

Funding for University Startups

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Introduction

Obtaining funding for university spinoffs is generally quite difficult and requires a comprehensive approach on the part of the technology transfer office. It also requires understanding the marketplace and the realities of how the process works. This is very different from traditional and often exaggerated discussions regarding funding of university spinoffs. Each year at university and venture events held around the country a great deal of university technology transfer offices report an astoundingly high amount of venture-backed startups. Audiences there, often comprised of university personnel and entrepreneurs, emerge with a very unrealistic picture of the process.

The truth is university spinoffs rarely emerge from the academy with true venture backing—this is the exception rather than the rule. The overwhelming majority of university spinoffs emerge from the academy with angel and/or entrepreneur funding. The hope is that after a year or more of development some percentage of these spinoff companies will be ready for a traditional institutional venture financing.

Is it true that sometimes an appealing mix of an extraordinary technology and an experienced and committed team results in a university spinout with institutional venture financing? Yes, this does happen, but most of the heavy lifting at this nascent stage is done by angels and/or angel entrepreneurs.

The emphasis on venture financing thus misses this essential point and contributes to the fact that many technology transfer offices do not recognize the importance of angels and angel entrepreneurs to this ecosystem.

Another major emphasis is on the resource requirements of technology transfer offices seeking to focus on spinouts. The technology transfer office needs to have a dedicated person or persons on staff in the form of a new ventures/venture lab type group to handle the startup and investment activity of the office.