

BUILDING INVESTMENT READINESS FOR UNIVERSITY SPIN-OUTS THROUGH PARTNERSHIPS & ALLIANCES

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Summary:

This thesis explores the ways in which university spin-outs (USOs) can develop alliances with mature companies in a way that might enhance their ability to attract investment.

USOs have emerged as an important vehicle for transferring the outputs of university research to commercial application. As with all forms of new firms, USOs face many challenges in developing their business. Often, commercially inexperienced academic founders manage USOs, many seeking to commercialize potentially disruptive technologies at a low level of maturity. As such, USOs may struggle to access the resources they need more than other new technology-based firms operated by more commercially experienced founders and those exploiting more incremental innovations.

This thesis builds upon concepts drawn from the resource-based view of the firm to explore the role that asymmetric alliances (i.e., alliances where there is significant difference in the size of partner firms) can play in supporting the growth of USOs and, in particular, the role that alliances can play in increasing the investment readiness of USOs.

This dissertation captures evidence from a three-phased approach, consisting of pilot interviews, a survey of investors and in-depth case studies, and applies the evidence found to explore four propositions. These propositions relate to the investment readiness of USOs engaged in asymmetric partnerships and can include the following: motivations for forming the alliance; resource acquisition; co-development activities; and, revenue generation.

The research shows that these propositions can be effective independently, and in some cases can aggregate for a stronger impact on potential investors. The motivational basis of an alliance is slightly different for USOs and investors, and those alliances that consider the investor needs explicitly may have greater success. The USOs with alliances based on resource acquisition and co-development have the strongest impact on investment readiness, as such activities signal commercial traction and credibility. Finally, alliances that generate revenue have a stronger impact on angel investors than venture capitalists, and this may be because the former is typically more engaged in early-stage funding.

Alliances are either symbolic of investment readiness or are themselves an important component of investment readiness. The outputs of this thesis will assist USOs, and those that support them, in setting up alliances best suited to support the raising of investment capital.