

# Breakthroughs to businesses: turning great research into a commercial entity

*FedEx, Google and Facebook all started as spinouts and latest numbers suggest that over \$158B of equity finance has been raised by businesses jumping out of the lab and into the commercial world in the last 10 years. That being said, the current economic climate is challenging for all businesses with two-thirds citing concerns about future viability.*

Temps de lecture : minute

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It's hard right now for even seasoned entrepreneurs to keep their heads above water, let alone academics who have spent years immersed in groundbreaking research who are just embarking upon turning their research into a viable business.

However, there is real impetus to make entrepreneurship a commercially viable option in the UK. Everything from pension reforms enabling funds to invest in unlisted emerging businesses to the rollout of AI and machine learning are both front page news and top of the government agenda. This year we have seen the introduction of the government's landmark Science and Technology Framework, a £650M package to support UK life sciences, £50M of government investment in new UK research ventures, EIS and SEIS tax relief schemes for early-stage companies and a multitude of other initiatives to support tech innovation in the UK.

ARC campuses are full of academics-turned-founders transforming their research into thriving businesses that tackle some of the world's most

pressing issues. Although their inventions are novel, their commercial journeys travelled are remarkably similar with the same challenges seen time and time again.

## Timing is everything

Early stage businesses will often refer to something called the 'Technology Readiness Test'. This measure was developed by NASA and looks at how ready the technology is for 'launch' or commercialisation. Below level four, the technology is being evaluated and developed, above four and it's time to move away from the lab and start mapping out where the commercial application and opportunities lie.

Product / market fit is everything, so making sure there is an appetite to buy the product is as critical as having a clear strategy for selling it. To do this, founders should be exploring markets and speaking to industry early on to help envisage what the first customer will look like. This will save precious time and help to direct the focus of the business.

## The company you keep

In the UK, there are dozens of incredible innovation clusters across the country, particularly in the "golden triangle," which support science and technology businesses with flexible workspaces and labs. They have scalable resources, expert advice and provide access to talent and partnerships with local enterprise schemes. It's crucial that founders think about hiring at least six months before spinning out, looking closely at the team to work out which additional operational skills are needed.

## Your investable assets: IP

Founders should be thinking about their IP strategy from the get-go by consulting experts and ensuring that they have a protected 'investable

asset' when it is time to fundraise.

One of the biggest issues impacting how UK spinouts secure funding today is ownership. According to a *report on spinouts released this month*, UK universities own the IP for inventions created under their roof, meaning founders typically have no choice but to use their university's technology transfer offices (TTO). Each TTO therefore effectively exercises a local monopoly over its university's commercialisable research outputs.

Some UK universities used to take as much as 50% equity from founders. Even after *recent policy reforms* to allow founders greater choice, UK universities still offer some of the worst deals available when compared internationally to other leading universities. Founders need to be intentional and consider IP and equity ownership when building a business from within a university - the % number is less important than the structure of the deal - getting this right early on is key.

## Financial fuel

According to a *report by Air Street Capital*, 67% of university spin outs are taking twice the time (six months) to close an investment round compared to startups founded outside of the university sector.

Understanding the dynamics of the investment landscape is key and founders must be able to shift to a commercial mindset. Initially they will need to take advantage of grants as much as possible which are available from the likes of BEIS and Innovate UK but also to start playing a long-game.

Well in advance of fundraising, founders should network with VCs, understand their investment strategy and keep them updated on progress. Having investors on-side who understand their ambitions will shortcut the investment process when it is time to raise.

Founders also have to get comfortable with due diligence and working out what investors are really looking for. What are their timelines? What is their risk tolerance? What can they add in terms of market experience and access? And don't be deterred by rejection - Jack Nicholas, the CEO of ARC member, QDot said he re-did his pitch deck sixty or seventy times as he worked out what it was investors were looking for.

## Give yourself time

The real trick to spinning out successfully is to front-load the process. It starts with a mindset shift and then it's stepping stones until the product, the team and the investment are in a place where it is possible to commercialise. Spinning out too early without these things in place is like jumping off a cliff with no parachute - have a structured plan and start thinking about the future early.

At the end of the day, product market fit is everything and it will ultimately determine the fate of the business. It's a foundation that sets the stage for growth, profitability, and long-term success and it's how academic discoveries become practical solutions that make a lasting impact on the world.

Stuart Grant is the CEO of *ARC (Advanced Research Clusters)*

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Article by Stuart Grant