



## Why Create a spin-out company?

University spin-out companies are usually set up to commercialise the outputs of academic research. Typically spin-outs are based on technologies or processes that are so different from the state of the art that they will create a new market or because there are clear possibilities to generate many products and applications with the potential to be extremely valuable. These are termed 'disruptive innovations' and 'platform opportunities' respectively. Generally, there is no ready and willing licensee for such technologies, making a spin-out an attractive option.

The primary reason for forming a new company is to deliver University of Nottingham technology from research to market in order to generate societal and economic impact. To be effective a spin-out company will need to bring together various assets and resources to commercialise the underlying intellectual property (IP). These resources are likely to include money, specialist management and facilities such as laboratories and/or manufacturing. For many opportunities, the technologies under-pinning a spin-out will require funding to de-risk them sufficiently to make them attractive to customers. Forming a spin-out company can help raise investment to fund this work but accessing investment should not be the main driver for forming a new company.

### Successful spin-out companies need five ingredients:

1. IP – The innovation which you have created and which is protected by IP Rights will form the basis of the company and will be licensed into the company from the University in return for a share of equity and royalties.
2. Management – spin-outs require a range of individuals with a balance of skills in fields such as management, finance, marketing and sales. Success will be dependent on new people becoming involved at various stages in the growth of the company.
3. Market Opportunity – the commercialisation pathway for the technology or business process needs to be clear with a well-identified opportunity. This is typically encapsulated in the business plan showing what the company plans to sell, to whom, for how much. Investors will need to see this before investing.
4. Money – the company will usually need money to develop and grow. There are various possible sources of funding available. These may range from The University's own investment funds to business angels or venture capitalists.
5. Founders – as an originator of the intellectual property, you are essential to the transfer of IP to the company. Your continuing involvement with the IP's development and your ongoing commitment to the enterprise and support to the company's business managers is vital.

### Role of the founders

As a Founder you will be at the centre of the spin-out from the outset. This will involve you in many roles. You are very likely to be one of the initial directors and shareholders and you will be looking for the company to grow and develop to increase the value of your shares.



The role of a director is principally concerned with strategic leadership and is distinct from an Executive manager's role. Nevertheless, in the early days of a small spin-out company, your appointment as a director is likely to involve you in a more 'hands on' role in the running of the company and require you to be involved in some of the day-to-day business activities of the company.

Your involvement in the spin-out, therefore, can pull you in many different directions and place considerable demands on your time. It may also give rise to conflicts of interest. You will be balancing your time and energies between fulfilling your academic role within the University as well as devoting time to the spin-out. However, this can be a highly rewarding experience and the IP Commercialisation Office and Nottingham Technology Ventures will provide guidance throughout the process.