

DIFASS GOOD PRACTICE FACTSHEET NO 33 LLANERA 28 NOVEMBER 2013
WORKSHOP THEME: FINANCE FOR SPIN OFFS/START UP/EARLY STAGE BUSINESSES

PROGRAMME: SETsquared Partnership
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1. SUMMARY OF GOOD PRACTICE

▪ Overview & Aims

Launched in 2002 to facilitate access to technological expertise and the research available from the University network represented by the scheme, **SETsquared is an Enterprise partnership set up to accelerate the development of technology-based ventures**, from initial idea to commercialisation.

Despite the advantages arising from the regions location, i.e. high GDP, access to world class research facilities, experienced entrepreneurs and its proximity to London's capital markets, the region covered by the scheme had a lower than expected start-up rate compared to similar areas such as Cambridge or Silicon Valley in America.

Modelled on similar American initiatives with impressive track records and normally located offsite in Science Parks, SETsquared provides practical support to technology start-ups by offering an infrastructure around which an entrepreneurial community and culture can develop. Led by experienced entrepreneurs working alongside four other universities, SETsquared provides new high tech companies with access to a hugely experienced entrepreneurial community and leading research/professional facilities.

Aiming to stimulate economic growth through the growth of innovation and technology businesses in the region's economy the five universities involved; Bath, Bristol, Exeter, Southampton and Surrey work with a mix of innovative businesses, with 80% coming from the wider business community, (**'spinning into the university'**) and the balance made up of **university spin-outs**.

▪ Key Resources

Programme Partners – Universities of Bath, Bristol, Exeter and Surrey, Higher Education Funding Council (HEFCE), Department of Business Innovation & Skills (BIS)

– **Funding: Funding Body & SME Contribution**

SETsquared receive c£350K (€423K) of the Universities £33/€40M Higher Education Innovation Funding (HIFE) budget to run the scheme. Funds are used to support and subsidise member companies who pay c£100/€120pm for support and desk space for them and their partners/employees. (No upper limit on desk space helps encourage them to grow).

The network does not offer grants but plays a lead role in sourcing long term investment (up to 100%) from its established Business Angel, VC network and accessing grant schemes (which can then be used to lever further investment).

- **Eligibility Criteria**

Hi tech innovative start-up and early stage organisations with high growth potential who would gain from spinning into a university (80% of clients) and university spin outs 20%.

- **Terms and Conditions.** Business joining the SETsquared scheme are charged a small monthly fee (c€120) i.e. contributing to the cost of the support involved and sign up to an initial 12 month support contract with a 1 month break clause on both sides. Fees are offset by the availability of highly subsidised workspace at the Science Park.

2. IMPLEMENTATION

The scheme is supported by 28 technical staff working across the SETsquared network; 3-7 people in each centre. Each university partner employs their own centre staff with a small secretariat of 2FTE working across the network supported from central funds.

SETsquared run a range of activities that encourage firms to join the scheme, this includes events such as 'IGNITE your' (Funding), through to face to face meetings and referrals from universities and other SETsquared centre and professional services firms.

- **Key Steps – How it Works**

STEP 1	First assessed using a simple test, businesses interested in joining the scheme are asked some simple questions to check the viability of their idea; is it something that people would want to buy?/keep buying? Can it be expanded on? What's it going to look like when it's produced?
STEP 2	Those reaching the next stage are then provided with help to identify their value proposition, (using the Business Model Canvas) and write up a Business Plan which they are then invited to pitch to an 'expert' panel, selecting companies for the scheme.
STEP 3	Businesses selected are connected up to the relevant expertise they need to accelerate/commercialise their idea and subject to regular progress reviews/input from a panel of independent specialist's e.g. legal, IP, financial expertise.

Core support includes:

- **Practical help from experienced entrepreneurs**, accomplished entrepreneurs, mentors and industry experts with the knowledge and know-how needed to get a company off the ground.
- **Review** and if necessary recommendations re the skills/make up of their **management team**.
- **Help with access to funding** - SETsquared has links with many funding agents and relationships with a wide range of business angels and venture capitalists across the region. Partner universities also hold a number of funding showcases throughout the year, culminating in an annual **Investment Showcase** held in London.

Building businesses from university research – as well as supporting external companies development, **each of the Partnership universities also works to identify, develop and spin out applied research with commercial applications.** This could involve taking a technology and spinning it out into a new business, or finding an appropriate corporation to license the technology to extend the reach of their current offering.

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- **Provision of support services and office space** - helping businesses develop their ideas into viable trading businesses, - offering physical office space, allowing companies to be situated with other businesses going through the same development curve and gain access to a range of centralised services a company would need as they get started. SETSquared also provide a virtual environment for companies who need access to their services, without the need for desk space.
- **Accessing international markets** – recognising that often for technology businesses, international markets are as important, if not more important than local markets SETSquared provide support alongside other UK agencies, **helping companies develop traction overseas.**

▪ **Key Stats**

KEY MEASURE	ESTIMATED TOTAL
Applications Submitted	Between 40-100 per centre, (20-25 a year)
Applications Accepted	About 30%, (10-15 a year)
(Approximately 150 companies being incubated by the network at present)	
SETSQUARED NETWORK	SINCE LAUNCH/10 YEARS +
Funding Raised for Successful SMEs	c £1BN
New Enterprises Started	> 650
New Jobs Created	>1,200

Considered to be of medium difficulty, apart from time and commitment to create a credible and fundable business plan, no application costs involved for businesses. Some administrative implications for centre staff. Decisions on applications for membership can take 1-2 months. Decisions on investment/funding sourced with help from SETSquared can take 6-12 months.

3. KEY LEARNING POINTS & OPPORTUNITIES

Celebrating its 10th anniversary celebrations this year and recently ranked =4th World University Business Incubator, SETSquared is the longest running UK partnership of any type with > 1,000 active alumni companies and a 90% survival rate. Additional impact includes contribution to student retention and creation of new high tech networks e.g. Carbon and SIG.

- **What worked well**
Links to the universities
- **Challenges/Weaknesses**
Links to the universities
- **Transferability**
Subject to the availability of funds and change of mindset/cooperation of Universities
- **Opportunities:**
Meet the Primes – a scheme enabling companies to meet major private/public contractors.
Researcher to innovator programme to train business skills. Dedicated PHD Programme.
- **Threats:** Multicultural transfer aspects. Dilution of the Higher Education Initiative (HEI) focus, loss of UK HEIF funding.

FURTHER INFORMATION:

DIFASS You Tube Channel: <http://www.youtube.com/watch?v=cEdxTTqDVrM>
 SETSquared Investment Showcase: <http://www.setsquared.co.uk/partnership/accelerating-growth-campaign>
 University Business Index (UBI): <http://ubiindex.com/global-top-list-2013/>

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