



Spinning out new ventures: a typology of incubation strategies from European research institutions

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Abstract

This paper explores the different incubation strategies for spinning-out companies employed by European Research Institutions. More specifically, we focus on two central questions: (i) What differences or similarities are there in the goals and objectives of the Research Institutions for creating new spinout ventures? (ii) What different incubation strategies are employed to achieve these goals in terms of the resources utilized and activities undertaken? The study uses a two-stage approach. In the first stage, seven spin-out services in five European countries were selected for analysis. At the time of the study, each research institute under analysis had only one unique way to stimulate spin-outs. Therefore, the spin-out service and the particular Research Institution they are associated with are interchangeable as units of analysis. Based upon an in-depth analysis of these seven cases, we identified three distinct incubation models of managing the spin-out process: Low Selective, Supportive, and Incubator. The different incubation models have very different resource implications in managing the process. In particular, we identify resource and competence differences relating to finance, organization, human resources, technology, network, and infrastructure. In the second stage, 43 cases were used to validate these incubation models in terms of resources and activities. This process identified two categories that departed from the normative models, namely, the Resource-Deficient group and the Competence-Deficient group.

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1. Executive summary

This paper explores the different incubation strategies of spinning-out companies employed by European Research Institutions. We focus on two central research questions: (i) What differences are there in the goals and objectives of leading European Research Institutions for creating new spinout ventures? (ii) What different incubation strategies are employed to achieve these goals in terms of the resources utilized and activities undertaken?

A two-stage approach is used. First, seven established and successful spin-out services in five European countries were selected for analysis.

An in-depth analysis of the seven cases identified three distinct incubation models of managing the spin-out process: Low Selective, Supportive, and Incubator. Each model serves different goals and objectives. In terms of objectives, the Low Selective model has a mission oriented towards maximizing the number of entrepreneurial ventures in line with the entrepreneurial mission of the research institute(s) to which the unit is attached. These ventures tend to be self-employment oriented start-ups, which only rarely grow beyond a critical size of employees. The Supportive model is oriented towards generating spin-outs as an alternative to licensing out its IP. This model tends to generate profit-oriented spin-outs, with potential growth opportunity. Finally, the Incubator model makes a trade-off between the use of a body of research to generate contract research versus spinning-off this research in a separate company. We term the spin-outs resulting from this Incubator model “exit oriented”, since the exit possibilities provide the financial opportunity.

We identify resource differences relating to finance, organization, human resources, technology, network, and infrastructure in each model. The Low Selective model needs the lowest number of resources in terms of quantity. The critical size is only a few persons, and no organizational structure has to be created separate from the university. However, ideally, some public money and incubation facilities should be available to support the new start-ups.

In the Supportive model, well-functioning IP department and contract research unit tend to be key. The technology-transfer unit can only use the leverage afforded by the contract research if it is able to support it in such a way that academics feel they are helped in organizing this activity. The IP and spin-out activity are then the next step in the tech-transfer process. To organize all this, a minimum critical mass of at least 20 persons is needed. In addition, the spin-outs tend to need external capital at a very early stage. Therefore, public private partnerships are set up to invest in these seed or even preseed ventures.

Finally, in the Incubator model, spin-outs are seen as an option where the technology is really cutting edge, and a financial participation might generate more revenues for the research institute than future contract research. The spin-out formation usually takes a very long time (up to 3 years) because all assumptions are tested before valuable IP is given to a separate venture. In addition, the venture tends to be created with formal, usually specialized venture capital funds as shareholders at start. The Incubator model will carefully prepare this type of venture using a number of milestones before a final go decision is given.

Forty-three random cases in the same regions were selected to compare to these models in terms of resources and activities. This validation process identified two categories that

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