A LEG-UP FOR IRISH START-UPS

DIT’s Hothouse has been a springboard to success for several Irish businesses. In this month’s University Challenge, Danielle Ryan finds out the secret to its success.

The fact that the Dublin Institute of Technology’s (DIT) new start-up incubator hub will be built right in the centre of its new Grangegorman campus on Dublin’s north side speaks volumes about the importance the college places on nurturing entrepreneurs and pursuing innovative ideas.

Expected to be completed by September 2015, the 1,600 square-metre Greenway Hub building will be the new focal point of DIT’s award-winning Hothouse, which since 2008 has provided a unique incubation centre for innovative, knowledge-intensive start-up companies.

Nurturing talent and building on ideas

Funded by Enterprise Ireland, the new Frontiers start-up programme at DIT Hothouse is for about 60 entrepreneurs under its wing in two groupings every year. The first stage of the programme runs for three months, part-time, for entrepreneurs, this three-month stage really sets the scene for what’s to come and helps the Hothouse team figure out who’s ready to move into the next phase and who needs to step back and develop the idea further, said Tom Flanagan, DIT Hothouse centre director.

“It gives them a chance to work in normal employment and also be working on a business opportunity and then they can decide at the end of that three months if it has legs and at that stage, if it has, then they’d ultimately give up the day job and focus on the business over the next six to nine months,” Flanagan said.

The programme, which can be applied for online, is offered at no personal cost to entrepreneurs and provides them with training in all aspects of business from product development through to financial management and marketing research. Most attractive is the €25,000 contribution from Enterprise Ireland for those who get through to Phase 2.

“We’re looking for the individual as well as the idea – but the idea has to be exceptionally strong. There’s a lot of competition out there, it has to have a lot of clarity to it. You need to have sight of the potential customers and a real customer need,” Flanagan said.

Hothouse uses the Lean business model to test the idea and determine whether it’s realistic enough, but more importantly, big enough, to go the distance.

“The companies that we would bring into our programme would be companies that would have the potential to be high potential start-up businesses, so they do need to be able to grow quickly and be international,” Flanagan said.

According to Flanagan, entrepreneurs usually fall into one of three categories: they’re either very strong on sales, very strong on finance, or very strong on product development.

“Seldom would you find somebody that could cross all three, so there needs to be recognition of their strengths and the kind of team they need to build around them,” he said. “But at the end of the day, what you’re really looking for and what’s really tested when starting a company is people who, when they back into a corner, they’ll find a way.”

Maximising the commercialisation potential of DIT research

The two-pronged mission of Hothouse – supporting the development of start-ups on one hand, and licensing new DIT technologies to established companies on the other – means that rarely does a good idea go to waste.

On the technology transfer side, Hothouse has developed a consortium of higher education partners and now looks beyond DIT to IT Tallaght, IT Blanchardstown, IADT in Dun Laoghaire and the National College of Ireland to seek out the most interesting new technological innovations and figure out which established companies are likely to be interested in them.

“In some cases, companies would be interested in either the invention itself or some modification of it,” Flanagan said.

Established companies often know exactly what kind of technology would help them improve the efficiency of their business, Flanagan said, but they often don’t have the capability and resources to develop them in-house. With its €20 million per year spend on new research, that’s where DIT comes in.

The partnership usually happens in one of two ways: either the company collaborates with DIT to develop a technology to solve a specific problem (when an existing technology doesn’t already...
fit the bill), or they license one of DIT’s already existing technologies.

To facilitate the technology transfer, DIT offers a range of funding opportunities to the companies they work with – consultancy (through which the company will pay for the total cost of the project) and own the IP developed during the collaboration), innovation partnership (where up to 80 per cent of the funding comes from Enterprise Ireland and the IP will be owned by DIT), innovation vouchers (a source of funding for small projects up to €5,000, with the company paying only the Vat on the project) and EU funding, which typically suits larger-scale projects.

DIT has completed over 80 licences and launched over 20 companies from their research labs in just the last few years.

“We’re looking for business partners, we have the ideas, we have the technologies that have been developed in the labs and we’re looking for people who don’t necessarily have the idea themselves, but are still looking to start a business,” Flanagan said.

“People who have the experience in a specific area and of starting a business are ideal candidates for us to work with and to show them the technologies we’ve got to work with them to develop a new business.”

Occasionally, the process will involve a DIT technology that is so strong in itself, that a new company naturally spins out from its development.

“Sometimes with an invention, you need to actually build a start-up around it – if the invention is so strong, the best way to bring it forward is often to just build a company around it,” Flanagan said.

Facilitating networking between start-ups and investors

While DIT doesn’t advise specific investors on particular start-ups, it does facilitate plenty of networking between companies and angel investors by setting up venture panels whereby the angel networks and VCs take a look at what’s on offer – and even when investments aren’t made, Flanagan said, it’s a useful endeavour.

“It can be very good for the angel investors to get the opportunity to track an entrepreneur long before they’ll actually invest – and it gives the entrepreneur a chance to get feedback from the angel investors and more experienced business people,” he said.

Hothouse success stories

Since its beginnings in 2008, Hothouse has outperformed all other Irish university technology transfer centres, completing between 10 and 20 per cent of the annual commercial technology transfer licences in Ireland, on just 3 per cent of the research expenditure.

“Our research tends to be much more commercially oriented,” Flanagan said “So that gives us an opportunity to license more than some of the bigger universities”.

That approach has resulted in the creation of 1,300 jobs in over 200 companies, which together have attracted €115 million in equity investment.

One of Hothouse’s big success stories is Smart Wall Paint, a company which developed a unique smart paint formula that turns any flat surface into a reusable white board. The
company’s products are sold internationally.

“Having access to third level researchers and a specialist research centre would otherwise have been prohibitively expensive for us. This type of help creates a level playing field for entrepreneurs to develop innovative technology and helps us compete with more established players,” said Ronan Clarke, managing director of Smart Wall Paint.

Smart Wall Paint is trading globally through 17 e-commerce stores. The company recently launched a Smart Wall Paint Contractors Kit, Smart Magnetic Primer and have filed patents for dry erase coating technologies this year.

Another of Hothouse’s success stories is DecaWave, a Dublin-based wireless chip design group, which collaborated with DIT’s Antenna and High Frequency Research Centre (AHFR), to create a product that can locate an item to within ten centimetres. DecaWave has attracted investments worth up to €25 million and recently took the top prize at the European Business Angel Congress held in Dublin two weeks ago.

Asked about the value of going through DIT’s Hothouse programme in their first year, DecaWave chief executive Ciarán Connell cited a “feeling of camaraderie” that pulled them through the first phases of development.

“In short, they helped us bootstrap ourselves and gave us an identity. I doubt if we would have gotten past stage one without them,” Connell said.

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