



# **Academic Spin-offs**

## Framework for Spin-offs for Austrian Universities and Research Institutions

**March 2024**

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Project commissioned by

 **Bundesministerium**  
Bildung, Wissenschaft  
und Forschung

Special thanks to all project participants, particularly the experts Hannes Oberschmid (BDO Austria Holding Wirtschaftsprüfung), Irmgard Nemeč, and Philipp Kinsky (Herbst Kinsky Rechtsanwälte), the members of the Focus Group, and the members of the Sounding Board for their active participation and critical contributions.

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**Title**

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# 1. Executive Summary

Due to their significant role in transferring research results into society, spin-offs are increasingly becoming a focal point for universities, research institutions<sup>1</sup>, and public institutions in general. Over the past few years, continuous developments and improvements have taken place at Austrian universities and research institutions in this area. Nevertheless, the spin-off process is occasionally characterized by individualized procedures and regulations, a lack of transparency, and protracted negotiations between the involved institutions and founders. These factors can lead to uncertainty among academic founders and within the affected institutions.

This guide, developed in collaboration with more than 100 stakeholders of the spin-off ecosystem, provides a clear framework for future spin-offs. The goal is to accelerate spin-off processes at universities and research institutions and to alleviate the burden on (existing) structures.

The guide aims to support the founding of spin-offs through research and teaching, and to reach academic and research areas that have so far received little information and support, such as the exploration and development of the arts, humanities, social sciences, and cultural studies. It particularly emphasizes the importance of ventures aimed at achieving the 17 Sustainable Development Goals (SDGs) set by the United Nations.

The legal framework already offers the possibility of implementing an active spin-off strategy, as demonstrated by several Austrian best practice examples. Faster and more efficient spin-off formations should enhance international scalability, thereby advancing the objectives of the FTI strategy – Austria aims to establish 100% more economically successful spin-offs by 2030<sup>2</sup>. The beneficiaries of this initiative include the involved institutions (reputation gain and positioning), the founders (fast, transparent procedures), the research location (additional spin-offs), and ideally, society at large (new problem solutions, contributions towards achieving the SDGs). Moreover, spin-offs are also a crucial part of regional innovation systems.

The key lies in the valorization of knowledge. If universities and research institutions view knowledge as a valuable asset, leveraging it for the greatest benefit of society, they will develop the necessary strategies and structures.

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<sup>1</sup> In this document, the terms "universities and research institutions" refer to universities, universities of applied sciences, and non-university research institutes.

<sup>2</sup> Compared to the year 2020, when the FTI strategy was formulated.

Important in any strategy are the people who implement it. This guide is intended to support all those motivated and dedicated individuals who are already working at various levels at Austrian universities, in research institutions, within the research community, and in the ecosystem on this topic.

### ***Ten Central Recommendations***

The following ten recommendations form the basis of this guide:

1. A comprehensive understanding by the leadership levels of universities and research institutions regarding knowledge utilization is essential. Thus, these institutions are advised to integrate their commitment to **spin-offs into their overall strategy, publish it**, and, if existing, anchor it in research and Third Mission strategies. It is important that aspiring founders receive support regardless of the economic scaling potential, as the social and societal impact of business models should also be highly valued.
2. Universities and research institutions should, as already anchored in existing performance agreements, develop **clear guidelines for spin-offs accessible to all stakeholders, including standardized IP<sup>3</sup> policies, term sheets<sup>4</sup>, and template contracts**, and make these transparently visible, for example, on their websites. This increases security for both parties during negotiations. In the context of necessary market conformity and competition compliance, attention should be paid to being founder-friendly.
3. Universities and research institutions should develop a **standardized process for spin-offs** that involves internal and external stakeholders, including investors, and provides academic founders with early insight into the spin-off processes. Where such a framework exists – as anchored in the performance agreements for 2022-2024 with the universities – its implementation should be accelerated. This process should establish clearly defined responsibilities and be adequately resourced. Internationally, setting a maximum duration for standard processes is considered a key quality feature for successful spin-offs. The involved institutions should therefore clearly communicate the intended completion time and the duration of the standard process. Within the standard process, relevant data on spin-off activities should be collected to contribute to further optimization and better planning of spin-off processes.
4. For various reasons, such as the autonomy of universities, the organizational structure of Austrian universities and research institutions is designed differently. For successful implementation of spin-off initiatives, it is crucial to establish an **efficient, clearly defined,**

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<sup>3</sup> Intellectual Property

<sup>4</sup> A Term Sheet is a document that records all the agreed-upon essential points of the future contract between the university or research institution and the future spin-off.

**and long-term governance structure** at the university or research institution, which specifies who is responsible for which decisions regarding spin-offs. This structure should also enable quick and effective decision-making processes and proactively address potential conflicts of interest.

5. Universities and research institutions should develop a **differentiated exploitation and equity strategy for spin-offs** as part of their spin-off strategy. This strategy should enable various models, such as direct equity stakes in the form of company shares, licenses (royalties), or hybrid forms. When designing these models, additional conditions such as milestone payments<sup>5</sup>, IP fees, and support services, for example in the form of infrastructure, should be considered. The implementation of this exploitation and equity strategy should be understandable and transparent. The following ranges can be derived as guidelines from national and international best practice examples:
  - a. License fees should be set depending on the industry and the specific context of the spin-off. Typical and founder-friendly license fees range between 2% and 5% of revenue.
  - b. Appropriate equity stakes in the form of company shares are generally between 5% and 20%, depending on past and future investments and support services during technology development.

An alternative to active participation is virtual company shares (phantom shares). For universities and research institutions, flexibility increases if a combination of license fees and equity stakes is chosen, where the overall package should be proportionate. Deviations from standardized term sheets (see recommendation 2) are possible depending on the development stage of the company, the contribution of the university or research institution, and market potential.

6. It is recommended that universities and research institutions develop **appropriate, individual exploitation and equity structures** within or outside their existing organizations. If an external structure in the form of an entity is created – which is usually associated with multiple technical and structural considerations – the formation of a capital company, such as a GmbH (limited liability company), for the operational implementation of the exploitation and equity strategy is advisable. This form of organization ensures clear structures and legal certainty, which is advantageous for both the institutions involved and the founders of spin-offs.
7. Due to resource constraints and to increase the visibility of spin-off activities as well as their reputation, **cooperation between universities and research institutions** along common

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<sup>5</sup> Milestone payments are payments that are tied to the achievement of agreed milestones, such as reaching a specific sales volume.

thematic focal points or in geographical proximity is recommended. Existing and established networks, such as knowledge transfer centers, could also be utilized for this purpose. The Netherlands serves as a best practice case, where twelve out of fourteen state universities implement common spin-off standards. In regional cooperations, particularly existing local support programs such as AplusB, EIT<sup>6</sup>, EIC<sup>7</sup>, and similar initiatives, as well as the local investor community, could be integrated. Another good practice example of cooperation is the Entrepreneurship Center Network (ECN).

8. To increase the number and quality of spin-offs, universities and research institutions should provide a **comprehensive range of entrepreneurship education** and expand this offering into areas that have not yet been involved. Teaching basic entrepreneurial knowledge should be part of the regular curriculum and supplemented by extracurricular activities. An important aspect of this training is early sensitization and awareness of entrepreneurship as a career path. The training should be offered to students as well as scientific, artistic, and non-scientific staff. It is crucial to emphasize that such comprehensive offerings should also be developed for areas beyond STEM<sup>8</sup> fields, which have not yet engaged with this topic. During the spin-off process, universities and research institutions should support aspiring founders with programs featuring professional mentors and relevant networks, access to pertinent markets, and assistance in finding co-founders. For these services, as well as for entrepreneurship education offerings, existing structures should be utilized, and collaborations between different universities and research institutions should be encouraged.
9. In Austria, (aspiring) spin-offs can benefit from the incubator network AplusB and are supported by comprehensive research and early-stage financing through relevant programs from the FFG<sup>9</sup> and the aws<sup>10</sup>. For spin-offs with scalable business models, **private investors are essential**. It is necessary to **involve them early in the spin-off process**, particularly as sparring partners, to enable sustainable financing for the later stages of the company.
10. The provision of resources (financial, personnel, and infrastructure) for spin-off activities is already part of the **funding for universities and research institutions and should be increased in the future**. This pertains to the initiation and development of spin-offs as well as the operational management of exploitation and equity. In particular, existing initiatives should be strengthened and continued. Additionally, special financing mechanisms could be offered

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<sup>6</sup> Europäisches Innovations- und Technologieinstitut (European Institute of Innovation and Technology)

<sup>7</sup> European Innovation Council

<sup>8</sup> Science, technology, engineering, and math

<sup>9</sup> Österreichische Forschungsförderungsgesellschaft mbH (Austrian Research Promotion Agency GmbH)

<sup>10</sup> Austria Wirtschaftsservice Gesellschaft mbH (Austria Business Service Company GmbH)

by the federal government to support the establishment and financing of spin-off entities from universities and research institutions.