MICHIGAN
ROSS SCHOOL OF BUSINESS

William Davidson Institute
AT THE UNIVERSITY OF MICHIGAN

case 1-429-144
revised May 24, 2012

Genesis BioSystems: The Board Weighs In on Product Development Setbacks

It was late in the day and the staff had left the laboratory at Genesis BioSystems, Inc., (GBS) after spending the day analyzing data from GBS's most recent study. They had been comparing the growth of two sets of mouse embryos, with one set developing in traditional in vitro fertilization petri dishes and the other in GBS's revolutionary new micro-fluidic funnels, where biological media circulated around the embryos courtesy of a pumping system that attempted to replicate the human fallopian tube. GBS President Geoff Duncan, an experienced medical device industry executive, had been discussing the results with Dr. Janet Motherall, the company's chief scientist and cofounder.

The results of the last study were disappointing, but they felt the need to share them with the chairman of the board, Jim Tatterly, because a board meeting was scheduled for the next week and the most critical agenda item would be to determine if GBS should initiate human clinical studies, the next logical step down the path to commercialization for GBS's new products. Duncan and Motherall knew that the board would be very disappointed in the latest results, after having raised additional capital for GBS to build a more reliable pumping system that was expected to dramatically improve system performance. Duncan wondered if the meeting would leave GBS founders, management, and board aligned or at odds on the next steps for the company.

The Company

GBS was a venture-backed biomedical device company founded to further develop and commercialize innovative cell management technology. It was conceived by Motherall and a highly regarded colleague at the University of Wisconsin. GBS developed a breakthrough family of products that could significantly increase the likelihood of successful pregnancy for those undergoing in vitro fertilization (IVF). GBS was the first to develop a proprietary cell biology platform technology that aimed to mimic the physiologic conditions found in the body, dramatically improving how embryos and cells develop in laboratory settings. Its products were designed to meet the unique demands of fertility lab professionals who managed sperm and egg isolation and embryo creation, development, selection, and

Published by GlobaLens, a division of the William Davidson Institute at the University of Michigan.