Why create a spin-out company?

University spin-out companies are usually set up when there is no ready and willing licensee to approach because the technology is so different from the state of the art that it will create a new market or because the work has clear possibilities to generate many products and applications and so potentially could be extremely valuable.

These are termed ‘disruptive innovations’ and ‘platform opportunities’ respectively.

For many healthcare opportunities, the technologies will require funding to take them through regulatory hurdles to de-risk them sufficiently to make them attractive to a licensee. Forming a spin-out company can help to raise the investment to fund this work but accessing investment should not be the primary reason for forming a spin-out company.

To be effective a spin-out company will need to bring together various assets and resources to commercialise the IP. These resources are likely to include money, but almost certainly will include other things such as specialist management and facilities such as laboratories and/or manufacturing.

Successful spin-out companies need four ingredients:

1. **IP** – The innovation which you have created and which is protected by IPR will form the basis of the company and will be licensed into the company

2. **Management** – Investors in the company will expect the company to be led by a team with proven management skills. This will involve the need to attract 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. **Money** – the company will need money to develop and grow. There are various possible sources of funding available (see section 5). These may range from The University’s own investment funds to business angels or venture capitalists. Whomever you turn to you will need some sort of plan to put before them. You will therefore need to create a Business Plan.

4. **Founders** – as an originator of the IP, 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**

**Role**

Your role: 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 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 a 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 the day to day business activities of the company.

**Conflicts**

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.