

The Use and Abuse of Proof-of-Concept funds

Trainer: Jeff Skinner

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Prague – Czech Republic

12:15 – 13:00 Registration

13:00 - 13:20 Introduction

The issue – grant money creates good science that underpins early-stage technologies. Proof of Concept funds can help make these technologies ‘investment-ready’ if they are spent on the right things – but we usually second-guess what the market needs and thus waste precious PoC funding.

13:20 – 13:50 Applying Finance Theory

We apply finance theory to the development of technology – showing how the main driver of value of a technology is risk, and that this risk tends to reduce in steps that – if planned well – coincide with financing rounds. We look at the milestones that drive risk (and therefore, value) and thus are great targets for investment of any kind, including PoC funds.

13:50 – 14:30 – A framework for understanding categories of risk

We now use a case study to explore the various forms of risk that are inherent in a technology, including both technical and market risk. We explore the types of technology where ‘technical’ risk (‘will it work?’) dominate and those where market risk dominate (‘will it sell?’). We explore how objective these risks are and the extent to which they are dependent on the potential investor.

14:30 - 14:45 Break

14:45 - 15:15 Generalising the framework to apply to different scenarios.

In groups we use the framework to apply to hypothesise the risk for any technology – taking examples drawn from participants (prepared beforehand).

15:15 – 16:15 Discussion – exploring perceived risk.

We have now developed a framework for risk and learned how to apply to a range of technologies. This is the ‘theoretical’ bit – now we must learn how to explore which of these risks are most keenly felt by potential investors – why they won’t invest in our technology now and what it is that they need us to do before they will. We discuss how we collect such evidence – which almost always involves micro-level market research.

16:15 – 16:45 Application to the proper use of PoC funds

We now see how this evidence is used to build a more solid ‘Proof-of-Concept’ business proposal – and in so doing we develop, ground up, the true purpose and form of the larger ‘Business Plan’ for a new technology. We discuss whether the methodology is likely to result in better application of PoC funds.

16:45 - 17:00 Conclusions

To conclude we ask you to take the perspective of the Manager of a PoC Fund and you to decide the set of criteria (the application form) that you would devise for ‘your’ PoC Funds.