with new strategic plan focused on delivering significant revenue growth.

Go-To-Market Results: Working with new CEO to ensure company could deliver operationally as it prepared for third consecutive year of 50% annual revenue growth and targeted revenue of \$50 million, developed new organizational design based on evaluation of key personnel, identification of critical operational functions, and requirements of new strategic plan. Simultaneously evaluated existing operating systems and processes, translating into specific short-term and long-term opportunities for improvement. Company sold 18 months later for \$370 million.

Go-To-Market Lessons Learned: Successfully going to market requires addressing three distinct challenges: product-centric, organization-centric, and marketplace-centric.

More specifically, go-to-market (GTM) activities stretch organizational limits in new and unprecedented ways. Yet, these organizational challenges frequently get too little attention – a huge mistake.

This case study highlights that organizational issues include having a team with the right capabilities to deliver on a company's GTM strategic imperatives, and syncing those capabilities via an organizational structure that enables people to collaborate effectively on their GTM mission. Ensuring that operating systems and processes create a timely flow of critical information and do not impede GTM performance is also important.

These are structural characteristics of an adaptive, high-performance corporate culture. They make it possible to focus on organizing to meet the ever-changing product-centric and marketplace-centric requirements needed to compete and win. Without them, culture is reduced to superficiality that employees will see for what it is – meaningless happy talk. GTM success requires much more.

Case Study #3: Fixing operational problems hurting revenue performance.

Type of Company: Life science tools.

Go-To-Market Challenge: Failure to deliver products in a timely manner led to 29% drop in revenue, 33% contraction in gross margin performance, and sales force's unwillingness to promote the category.

Go-To-Market Results: Improved customer on-time delivery from record low 79% to record high 95% in three months, decreased manufacturing failure rate by 55% in eight months, and cut inventory by 54% in six months. Successes were highlighted in CEO's quarterly Wall Street call and division sales were reintroduced into sales force compensation plan.

Go-To-Market Lessons Learned: There are three other go-to-market (GTM) lessons to this case study beyond the obvious lesson that operational execution is required to deliver dominant operating performance.

First, leadership turnover disrupts operating performance; here, the division's team had changed substantially. Some changes were necessary.

Second, commitment to fixing the problems by the corporate head of operations provided executive sponsorship and focus.

Third, while these products had become commodities, they were one of the first products used upon initiating experiments. Scientists couldn't start their work if the products were late, so they had begun buying from competitors. This product also provided an opening for the company to sell other products, including proprietary products with higher margins. When they lost this sale, the company's sales force often lost the ability to bundle sales of multiple products. That meant the cost of the division's operating performance failures far exceeded the direct decline in margins – the reason that fixing the problem led to a public acknowledgement by the CEO.

Case Study #2: Guiding sale of company.

Type of Company: Specialty pharmaceuticals.

Go-To-Market Challenge: Board decided to sell publicly-traded company, as it lacked cash resources required to launch new products, and ready access to new cash at acceptable valuations was determined to be too uncertain.

Go-To-Market Results: Hired by Board to work directly with investment bankers in sale of company. Closed \$5 million debt financing in first three weeks, extending near-term cash cliff and eliminating cash cliff vulnerability during M&A deal negotiations. During M&A process, guided investor relations efforts with respect to news release content about cash cliff and company progress. Prepared primary due diligence materials and represented company to buyer during transaction that achieved acquisition price of \$110 million, 211% of company's valuation when project began two months earlier.

Go-To-Market Lessons Learned: This case study highlights how early-stage companies face a capital efficiency ROI question. A first-time commercial product launch requires substantial incremental resources, both cash and human. As in any sales channel decision, management and the Board of an early-stage company must decide in a timely manner whether such a company can successfully deliver products to the market in a more capital-efficient manner than a larger entity.

In this case study, the Board acted on capital efficiency signals from the financial markets that said the company should not proceed as an independent organization. Responding to that, I was asked to bring clarity to the company's GTM strategy and translate it into a compelling due diligence information package that communicated the full valuation potential of the company's assets. However, being able to realize that potential first required being able to publicly announce the elimination of any near-term cash cliff concerns that would have otherwise led to downward pressure by the financial markets on the company's valuation.

Case Study #1: Preparing company for new product launch.

Type of Company: Biologics.

Go-To-Market Challenge: Company not operationally prepared for commercial launch of new product.

Go-To-Market Results: Achievements during tenure or within 3 months of departure: Successful FDA inspection, product launch and \$45 million IPO at \$143 million valuation, or 4x cost basis only 3 years after investment. Company achievements during subsequent 6 months: Revenue increased from \$14 million to \$45 million annual run rate, profitable and cash flow positive for 2 most recent quarters, after being within 5 months of cash cliff upon arrival at company.

Go-To-Market Lessons Learned: There are many important aspects to taking products and services successfully to market and there is no simple formula.

Figuring out which aspects matter most and in what priority is the art form of going to market. Yes, there are core go-to-market (GTM) principles that must be a part of every company's GTM plans and performance. But being successful requires each company's unique product, organizational and marketplace challenges be merged with those principles.

The dominant operating performance highlighted here was made possible by multiple related efforts. One of my partners closed a critically important business development deal that created the potential for accelerated top-line revenue growth. Another partner led a successful search for a new CEO. However, delivering on that deal and having an organization ready to respond to new leadership first required a lot of work to improve both operational execution and organizational focus/accountability.