Case Study 1.3. The "Entrepreneurs in Transit" program at The University of Manchester

CRITICAL AREA OF FOCUS 3: "Accessing finance and interacting with financial stakeholders"
BEST PRACTICE FOR: "Venture Mentoring Programs"
AIMED AT: TTOs
UNIVERSITY: The University of Manchester (United Kingdom)
TTO: The University of Manchester Intellectual Property (UMIP)

The context:

Part of the prestigious Russell Group of universities, The University of Manchester is the largest single-site university in the UK, with a student community of nearly 40,000. **The University** was founded in 2004 through the merger of Victoria University of Manchester and the University of Manchester Institute of Science and Technology. It is divided into 4 Faculties – Humanities, Engineering and Physical Sciences, Life Sciences, and Medical and Human Sciences – each of which comprises a number of Schools.

The University of Manchester Intellectual Property (UMIP) was established in 2004 as the University's agent for intellectual property management and commercialisation. It is a division of UMI3, The University of Manchester Innovation Group, and a wholly owned subsidiary of The University of Manchester. The staff of 29 is organized into 3 key operational teams:

- New Projects Team: identifying and securing new inventions, service or social venture ideas.
- IP Development and Partnering Team: developing and de-risking IP-assets according to market needs.
- Transactions Team: establishing spin-offs and structuring licence deals

The problem:

There is a strong desire to create an **increasing number of spin-outs per year**, and UMIP has a strong pipeline of opportunities that could be worth pursuing. Most of these, however, are at a very early stage and require significant upstream development to attain a readiness level that is attractive to private investors.

Historically, UMIP managers were encouraged to take on such projects and work closely with the entrepreneurs-to-be, right from the beginning, helping them validate their projects and transform them into viable business opportunities. Some UMIP managers also moved into the newly formed ventures as part of the executive management team. But with an increasing number of spin-outs being formed, this is no longer a feasible option.

Limited resources, however, are just one reason for UMIP to entice external managers with relevant commercial backgrounds into early-stage companies. Their experience, knowledge and contacts would be extremely valuable to providing independent validation of the ideas and accelerating them forward.

The solution:

At the end of 2012, UMIP has launched a concept called **"Entrepreneur in Transit" (EiT).** It invites external entrepreneurs to work with UMIP and its academics to increase the yield and quality of ventures by exploring the best ways in which to engage with the commercial market and validate its market appetite for early-stage technologies. In order to perform such tasks, candidates need to have market knowledge and useful contacts in the relevant domain. Mostly they are drawn from retired or serial entrepreneurs or CEOs looking for new challenges. Creative innovation teams are formed between potential EiTs, the UMIP professional managers and academics by connecting them with nascent venture opportunities at a much earlier stage than the standard process. This allows UMIP to respond to the needs of the market in a more agile way and direct innovation more cost effectively toward successful commercialisation – or to reject non-productive projects early and save resources, based on market feedback.

This project has received funding from the European Union's Horizon 2020 research and innovation programme and Euratom research and training programme 2014-2018 under grant agreement No 643486.

Other than traditional consultants who work on a fee-for-service basis, EiTs will be rewarded on conclusion of a successful project outcome which could include either a percentage of equity in case of spin-out formation or a percentage share of revenue in case of a licence deal.

The process works as follows:

nitially, UMIP works with the University's scientists to pick out their most promising early-stage projects. For instance, together with the Head of the School of Physics and Astronomy and their research funders, the Science and Technology Facilities Council (STFC), 6 high-potential ideas were identified. UMIP then attracts some 4 - 8 external entrepreneurs with appropriate backgrounds as potential EiTs and invites them for a discovery day where the academics present their projects in 5-8 min pitches. Following a challenging question time and speed dating sessions, EiTs and academics are matched to form teams for project validation. During this initial phase of project development, the EiTs are expected to attract funding through translational grants or support programs. Only the EiTs' expenses are covered by UMIP. After the first 3 months, a progress pitch is made to the project evaluation team, and only projects with convincing interim results are continued.

For the next stages of project development, UMIP and the EiT jointly define a number of milestone tasks: delivering a business plan and engaging a certain number of investors to raise a target level of funding within a certain amount of time. Depending on the outcome, the EiT will receive up to 10% of equity or royalties, plus a fixed sum of £5,000 (approximately EUR 6.200) for producing the business plan.

Every month, the EiT will provide update reports to UMIP, and every 6 months, progress pitches will be made to the project evaluation team. Throughout the project, UMIP and the EiT will take on the following tasks and responsibilities:

The EiT will

- be the "point-of-contact" for the project and manage it to completion.
- demonstrate to UMIP that the project has real commercial potential.
- gain evidence of tangible market traction.
- give commercial direction to the technical team.
- find both commercial and technical external partners.
- scope the commercial investment case, prime for fundraising and secure external finance.

UMIP will

- ensure that academics are the originators of the technology and committed to the enterprise.
- help the academic to define his/her needs in terms of an EiT profile.
- organize several EiT events from lunches to day meetings to introduce potential EiTs to the host Schools and participating academics.
- form project teams and help them find initial cohesion and encourage them to work together .
- set the expectations of the entrepreneur and help her/him understand what she/he needs to deliver .
- monitor active projects heading towards investment, making sure that deliverables are met.

One UMIP manager will oversee up to three active projects at a time.

To help maintain focus and momentum until the EiT team has raised the appropriate finance, UMIP will not assign the IP over, but will rather license the IP to them on an exclusive basis, so UMIP will still retain control over the IP. After the team has shown itself to be able to constructively work together, meeting their objectives, and raising the requisite finance to operate the business plan and actually developing the proper governance structure to run the business, UMIP will assign the IP in return for having met the agreed assignment trigger. From then on, the company will be on its way with minimum intervention from UMIP.

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Alignment to PROGRESS-TT:

This case is a good illustration of the "venture mentoring Programs" Best Practice in PROGRESS-TT Critical Area of Focus 3 "Accessing finance and interacting with financial stakeholders".

The "Entrepreneur in Transit" programme enables UMIP to simultaneously kick-start a broad range of entrepreneurial projects and provide them with top notch project development know-how by leveraging external resources. The programme design, specifically the model of shared risks and rewards combined with a results-based transfer of IP, creates a strong momentum to move things forward and turn projects into real businesses, i.e. incorporated companies with shareholders.

Despite its recent establishment (in 2012), the EiT approach is continuously being proven valid. The majority of UMIP's 14 spin-out projects of the last two years have a (proto) CEO in place or close to being appointed. Three spin-outs were successfully launched using EiT: TellUsToolkit, HiSolar and Phantom Limb Pain. In addition, the original EiT scheme in Physics and Astronomy has resulted in a wider benefit of closer working between the UMIP, STFC and the School, securing funding to launch new enterprise activities and funding a full time Technology Translation Fellow post and an increased pipeline of early stage IP projects and impact cases.

Critical to success is access to entrepreneurs prepared to work for equity. Over the last two years, UMIP was able to build a base of 50+ experienced entrepreneurs with different domain expertise who are interested in supporting the programme. 12 of them have been recruited into further commercial spin-outs, not necessarily through the EiT role but via other shared risk routes such as equity earnings. There are also many IP projects which are still in development that have been linked to an EiT but are not yet surfaced as a spinout and others have taken roles on judging panels and as speakers and mentors. Further entrepreneurs whose skillsets have not yet had the opportunity to match with projects are on file waiting for a suitable opportunity.

An **added value** in the scheme is that UMIP moved from a reactive to a proactive approach, finding new ways to co-create value and stimulate projects, lifting the overall number of annual spinouts and equipping new projects with early commercial focus.

The ability to form and support highly diverse teams is also important to success, as well as having strong idea assessment skills to present a good business case to all the stakeholders. Based on UMIP's experience, spending sufficient time initially in selecting and matching the teams, staying involved throughout the process and retaining control is highly recommended. The TTO should have the final say on whether or not a team advances – and the ability to terminate if needed. Matching teams should not be based on geography, but rather on talent, experience and personality. The entrepreneurs recruited for the initial scheme in School of Physics came from all over the UK, and two of UMIP's recent spin-out entrepreneurs come from Belgium and France. For TTO regions that do not have large entrepreneur clusters, it could be advantageous to create clusters of multiple universities and TTOs in order to establish similar programs. This would help create a larger and more diverse pool of entrepreneurs with the required experience and competence level to be involved in the programme.

Overall, the EiT programme has exceptional potential in moving early-stage spin-out projects to the inflection point of investment. But this requires significant skills, resources, networks and a sufficient number of pipeline projects so it seems primarily suited to larger TTOs.

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