

O'Brien: Why Abbott Labs continues to grow in Silicon Valley

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We often hear about the downsides to doing business in Silicon Valley. Expensive housing. Brutal traffic. High cost of living. No surprise that many businesses that start here choose to expand elsewhere.

What we don't tend to hear about are the companies that say they can't afford not to be in Silicon Valley. They are the companies with headquarters somewhere else that believe it's essential to build branches, often massive ones, in the valley.

Companies like Abbott Labs.

Although I've covered Silicon Valley for a decade, this past week I paid my first visit to Abbott's campus in Santa Clara. In fact, I'm pretty sure it's the first time I'd even seen it. It's a sprawling hub for the company's 3,000 Bay Area employees. That number has been growing steadily and will continue to do so, according to Chip Hance, president of Abbott Vascular, a division based at the Santa Clara campus.

Hance gave three reasons: the talent here, the innovation ecosystem and the valley's position as a kind of gateway to the Pacific Rim.

Put all that together, and the benefits of being in the valley far outweigh the problems for Abbott.

"Our technologies are very challenging, complex, and we rely on a sophisticated skill set to take that forward," Hance said. "You can't find the people to do them anywhere. But fortunately, they are here in abundance."

Now, I'm not trying to argue that Silicon Valley doesn't have its share of serious challenges, because it does.

But we do need to balance that sometimes bleak picture with the valley's tremendous assets and advantages. Because these are considerable. And even more important, they are much harder to replicate in other regions and countries than we often think.

As evidence, I'd point to all the companies, like Abbott, that have built branches here. It's a phenomenon I once heard Doug Henton, CEO of Collaborative Economics in Mountain View, refer to as "in-sourcing."

Such companies tend to fly under the radar in a region that is blessed with a large (but rapidly declining) number of public corporations headquartered here. But these company branches are

hardly trivial, with employees numbering sometimes in the hundreds, if not thousands, and are the valley outposts for global giants like Nokia, SAP, Fujitsu, IBM and Microsoft.

Abbott illustrates so many of these points so well.

Based in Chicago, Abbott is one of the world's largest medical device companies with 72,000 employees. Of those, about 8,000 are in California.

Abbott extended an invitation for me to visit because this week the Transcatheter Cardiovascular Therapeutics Conference is being held in San Francisco for the first time. As I learned, the TCT conference is the big one in Abbott's field, and was moved out here to make it easier for physicians, researchers and journalists from Asia to attend.

China is Abbott's biggest growth market, Hance said. And on my visit, I was joined by several Chinese journalists.

Hance said the company continues to grow in the Bay Area through hiring. Thanks to the universities and community college programs and the critical mass of other medical device companies, the region is chock full of the clinical, scientific and regulatory professionals the company needs to remain competitive.

During my tour of Abbott's facilities, we stopped in the "Bioabsorbable Line" where the company is developing a new stent that is inserted into a vein to open it, but then dissolves over time. The stents are made one at a time inside complex machines that require careful human calibration. At other points, line workers have to conduct an intricate process by hand. As I mentioned, the amount of labor involved surprised me. And these stents are years away from regulatory approval.

The timing of my visit was also interesting because Abbott had just recently announced it was acquiring Evalve, a medical device startup in Menlo Park, for \$410 million. Abbott was a venture backer of Evalve and had a seat on its board.

It was the innovation ecosystem in action. Hance said being close to the ground to see innovative companies like Evalve being created, getting to know the founders and executives through local industry events, and observing them firsthand, was a big reason Abbott wants a sizable presence in the valley.

"A lot of these smaller companies are especially good at innovating and pushing the boundaries of what is possible," Hance said. "We got to know the Evalve team over nine years. That's the kind of thing that seems unique to this area."

Yes, all this could change. We could fail to invest in our most important assets and lose our advantage. But for just a moment, let's celebrate the things the valley does right. Things that too often we take for granted.