

Ron Taylor

Interview conducted by

Mark Jones, PhD

March 14, 1997

SAN DIEGO TECHNOLOGY ARCHIVE



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Ron Taylor



Mr. Ronald R. Taylor, Ron has been the Chief Executive Officer of Evergreen Re Incorporated since May 1, 2010. Mr. Taylor is a Co-Founder of Cardinal Health 301, Inc. and serves as its Chairman of the Board and Chief Executive Officer. He served as Senior Vice President of Evergreen Re Incorporated since July 2008. He has been a Private Investor since 2002. He has been Special Partner of Enterprise Partners Venture Capital since April 2001 and served as a General Partner of Enterprise Capital from April 1, 1998 to 2002. He served as the President and Chief Executive Officer of Taylor Benefits since 2001, when he started it specializing in providing innovative solutions for controlling clinical and financial risk for large employers and managed care organizations. He started his insurance career in 1981. Prior to starting Taylor Benefit Services and neonatalconsult.com, He was employed by the Accident & Health division of Zurich North America for thirteen years where he consistently achieved superior results for sales and customer satisfaction. Mr. Taylor served as the Chief Executive Officer of Asteres Inc. until June 2009. He was Consultant to Cardinal Health Inc. from May 1996 to May 2002. He founded Pyxis Corp. in 1987 and served as its Chief Executive Officer, President and Chairman from 1987 until it was purchased by Cardinal Health Inc., in 1996 for a record \$1 billion. He was responsible for the operations and international sales at Hybritech, Inc., for six years. He served over ten years in management roles at Allergan Pharmaceuticals. From 1996 to 1998, he served as an Independent Business Consultant. He serves as the Chairman of the Board at 3E Company and EMN8 Corporation. He also serves as foundation chair at the University of California, San Diego. Mr. Taylor served as the Chairman of the Board at Asteres Inc. He serves as a Director of Aethon Inc.; The Active Network Inc.; Safe Life Corp. and Cardinal Health 301 Inc. He has been an Independent Director at Actavis, Inc. (formerly Watson Pharmaceuticals, Inc.) since 1994. He has been a Director of ResMed Inc. since January 2005 and Red Lion Hotels Corporation since April 1998. Beginning in 2002, he also served as Chair of the ResMed Foundation, although in connection with his appointment to the Board of Directors, he has resigned from the Foundation board. He also serves as Trustee of the San Diego Museum of Contemporary Art, the University of California San Diego

Foundation. He served as Director of eAssist Global Solutions. Mr. Taylor holds a BA from the University of Saskatchewan and an M.A. from the University of California, Irvine. He graduated from Auburn University.

Source: Bloomberg Businessweek



THE SAN DIEGO TECHNOLOGY ARCHIVE

INTERVIEWEE: **Ron Taylor**

INTERVIEWER: **Mark Jones, PhD**

DATE: **March 14, 1997**

1 **TAYLOR:** I received a bachelor's degree in chemistry from Saskatchewan. I went into
2 a Ph.D. Program at UC-Irvine, and after about a year and a half, I said 'I'm in the
3 wrong place.' I looked around at my fellow graduate students and saw that we had
4 nothing in common, and I thought, 'Either I'm in the wrong place, or they are. It's
5 probably me.' I realized I didn't want to be a researcher, I didn't want to be a
6 university professor, so I quit. They gave me a master's degree on my way out the
7 door, and said 'You'll be back, it's a cold, cruel world out there.' Well, I never went
8 back.

9 **JONES:** Where did you go?

10 **TAYLOR:** I went to work for a pharmaceutical company called Allergan. Allergan in
11 those days was a company that had about ten million a year in revenues, a hundred
12 and fifty employees. Ophthalmics, eye drops, contact lens solutions, all kinds of things
13 related to the eye. It was headquartered in Santa Ana, California, which was right
14 near UC-Irvine, and I happened to be a teaching assistant while I was in my graduate
15 program, and one of my students was the daughter of the VP of research at Allergan.
16 That's how I got the job. We were dating at the time. So, I was looking for a job, and
17 actually I was looking for a job in Canada, because I came from Canada, I was on a
18 student visa, and if I had tried to get a permanent visa in the United States, I would
19 have been drafted immediately. It was the height of the Vietnam War, and there was
20 no way I wanted to go to Vietnam. This was in 1970. So, I said, 'I need to go back to
21 Canada.' I tried to find a job in Canada, but couldn't find one. It was very tough
22 economically in those days. Allergan happened to be a rapidly growing company -- a
23 small company, ten million a year in sales, but growing by about 25% a year. And they
24 had recently built a manufacturing plant in Puerto Rico. Now, they built the plant in
25 Puerto Rico for tax reasons, because Puerto Rico had some tax advantages for locating

26 manufacturing there. But what it did, it screwed up Allergan's ability to sell their
27 products that were made in Puerto Rico overseas, because of transfer pricing issues --
28 they were charging high transfer prices to bring the products back into the States, to
29 make their money in Puerto Rico where there was no tax. But they couldn't charge
30 those high prices to their arm's length customers outside the United States because it
31 didn't allow for mark-up for their distributors. So they were screwed, and they had to
32 find another location outside the United States to make products -- Canada. So, they
33 needed somebody to go to Canada and start a manufacturing program for them, and
34 here I was, a Canadian, looking to go to Canada, I had a master's degree in chemistry,
35 so they trained me in the pharmaceutical industry in the states on an extension of my
36 student visa for two years. They sent me to Montreal and I spent a couple of years
37 there building a manufacturing plant.

38 **JONES:** Did they hire you specifically for this purpose?

39 **TAYLOR:** Yes, they hired me to do that. So, it was a fantastic opportunity to learn the
40 business and then to go off on my own to start a manufacturing plant. You know, I
41 was twenty-four years old, it was great.

42 **JONES:** And you were successful there?

43 **TAYLOR:** Yes, absolutely. It was part of my entrepreneurial experience, because there
44 I was by myself, setting this whole thing up. I had no business experience, but I had
45 to do it. I had capital, because obviously they funded it. It was very successful. Two
46 years later, I hired my replacement there and they transferred me back to California.
47 By this time, I had married an American. The Vietnam War was over, and I had a
48 green card to get back into the States. I spent a couple of years then in California with
49 Allergan, in charge of technical support for offshore manufacturers, like the Canadian
50 thing I'd set up, and we had some third-party manufacturers in some of the South
51 American countries that didn't allow imports, so I had to look after them technically.
52 Then, in the middle seventies, I went to Ireland with Allergan and built a
53 manufacturing plant there to serve the European Common Market, and there are tax
54 advantages to Ireland. So, I went off again, all by myself, and built a several million
55 dollar manufacturing operation. I spent two years in Ireland.

56 **JONES:** So, Allergan is getting quite a bit bigger during this period?

57 **TAYLOR:** By the time I went to Ireland, they were probably thirty-five or forty
58 million in annual revenues. I spent a couple of years there, again hired my
59 replacement, came back to California, and now I was in charge of all of Allergan's
60 worldwide manufacturing, including the U.S., all operations, distribution, and all that
61 sort of stuff. And a year or two later, Allergan was acquired -- we were a NYSE listed
62 company -- we got acquired by Smith-Kline. So, I went from being a member of the
63 executive committee of a publicly trade independent company to being a subsidiary
64 manager, and it wasn't so much fun anymore. By this time, Allergan is at about 120
65 million a year in annual revenues, doing very, very well, I was thirty-three years old,
66 and I wasn't looking to leave. You know, I had a good job. I was making good money,
67 but I got a call from a recruiter saying there was an opportunity with a small start-up
68 biotech company in San Diego, and would I be interested in coming down and having
69 a look? Why not? So, I went down to Hybritech, and Ted Green had an office in a
70 trailer in the parking lot of the La Jolla Cancer Research Foundation, and a couple of
71 labs that he was leasing, and I talked to the venture capitalists, and they were the
72 ones that really helped convince me. This was Brook Byers. Brook and Tom Perkins
73 really convinced me that I had nothing to lose. I was being recruited as vice president
74 of operations to build the facilities, get the manufacturing plant in place, quality
75 control, materials management, all that sort of stuff. And if Hybritech were to fail, it
76 would fail technically. There would be something wrong with the antibodies or
77 whatever, they just didn't work, and it wouldn't, therefore, be a black mark against
78 me. I wasn't the research brains putting this thing together, where it could said, 'well,
79 you screwed up.' So, it was a really low risk situation. And they said, 'Look, we're
80 investing in start-up companies all the time, and if this one doesn't work, we'll find a
81 place for you. So, I kind of looked at it and asked, 'What's my risk? Why not take a
82 chance here?' So I did.

83 **JONES:** Did you have other offers, other ideas?

84 **TAYLOR:** No, because I wasn't looking for anything. So I said, 'Yeah, this looks like
85 fun. I liked early stage, I liked start-up. I'd been to Montreal starting up a
86 manufacturing plant, I'd been to Ireland and started one up -- all by myself -- I didn't
87 go out with teams of people. It was a small company, I'd been sent out on my own.
88 So, I wasn't afraid of it. I wasn't saying 'Geez, what am I going to do?' That never
89 crossed my mind. I knew what to do. And it was an opportunity to make some bucks.
90 I'd made some money at Allergan through the stock option program, and here was an
91 opportunity to maybe make even more.

92 **JONES:** How old was Hybritech when you came down?

93 **TAYLOR:** Two years old. No products, no facilities, no manufacturing, but they were
94 getting close to filing for some of the diagnostics products with the FDA, but hadn't
95 filed anything at the time. I talked with Ted Greene, Brook Byers, Tom Perkins. Tom
96 Adams had just been hired. Howard Birndorf was there. So, it was a small team. I
97 came down for a couple of dinners, you know with the guys, that sort of thing.

98 **JONES:** What was your impression of the team?

99 **TAYLOR:** A bunch of guys that had been with companies, with the exception of
100 Howard, who of course, had only worked in the university. You know, you had Tom
101 Adams, who had worked at Baxter. Ted Greene had been at Baxter. There was a guy
102 there who had been at Johnson & Johnson, Paul Rosinack, who left shortly thereafter.
103 So, you had guys who had experience in big companies, who seemed to know what
104 they were doing, and here they were off to create their own empire. So, it looked like
105 a good thing to be a part of.

106 **JONES:** So, you came down to San Diego. What was your first day on the job like?
107 What were the problems you had to solve?

108 **TAYLOR:** They had a guy working there as a sort of engineering manager -- his name
109 was Phil Levenson. Phil and I had worked together at Allergan some years before. Phil
110 had left, but I hadn't really known where he had gone. Here he was at Hybritech,
111 probably my one and only employee a Hybritech. Well, actually, I think I had about
112 six or seven employees that I'd inherited. I had come from having seven hundred at
113 Allergan, and now I had six or seven. Phil was one of them, and he had just leased a
114 building that was to be used for manufacturing. So, really the first thing that I needed
115 to do was dig in and make sure that we could get this building converted into a
116 manufacturing facility. It was shell building over in the Miramar area. So, that was
117 really the first thing I jumped into. We had these products that were going to be
118 coming through the pipe, and the R&D guys were really excited about them, but they
119 weren't there yet. But once they got there, we were going to have to be able to make
120 them.

121 **JONES:** So how long was it before the new building was built, the building up on
122 Torrey Pines Mesa?

123 **TAYLOR:** I came in right at the beginning of '81. I think we moved into that building
124 at the end of '81. It was under construction at the time I joined the company, sort of
125 at steel-frame status. Miramar was manufacturing; the building at Torrey Pines was
126 R&D and offices. The only manufacturing we ever did there was the manufacturing of
127 the antibody itself that we grew in mice. For the first couple of years of production,
128 we had a mouse facility at the Torreyana building, before we built another new
129 building over at Miramar. But that building was part of my responsibility from a
130 facilities point of view, all the construction, maintenance, and so on.

131 **JONES:** What kind of operation is it to produce antibodies?

132 **TAYLOR:** Antibodies today are produced differently than they were then. This was all
133 pioneering stuff. The researchers grew their antibodies in cancer tumors that they
134 induced in mice. So, that's what we used also, in manufacturing. We got to the point
135 where we were -- we used the term 'processing' -- twenty to thirty thousand mice a
136 month, and quite a staff that took care of them. I mean, it's pretty gruesome, but the
137 animal rights people, they had no idea where we were. We had a building that was
138 absolutely unmarked. No markings on it all, you couldn't tell what was going on in
139 there. That was our little antibody factory, where we were hauling in live mice and
140 hauling out carcasses, twenty or thirty thousand a month. Now antibodies are
141 produced -- and we were doing some work on this in those days -- but now they're
142 produced in sort of big batches in vitro, which is much more cost effective and easier
143 to do. One of the interesting things about the whole manufacturing process at
144 Hybritech, though, was it was very, very highly technical stuff. You know, I'd been
145 making sterile products for the eye, and that has its own set of technical issues, but
146 boy, this biotech stuff was a whole different animal. In my part of the operation, I had
147 probably a half dozen Ph.D. biochemists working for me in manufacturing, in
148 manufacturing process, those sorts of things. It was very complex, it wasn't simply a
149 bunch of minimum-wage blue collar workers.

150 **JONES:** You had some background in chemistry, so...

151 **TAYLOR:** I could understand the science, which I think was very important. Initially,
152 when they'd been recruiting for a head of manufacturing, head of operations, they
153 had been looking for someone with a Ph.D., and they couldn't find anyone
154 appropriate. Then they sort of backed down and said, 'OK, who can we get out of the

155 pharmaceutical industry that's local? That's where they got my name, up in Orange
156 County.

157 **JONES:** Who did you work with on a daily basis, who did you report to?

158 **TAYLOR:** Ted Greene was the boss. He was the president. I worked very closely with
159 Tom Adams in R&D, and also Jim Youngworth, who was the chief financial officer,
160 because we were doing a lot of construction, and buying equipment and all that sort
161 of stuff. And then Paul Rosinack, who was the VP of marketing, I worked very closely
162 with him as we were putting together all of the packaging and so on, for all of the
163 products that were going to be coming out. I don't where Rosinack is today, but
164 somebody you should talk to is Cole Owen. Cole worked for Paul Rosinack, and I
165 worked very closely with Cole because he was doing a lot of the marketing stuff and
166 Rosinack was more sales oriented. I think Cole was director of marketing or
167 something like that.

168 **JONES:** Did you run into problems along the way? Or was it smooth sailing?

169 **TAYLOR:** Never. The culture -- this is something that's quite important, I think,
170 because it explains a little bit about the success that we had, and a little bit about why
171 we sold the company ultimately. But it also explains why so many of us went on to
172 start new companies. Basically, Ted Greene recruited a handful of people who were
173 very independent, self- starters. As a result, there was very little one way that we did
174 things, very little teamwork, that said 'OK guys, we're going this way.' Ted didn't
175 bring that out in us, anyway, I'm not sure that he could have. But Ted was not the
176 sort that was a team builder. He recruited a bunch of people who were very strong-
177 willed, and we were going in every different direction, all at the same time. Everybody
178 seemed to have their own agenda. New people kept coming into the fold, he hired
179 David Hale. Hale, who had his own agenda. David Kabakoff, Cam Garner, all these
180 guys came in later. There was a core of us that came in at the beginning. Wollaeger
181 came in later. Everybody seemed to be going their own way. Wollaeger and I
182 probably worked the best together, once he and I arrived. And we both seemed to
183 think, 'we're trying to run a business here guys. I don't know what all the rest of you
184 guys are trying to do, but there seems to be no continuity in programs.' But the
185 bottom line was, we ended up with a bunch of people who, once the company was
186 sold, were very anxious to go out and do their own thing -- start new companies.

187 **JONES:** Was this recruiting pattern by design, or was it just fortuitous that you had
188 these people -- independent, self-starters -- was this a plan?

189 **TAYLOR:** Well, I don't think it was a plan, but if you think back, you know, 1978-
190 1980, 1981, when all of us were being recruited, we all came out of big pharmaceutical
191 companies. I came out of the probably smallest, but we were still over a hundred
192 million dollars a year in those days. That was still a pretty good sized company, a
193 couple of thousand employees. There hadn't been any opportunity, really, to go out
194 and start your own pharmaceutical company. I mean how many pharmaceutical
195 companies were started in the '60s or '70s? A couple maybe, Syntex, I can't think of
196 another one. All of the pharmaceutical companies had sort of always been big, I mean
197 the Lillys, the Mercks, you know, the Schering-Ploughs -- where were the start-ups, I
198 mean, there weren't any. So, I think that when this opportunity came along in
199 biotechnology, the first few of us that jumped at the chance were probably the self-
200 starters. You know, we'd spent ten years or fifteen years working in the big
201 companies, and they were, quite frankly, frustrating. But where did you go? You
202 know, you didn't go out and buy McDonalds franchises; that was the only
203 entrepreneurial thing that I can think of that there was in those days. We used to
204 look, we used to read the Wall Street Journal all the time, and think of 'what could we
205 do?' Well, in your field, you can't do much. And all of a sudden this biotech thing
206 comes along. Well, of course, in recent years, there have been thousands of people
207 recruited out of the big pharmaceutical companies to go into start- ups, but I think
208 the first wave of us were pretty entrepreneurial people. You know, my background
209 certainly was, in terms of some of the things I'd done. I liked doing that stuff. You
210 know, I liked being out in Ireland for a couple of years on my own. It was much more
211 fun than being back in the head offices with all of the politics. I think, by definition,
212 Ted got together a bunch of guys who didn't work together very well as a team taking
213 direction from somebody.

214 **JONES:** What were some of the technical problems that came up in your domain,
215 manufacturing?

216 **TAYLOR:** Well, typical of technology oriented businesses, the R&D guys can make
217 something in the lab work once, it works great, so now it's a product? First, try to do
218 it again. Second, try to scale it up. It's tough. And R&D people don't have much
219 tolerance for manufacturing and all that sort of stuff. They're inventors, they don't
220 want to do it again. I did it once, I wrote my paper, got it published; it's on to the next

221 thing. So, a lot of the stuff in the early days was purely the technology -- does this
222 stuff really work? And why isn't it reproducible? It's biology. It wasn't like mixing two
223 things together and ending up with a simple answer. You're growing things. They
224 don't always grow the same. So, there were a lot of technical issues, just pure science
225 issues that caused us trouble. And one of the things in a brand new field like this,
226 where we were literally creating new science. We had to educate the Food and Drug
227 Administration. They came in and spent weeks and weeks and weeks with us, where
228 in their normal routine it would be, 'we're here to audit your processes to make sure
229 you're doing things right,' they were there trying to figure out what we were doing.
230 And so they couldn't sort of write us up and say, 'well, you've got a problem here.'
231 They had nothing to base it on. The Food and Drug Administration did a lot of their
232 groundwork with us, in how they would regulate these sorts of processes in the
233 future.

234 **JONES:** Did they hold you up?

235 **TAYLOR:** No. But, the other thing we found was that specifications for results -- how
236 should something work -- were very, very difficult to pin down. You could have a guy
237 in R&D who said, 'I'm the expert here. I know that you have to fall between these
238 limits. If you don't, this test isn't going to work.' We'd find that we couldn't make it
239 that way in manufacturing. But it did work. And now you're shipping products -- and
240 I also had Quality Control -- we're shipping product out frequently that failed our
241 own specifications, but that we knew, fundamentally, worked just fine. And I couldn't
242 get the R&D guys to change the specs, because you can't just arbitrarily change the
243 specs, you've got to get the R&D guy to agree. So we had a lot of battles that way.
244 Instead of simply back-ordering a product, we'd say, 'No, this is good enough to ship.
245 We're going to ship it with a variance that says it didn't meet this specification.' But
246 you know what? It doesn't matter, because what do we know anyway? Because again,
247 there wasn't fifty years of history that said, 'well, we know that this chemical has to
248 do that.' This was all brand new stuff. And that's kind of fun, too, to be out there on
249 the edge.

250 **JONES:** Can you remember specific products that posed problems, something wasn't
251 working? Specific conversations with R&D people?

252 **TAYLOR:** Not really, although these pads that did end up working for me, all came
253 out of R&D. Because I basically said, 'Look, if you guys are going to be such critics

254 over there, come over on my side and see what happens.' And sure enough, once they
255 became part of the manufacturing operation, the process of improving process
256 development, all of a sudden their eyes opened up to the real world problems. So, it
257 helped. Have you talked to Bob Wang? He'd be a good guy to talk to because he's
258 really cynical. It's his nature. And he would, I'm sure, have some great insights. He's
259 one of the R&D pads who came over. Tom Adams would know where he is. The other
260 person you should talk to is Tom Adams wife, Barbara McCampbell. She was head of
261 personnel. She may have stuff you can get money for -- one never knows.

262 **JONES:** Which were the big products that went out during your time in
263 manufacturing?

264 **TAYLOR:** The biggest was the ICON pregnancy test, the little thing with the blue dot
265 in the middle. By far, the biggest thing that we did. The other tests were all very --
266 you know, we had IGE and TSH, and a whole bunch of different hormone tests. We
267 also brought out the PSA test, the prostate cancer test, which turned out to be a very
268 big product. Also during that time, I had the manufacturing group that manufactured
269 the injectable antibodies as well, the ones we labeled with radioisotopes; the stuff
270 Karen Klause was involved in. All the stuff that she was involved in those early days,
271 the clinical trials and so on. I made all of the materials for her, so again there were
272 Ph.D. specialists in radioisotopes and injectable products, it was pretty complex,
273 highly technical stuff.

274 **JONES:** Why then did you make the jump to International Sales?

275 **TAYLOR:** Simple. David Hale didn't like me. I don't know if that's too strong, but it's
276 probably correct. Hale came in as, I think his first title was senior VP of marketing.
277 Ted Greene had a problem. Ted couldn't fire anybody. Hale was brought in to get rid
278 of Paul Rosinack, who was VP of marketing, because Ted couldn't do it. So, he
279 brought Hale in as senior VP of marketing. Why did we need a senior VP of
280 marketing? Well, we didn't. So, that's what it was for, and a few months later, Hale
281 fires Paul Rosinack. Wollaeger was brought in to fire Jim Youngworth, who was chief
282 financial officer. Ted couldn't do it. So that was just part of his nature. Well, Hale
283 comes in and he's running marketing. Hale ultimately became executive vice-
284 president and chief operating officer, a position that I thought I should have had.
285 That's fine. He got the job. He had a guy who had worked for him in two prior
286 companies, who was an operations guy that he wanted to bring in, into my job. First

287 he tried to bring him in working for me, and the guy wouldn't come under those
288 circumstances, so I could see the handwriting on the wall, that Hale was basically
289 trying to bring this guy in because he was his buddy. Chet Damecki. So, I went to
290 Hale one day, and I said, 'Look, I've been the biggest critic of our international
291 operations, or lack thereof, why don't you put me into a job where I can line up some
292 international distributors and get some stuff going, and that will open up the open
293 operations job. You can bring Damecki in to that position.' I'd lived internationally.
294 I'd never had any direct selling or marketing experience, but I figured, 'Heck, I can
295 sell anything. I can put the organization together to do it.' So, that's what we did.
296 Hale wanted me out of the job that I was in, and creating this international sales and
297 marketing, it needed to be done anyway, why not do it. So, that's what I did. We had
298 an operation already in Belgium that was handling Europe. These were some buddies
299 of Ted Greene's, that he had hired, former Baxter guys. You should talk to one or two
300 of them, too, if you want some real...Michel Decoux and Guy Vandeweghe. So, I had
301 international non-Europe, Canada, the Far East, Australia, etc. Over a couple year
302 period, I put a direct sales force into Australia, direct sales force into Canada, and
303 probably got sales up to the five million dollar a year mark. So I did pretty well, I
304 think, with a very small staff. This was all direct sales or through distributors. We did
305 a lot of work in Japan trying to get a partner, but by the time I left, that was not a
306 done deal yet.

307 **JONES:** So, you were happy with way this going for the next two years?

308 **TAYLOR:** For one year, and then we sold the company to Lilly. So, in '86, Lilly comes
309 in, and of course, they had their own agenda. They had their own way they wanted to
310 do everything, and they wanted to do it with their own people. So, at the time that
311 the deal was done with Lilly, Lilly required all of us to sign three-year employment
312 contracts, because they didn't want us all leaving the next day. They wanted us
313 hanging around, but they knew that we hadn't come to Hybritech to collect Lilly
314 pensions. So, they wanted to sort of lock us up with some kind of golden handcuffs.
315 What they really wanted to do was manage our departure over a period of time. So, I
316 lasted one year. I signed a three-year contract, but after one year, it was pretty clear
317 that they didn't want me around any longer. So, I negotiated a settlement and left.
318 Ted left first. Tim left second. I left third. Within months after I left, Cam Garner,
319 David Hale -- Adams was already gone. Adams and Howard Birndorf had left to start
320 Gen-Probe.

321 **JONES:** You knew what was going on before the Lilly sale?

322 **TAYLOR:** No, I think just Tim and Ted. But as soon as the deal was announced, it
323 was 'OK, where are we going to go next?' And literally, they were going to pay us for
324 three years, so I'm going to sit there and collect money for as long as I can until the
325 right thing comes along. So, I lasted one year. But when I left, I took some time off,
326 which I wanted to do. I took off for five months, and seriously looked for a new deal. I
327 didn't go straight from Hybritech, straight into starting Pyxis. I had about four or five
328 things I looked at before I decided on Pyxis. They were all venture capital-backed,
329 early stage companies, and they were all medically oriented. A couple of them were
330 up in the Los Angeles-Orange County area, a couple were here in San Diego. As I
331 recall, a couple of them were biotech related stuff, one of them was a big medical
332 instruments deal. But when I was looking at them, what I was looking for was to get
333 involved with the right people, because what I've learned in life is that the people is
334 what makes all the difference. And if I didn't like the people, whether it was the
335 investors, or maybe some adventurers or entrepreneurs that were already involved, I
336 said, 'No, thanks.' It really does come down to dealing with good people, people that
337 have a good reputation, people you can trust, people you like. So, that's what I was
338 looking for. If I didn't ever want to work again, I didn't need to work. But in those
339 days, because I hadn't yet done my own thing, I'd been a VP. I really did want a
340 company, start a company and be the CEO, and build the company. The difference
341 today is, I've done that now, and I don't want to that again. I'm on boards. The nice
342 thing about being on boards is that, in every case, I get stock options, and I also get
343 an opportunity to invest my own money. So, in any one of the deals -- I'm on five
344 boards right now, I'll probably join a couple more -- Each one of them could yield me
345 hundreds of thousands of dollars over the next couple of years. So, they can be very
346 lucrative at the same time.

347 **JONES:** How did Pyxis get started? I've heard Tim Wollaeger's story.

348 **TAYLOR:** Wollaeger's funny, because we hassle him all the time about his selective
349 memory. He gets some things right, but not always. Not everything. The Truth
350 is....This doctor in Los Angeles, Glendale, actually, was a tinkerer, an inventor, a guy
351 who literally worked on stuff in his garage. I mean, he's got his medical practice, but
352 he just worked on things, some things related to medicine, some not. He was an
353 inventor. He patented a few things. Never ever commercialized anything; never made
354 a nickel off of anything that he had ever come up with, and he's over seventy years

355 old at this point. And one of his daughters -- she's my age -- so back when I was
356 trying to avoid going to Vietnam by heading back to Canada, she was a sort of a drop-
357 out of society, a hippie living on a commune in Oregon or somewhere, and ultimately
358 then, ended up in a convent, and from there, ended up in India with some guru, so,
359 she was not what you would call mainstream. So, she came back, back into society,
360 and decided that she was going to help her Dad get this invention that he'd come up
361 with into the marketplace. She knew nothing. And, she found a guy, and I'm not
362 exactly sure how she found him, but she found a guy in Orange County working for
363 Ernst & Winnie in those days, Ernst & Young today, who was in the business
364 development end of the practice, and he wrote a business plan for her, he helped her
365 write a business plan for this invention, and helped her find potential investors. And
366 the first potential investor that he found was a guy in Orange County who had been
367 one of the early people in CareMark, which is a home care company that was
368 ultimately sold for 500 million dollars to Baxter. This guy knew Tim from Baxter.
369 They'd both worked for Baxter together in the early '70s. And he was investing his
370 own money in deals, but he knew that Tim had started this venture capital fund in
371 San Diego, so he introduced the whole entourage to Tim. So, when the company was
372 founded, he put some money in, another friend of his put some money in, and Tim
373 put Biovest money in. So, of the first five hundred thousand dollars, four hundred
374 came from Biovest, fifty grand each from the other two guys. So, Tim was introduced
375 to it through this guy in Orange County (who I played golf with yesterday). So all of
376 this, the preliminaries to putting the company together, was taking place in May of
377 1987. I had my first meeting with Tim in May of '87, and he hadn't yet funded the
378 company, but he was thinking about doing it, and he said, 'I really need somebody to
379 get somebody to come in and run it for me, and I want you to do that.' So, I told him
380 that I would, but I had some commitments, and I couldn't actually start work for the
381 company until August 11th. So, during that period of time, between my meeting with
382 Tim in May and August 11th, the company was actually funded, and I was involved,
383 but not as an employee, but just as an interested party who would soon be joining the
384 company. I was involved in a variety of meetings back and forth about some stuff that
385 had already been underway, even before Tim got involved, because this was an
386 invention...In fact, when Pyxis was started, it actually bought the assets of a company
387 that the doctor had already started up. They'd already done some contract work on
388 software and all that sort of stuff, so I was involved right from the beginning. I started
389 with the company on August 11, 1987, and there was myself and the doctor's daughter,
390 who were the two employees. And I fired her about a year later.

391 **JONES:** Did you bring in any people from Hybritech?

392 **TAYLOR:** Yeah. I brought in one, who brought in two more, so, three altogether. I
393 had only worked with one of them. I had worked with a guy named Pat Steusloff, who
394 became my VP of product development, who had been a product development guy at
395 Hybritech. And he brought two people with him. And that's all the Hybritech people
396 we actually ever took.

397 **JONES:** Tim Wollaeger was on the board?

398 **TAYLOR:** Wollaeger was on the board. Ted Green was not on the board originally,
399 but joined the board later.

400 **JONES:** What was it like getting Pyxis off the ground?

401 **TAYLOR:** Like pulling teeth. You realize, as the CEO, that your number one job is
402 raising money. And that's really all you do, full-time. For the first five years, I raised
403 money every year -- private capital, venture capital sources. Every year for five years.
404 It was almost a full- time job for that period of time.

405 **JONES:** Did your Hybritech experience help there?

406 **TAYLOR:** Absolutely. First, I started off with people I knew from Hybritech. They
407 were my first source of capital. And that's where some of the first investors came
408 from. Or they then would introduce you to someone else. There's a very small
409 network of venture capital in this country, and it's headquartered in the San
410 Francisco Bay Area. And once you know those guys, you've either got a good
411 reputation, or you don't. And if you don't, you'll never raise money, period, so forget
412 it. And if you do, you can raise money. Now, in my case. I could raise money, but
413 you've got to meet the milestones: 'OK, you said you were going to do this, and you
414 didn't do this. How much money are you looking for? Five million? Geez, I don't
415 know if you'll raise five, but we'll put in two million, but it will be at a lot lower price
416 than you want it.' You know, you're constantly negotiating with these guys, until
417 things finally start to happen.

418 **JONES:** Did you run into technical problems?

419 **TAYLOR:** The technical problems were minor. They were really non-issues. The
420 problems we ran into were market acceptance problems. Anytime you're trying to

421 change behavior in the marketplace, you can have the greatest invention in the
422 world, but nobody wants it.

423 **JONES:** Who didn't want it?

424 **TAYLOR:** There's a phenomenon you run into -- inertia. What's the law of inertia: a
425 body at rest tends to remain at rest, a body in motion tends to remain in motion,
426 right? Well, those bodies there at rest don't want to budge. The doctor's invention,
427 we threw out. It wasn't going to work. He had invented a system where each patient,
428 at their bedside, would have a drug dispenser that would have their drugs in it. And
429 they would be segmented according to the time of day for administration. Nine
430 o'clock meds would be in one department, twelve o'clock meds would be in another
431 department, and so on. And all had electronically limited access so the nurse couldn't
432 screw up. Well, basically he didn't like nurses. He was a typical doctor, he didn't trust
433 them. So he tried to put a system in place that would absolutely tie the nurse's hands
434 behind her back so she couldn't give the patient the wrong medicine. Well, we went
435 out and did our market research on that. There were a few pharmacists who said,
436 'Gee, that would be a great idea, because I don't trust those nurses, either.' And every
437 nurse we talked to said, 'This will go in here over my dead body.' You can't
438 completely shut down the way I do things. What are you trying to do? I've got to have
439 some flexibility in the way I handle my drugs and my patients. You can't change my
440 practice.' So, we had to throw the doctor's idea out, and the doctor, of course, was
441 adamant that he was correct. Absolutely, he had the right answer, this invention was
442 the right thing. Well, if you can't sell something, I don't care how good your
443 invention is, you've got to look at your customer. What are your customer's problems,
444 and how can help the customer? So, during all this market research we were doing,
445 we discovered that there was a problem that they had that wasn't being resolved. And
446 it was narcotics -- very specifically, narcotics. They're very paperwork intensive,
447 they're very labor intensive -- they're a pain in the butt. But you can't avoid the
448 responsibility because there are laws, and you have to document everything you do
449 with them. It makes them just...a problem. Ten percent of the drugs in hospitals are
450 narcotics, they take up half your time, because you can't just ignore them, you can't
451 just say 'I'll dry lab it at the end of the day, when I get a chance.' You'll lose your
452 license. You can shut the place down. So, at that point, I said, 'If banks know how to
453 look after money on the street corner in these new-fangled automated teller
454 machines that they have out there, and they know who gets into them, which
455 account they took their money out of, and how much money they took, I can do the

456 same thing with drugs in the hospital.' I invented, then, a bank teller machine for
457 narcotics. It was not the doctor's idea.

458 **JONES:** Who has the patent?

459 **TAYLOR:** Myself, Pat Steusloff, Bill Williams, who was the sale guy I hired, and the
460 daughter was still there at that time, so she's on there. The four of us are all on the
461 patent. And, we basically said, 'This is the answer.' And the old doctor said, 'It'll never
462 work.' So, we threw him off the board and he still had all of his stock that he got,
463 which is probably worth -- I don't know how long he kept it -- but it's probably worth
464 ten to twenty million dollars. So, he did pretty well for an invention that we never
465 used. And we went on our merry way with the Med Station for narcotics. Now, the
466 nurses loved it, because it took them out of the paperwork business. If you go to a
467 bank teller machine, there's no paperwork. A nurse goes to a MedStation, there's no
468 paperwork. The old method was filling out forms, looking for a key to a locked
469 cabinet, getting hassled by pharmacy all the time, because the things never added up
470 right, doing counts at the end of every shift so they knew exactly how many doses
471 they had. We wiped all that out, and the nurses absolutely loved it. We had nurses
472 hugging their MedStations. And that was the answer -- look at your customer. The
473 old doctor was an inventor, he was going to come up with an invention that was
474 going to suit him, not the customer. So, we just made a fundamental change from
475 what the company was started around.

476 **JONES:** Had you invested a lot of time in the doctor's invention?

477 **TAYLOR:** Probably a couple of million bucks, and a year and a half.

478 **JONES:** And having to throw out all that work was what made raising money...

479 **TAYLOR:** Difficult.

480 **JONES:** Did Kleiner-Perkins invest?

481 **TAYLOR:** The big one from Hybritech was the Hillman Company. Henry Hillman.
482 He put a lot of money into Pyxis.

483 **JONES:** How did you sell him on it?

484 **TAYLOR:** I took a MedStation to Henry's office in Pittsburgh. Henry Hillman is a
485 billionaire, and I actually took him the prototype MedStation, shipped it to
486 Pittsburgh, uncrated it in the lobby of his building, up the elevator, and could hardly
487 get it down the hallway because the carpet was so thick, we were trying to roll this
488 thing along. We demoed it right there in the boardroom, and sold him on the
489 concept. And my guess is, and I'd have to look back at it, he probably invested one
490 and a half to two million dollars, and he probably made fifty times his money.

491 **JONES:** And once you got the MedStation up, it was pretty much clear sailing?

492 **TAYLOR:** We went into the first test site in '89, the summer of '89. It was two years
493 after starting the company, and by the fall of '90, we were starting to roll out into
494 numerous hospitals and that was still tough, because you can sell anything to ten
495 people, OK. You've got to sell it to thousands. And, you know, the jury was still out. I
496 remember, it was the fall of '90. I had told the board that we would have fifty
497 hospitals by the end of 1990. And in September, we had about twelve. And they
498 weren't happy. But I had about thirty or forty that were all poised, just waiting to
499 sign, still in the test and evaluation stage. So, the board made me fax them, each
500 board member, every Friday, an update: 'how many did we sign this week, how many
501 do we have to go, what happened?' And by the end of year, the target was fifty, we
502 had fifty-five. And the rest is history, because then raising money was simple. We sold
503 Hybritech for 350 million plus, three-fifty is what you'll read in the paper, but you
504 have warrants and things that became very valuable, so the real value is four-
505 something. Pyxis, when it was still a public company, an independent, at one time
506 had a market cap of 1.4 billion. We ended up selling it for just about a billion. But if
507 you kept the stock in Cardinal, you're back to 1.4 billion. Now, Cam Garner's
508 company, Dura, has a market cap right now of about one and a half billion. So, he's
509 ahead. He's leading the pack. Cam's done wonders for that company. Now, Pyxis was
510 more profitable, but Dura has potential, it has some stuff coming out that could really
511 make it take off, so they're stock price is way up.

512 **JONES:** Did you have any idea that Pyxis was going to be this big a success?

513 **TAYLOR:** No, well, yes and no. When Tim and I met in May of '87 -- I have my notes
514 from that meeting. You always assume that you're going to reach these tremendous
515 projections, but in the back of your mind you know that nobody ever does. In our
516 case, we happened to make them, and that was very, very gratifying, you know, to set

517 out a goal of building this company into a multi-hundred million dollar business, and
518 actually doing it. Because, I don't know what the statistics are, but it's probably one in
519 a thousand of start-ups that actually become wildly successful, and this one did. So,
520 that was fun. And you know, you look back and you ask, 'Well, why did it become so
521 successful? What were the elements that were there?' And I think the number one
522 element was the fact that we paid absolute attention to our customer. And I believe
523 that's what life is all about, you look at your customer, what are your customers'
524 problems, what are your customers' needs, and they don't always know what they are
525 -- they don't even know what their problems are sometimes, but if you can identify
526 your customers' problems and come up with a solution, you'll be wildly successful.
527 And that was our focus from the beginning, was to build a business that was a service
528 to our customer, and I often tell people, you know, we have this MedStation, and
529 people say, 'Oh, you're in the business of making and selling MedStations.' No, we
530 weren't. We were in the business of eliminating a problem that our customers had.
531 Our customers were in health care -- nurses and pharmacists treating patients. And a
532 person in health care doesn't need a MedStation, they don't need another gizmo, they
533 don't need another gadget, they don't need another instrument, something that's
534 going to be a problem for them. What they need is a solution to their problems. And
535 the problem they had was that the whole process of distributing drugs to patients was
536 a nightmare. And it was this way because of regulatory problems, like with narcotics,
537 because of just good health care practice problems, I mean you want to be able to
538 document everything that you've done for a patient, to get the drug there in a timely
539 manner. Well, if you can streamline that entire operation, and take out all the
540 problems, and put a system in that they don't even have to think about, that's what
541 they want. You can go up and ask a nurse up on a nursing unit in a hospital, 'Who
542 refills this MedStation?' The nurse will look at you and say, "I don't know. Every time
543 I need a drug, it's there.' Well, why is it there? Because we put a system in, and
544 designed it such, that it just works. And everybody's got a role, and everybody does
545 their little job, and it works. And that's what it's all about. All the information related
546 stuff is taking a problem away from a customer. So, that's why it works. I really
547 believe that the reason we're successful is that we focused on that customer.

548 **JONES:** So, now you're look around for other opportunities?

549 **TAYLOR:** I want to be involved in companies that are at a stage where I can be a
550 benefit to them. Having gone through all kinds of problems myself, whether it's
551 raising money, or technical issues, or customer issues, or how to price something, or

552 how to look after customers -- where I can have some input, some influence, and
553 where I can get financial reward, and personal reward, and the benefit of having done
554 it.

555 **JONES:** Before you mentioned sixty and eighty hour weeks...

556 **TAYLOR:** Hybritech and Pyxis, especially Pyxis. Well, the other thing that you have
557 to keep in mind, too -- it may be that I'm just this way, but -- especially at Pyxis, but
558 also at Hybritech, you never leave it. It's really your work is your life, and it's seven
559 days a week, twenty-four hours a day, you're thinking it all the time. It's not like,
560 'O.K., I've clocked out at five o'clock. I'm out of here.' Let's take voice mail, which we
561 probably got at Pyxis, probably in 1990, or '91. I never, ever, missed a day of checking
562 voice mail at least once. I don't care if I was in Europe on vacation, or helicopter
563 skiing in British Columbia, I'm on voice mail every day. Saturdays and Sundays
564 included. You don't get away from it. You can't. It's an absolute commitment. You're
565 the boss, and everybody is looking to you all the time. There is no rest. And some
566 people need that, their egos need the, you know, 'I'm charge of this big operation.' I
567 personally don't. I enjoyed it while I was doing it, but boy, I don't need to do it
568 anymore, and I have a great time doing what I'm doing now. I have a conference call
569 this afternoon with one the companies I'm on the board of. The CEO, all the board
570 members are in on this thing, it's a financing issue that we have to discuss. This is
571 great. I'll give my input. I've got some input, I've got some opinions and ideas, and
572 when I hang up that phone, the CEO is going to go out and do it.

573 **JONES:** Board memberships local?

574 **TAYLOR:** Three of them are local in San Diego, no, two of them are in San Diego, the
575 third one I'm looking at is in San Diego. One's in Corona, up in Riverside County.
576 One's in Portland, Oregon, and one's in Toronto.

577 **JONES:** Are you involved in any of the Hybritech companies?

578 **TAYLOR:** No. Interestingly, I'm on the board of a company that's in my old offices
579 from Pyxis from about six years ago. They're in the same building that I was in. And
580 so, it's easy to find, and you sit there and have board meetings in the same place that
581 I had my board meetings, which is kind of funny. But no, I'm not involved on any of
582 the boards of the...I've had one request and it just doesn't suit me to join that
583 company's board.

584 **JONES:** Did all of the people at Hybritech have the same kind of commitment that
585 you've described?

586 **TAYLOR:** We worked hard. It changed -- we often look back at this -- because... I've
587 got another premise on businesses, and I've talked about this a little bit
588 already...Hybritech changed in 1984. And the change in '84 was we hired something
589 like three hundred new people in '84, and we hired every person who could walk
590 through the door and breath. And that was a change. We had gone from hiring
591 people who really wanted to be there, and who really wanted to make this work, to
592 hiring people for whom it was just another job, and they could've gone to the
593 company down the street, or they could have come here, and they took this one
594 because it was, you know, a buck an hour more. And that was the change. And what
595 I've found from that, when I started Pyxis, I said, 'You've got to hire people who want
596 to be here. You've got to hire people who are dedicated, who will put the time in, who
597 will make this work. And as a result, at Pyxis, right up until the day I left, and we had
598 twelve hundred employees at Pyxis when I left, I had the final interview for
599 everybody, because I wanted to make sure we got the right people. And people say,
600 'Didn't that take a lot of time?' Well, it did take a lot of time, but what's more
601 important? What's a company? A company -- Ok, you've got a patent, you've got
602 some customers -- what do you really have? You've got a bunch of people. And it's
603 those people that make the company work. And so I was very, very careful from the
604 day I hired the first person, to make sure they were people that I wanted working
605 there, people that I could trust and depend on, working for me in that company. So,
606 that's the answer.

END INTERVIEW

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The San Diego Technology Archive (SDTA), an initiative of the UC San Diego Library, documents the history, formation, and evolution of the companies that formed the San Diego region's high-tech cluster, beginning in 1965. The SDTA captures the vision, strategic thinking, and recollections of key technology and business founders, entrepreneurs, academics, venture capitalists, early employees, and service providers, many of whom figured prominently in the development of San Diego's dynamic technology cluster. As these individuals articulate and comment on their contributions, innovations, and entrepreneurial trajectories, a rich living history emerges about the extraordinarily synergistic academic and commercial collaborations that distinguish the San Diego technology community.