

# A review of the IC tomorrow programme

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# 01. INTRODUCTION

CFE Research was commissioned by Innovate UK to conduct a review of the IC tomorrow programme to date, with the aim of exploring and providing insights into the questions listed below. In Appendix 1, we provide the theory of change model for this initiative which was the foundation for developing the research questions used to evaluate the programme. Where sufficient evidence to evaluate IC tomorrow is currently lacking, we supply recommendations on how these gaps can be filled in the future.

This review sought to answer the following questions:

- a)** What barriers does this programme help overcome and why is government support required to overcome these?
- b)** What aspects of the programme have been particularly valuable to businesses?
- c)** What are the key lessons to learn, particularly around linking small companies with larger ones in this way?
- d)** What is the relative importance and benefit created by the different elements of the support? Where does Innovate UK add the most value?
- e)** How suitable is the current system of funding and is there any possibility of altering this in any way?
- f)** Can the initiative be scaled up without losing value?

In order to find answers to these questions, a mixed methodology was implemented. Eight stakeholders were interviewed in order to gather their thoughts on the value of the programme, its key objectives and the potential future direction of the initiative. These stakeholders consisted of those directly involved in the strategic operation of the IC tomorrow programme, as well as senior employees at Innovate UK and the Knowledge Transfer Network. This was followed up with a short survey of start-ups and their partners, so that quantitative data could be captured on topics such as the reasons organisations participated in the programme, their views on the funding structure and, in the case of start-ups or SMEs, the impact that trialling their innovation has had on their business. The total number of start-ups and challenge partners invited to take part in the survey was around 200. The survey generated a total of 26 complete responses and 4 partials. Of these responses, 20 were from start-ups, whilst 10 were from challenge partners. The responses, including partials, therefore represent 15% of the total population with a bias towards start-ups (the data are reported unweighted). As a result, the survey statistics reported in this paper should be treated with caution, as they are less statistically robust and possess a wide margin of error (a maximum of  $\pm 17$  per cent at the 95 per cent confidence level). The statistical findings give an idea of the relative strength of a response, but should not be used to support any overall statements regarding IC tomorrow. We refer to results from our survey throughout the paper and provide a more detailed breakdown of the responses to particular questions in Appendix 2.

Alongside this quantitative data collection, six paired interviews with start-ups and their respective partners were conducted in order to explore key topics in greater detail, such as the benefits they have experienced from taking part in IC tomorrow, the support received from Innovate UK and whether they believe the initiative currently has any drawbacks. Additionally, there were four cases in which we interviewed one company within a pair, providing supplementary evidence into the views of both start-ups and their partners. Note that we have therefore interviewed around 8 per cent of companies involved in the IC tomorrow programme. This report therefore supplies an overview of some of the key themes and issues emerging from the perspective of those taking part.

The remainder of this report is structured as follows. In the next section, we outline the importance of innovation and why government support can sometimes be required in promoting this. This is followed by a brief outline of the IC tomorrow programme. We then provide the findings, exploring each key question in turn and bringing together analysis from both the quantitative and qualitative aspects of the research. The considerations and methods by which Innovate UK may measure impact going forward are highlighted in the final section.

## 02. WHY INNOVATION IS IMPORTANT AND WHY GOVERNMENT SUPPORT CAN BE REQUIRED

O'Sullivan and Dooley (2009)<sup>1</sup> define innovation as 'the process of making changes, large and small, radical and incremental, to products, processes, and services that result in the introduction of something new for the organisation that adds value to customers and contributes to the knowledge store of the organisation'. Meanwhile, the OECD (2005)<sup>2</sup> adopts a slightly broader definition for innovation, seeing it as 'the implementation of a new or significantly improved product or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations'. In the case of IC tomorrow, the main aim is to enable new products, processes and/or services to be supplied within the marketplace through the emergence of sustainable small businesses. Before we outline the way in which the IC tomorrow programme functions and aims to encourage innovation, we begin with a summary of the key benefits of innovation to both firms and the wider economy. We also discuss the reasons behind why governments may wish to intervene in stimulating innovation.

### Benefits to firms

As a direct result of an increasingly globalised economy, firms are experiencing higher levels of competition in their respective industry. Consequently, there is a need for organisations to introduce new products and improve the quality of the service(s) they offer their customers in order to gain a competitive advantage and maintain their market share.<sup>3</sup> Investing in innovative activity or collaborating with other firms to support innovation can also open up new market opportunities and enable companies to understand the potential future direction of their sector. From an external perspective, being seen as an innovative firm can help to develop a strong reputation and brand, which can create a loyal customer base, as well as attracting high-quality workers to the organisation.<sup>4</sup>

### Benefits to the wider economy

Innovation facilitates technological progress and the potential to produce more output with the same level of resources, thus contributing to long-term growth. New export opportunities may also emerge as a result of innovation, boosting a country's trade balance. As firms innovate, they often invest and expand, leading to job creation in the

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<sup>1</sup> O' Sullivan D & Dooley L (2009). 'Applying Innovation' Sage Publications

<sup>2</sup> OECD (2005). 'The Oslo Manual: 3<sup>rd</sup> edition'

<sup>3</sup> Goksoy A, Vayvay O & Ergeneli N (2013). 'Gaining competitive advantage through innovation strategies: An application in warehouse management processes.' American Journal of Business and Management, Vol 2(4), pp 304-321

<sup>4</sup> Mobbs C (2010). 'Why is innovation important?' Innovation For Growth, Oxfordshire, UK

local and national economy. Consumers can also experience an increase in welfare, as they have access to better quality products and services. Additionally, if firms are able to produce goods at lower cost as a result of innovation, these savings may be passed on to consumers in the form of lower prices.

### Government intervention

As highlighted above, innovation generates benefits for those firms which take part in such activity (private benefits), but also wider society (social benefits). Decisions on the level of innovative activity that a firm undertakes will be based on the organisation's private benefits and costs, which will therefore not take into account societal gains. As a result, in the absence of public intervention, firms are likely to invest too little in innovative activity.<sup>5</sup> Those companies that do show a desire to innovate may be prevented from doing so by credit constraints, with this being a particularly pertinent problem amongst SMEs and/or start-ups. Whilst such organisations are aware of the quality of their idea, financial institutions lack the expertise to understand this potential and will often fail to lend sufficient funds to them.<sup>6</sup>

Small firms and start-ups also may not have the knowledge and resources to utilise and apply external information for their own commercial ends, typically known as their absorptive capacity. Furthermore, they could struggle to initially establish themselves in their market, as they are unable to communicate to their customer base the value of their idea and thus develop their credibility. Hence, they can therefore require support during their early growth phase to ensure they can compete in the marketplace.

Given that barriers to innovation can be more prevalent amongst small firms, governments may wish to focus their policy interventions at such organisations. Whilst companies of any size are able to enter IC tomorrow competitions, it is start-ups and SMEs that are generally the main focus of the IC tomorrow programme.

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<sup>5</sup> **Greenhalgh C & Rogers M (2010)**. 'Innovation, Intellectual Property and Economic Growth.' Princeton University Press

<sup>6</sup> **Arnold E, Farla K, Kolarz P, Potau X (2014)**. 'The case for public support of innovation.' Department for Business, Innovation and Skills, London

### 03. WHAT IS THE IC TOMORROW PROGRAMME?

IC tomorrow is an initiative designed and managed by Innovate UK, whose mission is to stimulate and support business-led innovation within the economy. This particular programme aims to establish relationships between large blue chip companies and digital start-ups or SMEs, with the objective of allowing both organisations to experience a range of positive benefits which will feed through into the local and national economy. IC tomorrow has been running for just under five years, over which time it has funded approximately 100 relationships between start-ups and market-leading firms.

#### Innovation contests

There are two key parts to the programme, with the first of these being innovation contests. The process begins by Innovate UK engaging with a broad spectrum of industries in the UK to understand their present and forthcoming challenges. Staff at Innovate UK then ensure that these challenges are relevant across sectors or broader swathes of the industrial base, as opposed to concentrating at the company level, so that innovations are able to solve wider challenges and create a greater amount of benefit for society. Start-ups or SMEs with innovative ideas are then introduced to the challenge through briefing events, supported by the Knowledge Transfer Network. Those with potential solutions to the challenge are invited to take part in a competitive process where the winner is able to work with an established firm (the challenge/trial partner) to solve the challenge and trial their solution. If successful, contractual grant funding to develop their solution is provided by Innovate UK, which offers up to £35,000 to each winning start-up or SME. Most successful applicants will be provided with up to £25,000 in funding, however specific sectors where a slightly larger investment may be considered appropriate could be given the maximum level of support.

Small organisations that wish to respond to a challenge initially submit an application form which includes a two-minute video outlining their idea, as well as information relating to the technical and commercial aspects of their business model, experience and expected costs. Once the applications have been assessed, a select few are advanced into the final stage of the application process. Here, they must deliver a live pitch and answer questions from a panel consisting of industry experts such as venture capitalists, journalists, analysts and the organisation they will be working with when developing their idea (the challenge partner). The successful start-up or SME will then begin their trial with the established firm within six to nine months of the pitch. Each year, around 30 applicants will receive funding from this programme to develop their ideas. It is important to note that during the whole process, Innovate UK looks to protect the start-up, in order to maximise its chances of developing a commercial product and bringing the idea to market. This is done, for example, by fully protecting its intellectual property rights. Trial partners are there to support the start-up, with a memorandum of understanding being agreed between the parties at the start of the project.

## Strategic matchmaking

The second aspect of the IC tomorrow programme is the opportunity provided for strategic matchmaking and support. This enables large firms across a range of industries to meet small and innovative digital start-ups which may have innovations that can help solve problems experienced in the industry. Hence, whilst the initiative funds around 30 partnerships per year, this feature of the programme facilitates the development of a number of additional relationships that can enable small firms to commercialise their ideas, whilst helping industries to experiment with, and potentially find, solutions to the challenges they face.

## 04. FINDINGS

In this section, we utilise the data collected through our survey, as well as the qualitative interviews, to provide answers to the main research questions. In doing so, we evaluate some of the key inputs, processes and outcomes of the programme and highlight some of the recommendations on the initiative from the perspective of start-ups, challenge partners and stakeholders.

### **WHAT BARRIERS DOES THIS PROGRAMME HELP OVERCOME AND WHY IS GOVERNMENT SUPPORT REQUIRED TO OVERCOME THESE?**

#### Understanding of the purpose of IC tomorrow

There was a general consensus amongst stakeholders that the IC tomorrow programme existed to help small start-ups make the most of their ideas by highlighting the sectors where their innovation could be successful and linking them with suitable trial partners. These established firms would then provide start-ups with the platform and support to help them develop their ideas and move towards generating a product or service that can be commercialised. Meanwhile, start-ups and SMEs would be solving a current challenge within a particular industry. Below, we highlight the types of barriers this programme helped to tackle.

#### Knowledge of market opportunities

It was believed that the collaborative, partnership aspects of IC tomorrow were beneficial. Stakeholders say partnering small and large firms can help SMEs, as they are not always aware of the sectors where their innovation could be put to best use and can often miss out on potential opportunities which may only be available for a short period of time.

— ‘There’s a tendency with small companies to feel like they’re... siloed in a specific space, and when they get busy, it’s all heads down, and when they look up, they may have missed an opportunity. Within the digital domain, the opportunities are quite... fast and fleeting and they don’t necessarily present themselves in the area that you think you’re involved in.’ (Stakeholder)

Interviews with SMEs indicated that they often have their own ideas as to which market(s) provide the greatest potential for their product. However many will not have the knowledge or awareness of other industries to develop effective applications for their product or service. Innovate UK’s role in engaging industry leaders is therefore crucial, both to understand the wider direction of travel for a sector and in recruiting challenge partners. This allows small firms with inventive products to market and develop their ideas in potentially unfamiliar sectors with the support and guidance of a leading organisation. Small companies will often lack the capacity or resources to explore the issues emerging in

different industries themselves. This is a clear value that the programme adds as, without the initiative being in place, start-ups stated that they were unlikely to pursue such a pathway.

— ‘We wouldn’t have specialised the product in this particular sector without this programme, no. I think that we would have concentrated on other sectors where we felt there was more opportunity.’ (Start-up)

— ‘Actually the idea came from the challenge set by IC tomorrow itself. It kind of sparked an idea, if you like.’ (Start-up)

### Access to lead organisations

For technology and digital start-ups, one of their key objectives in trying to develop a sustainable business is working with established firms and converting them into long-term customers. Yet, with many start-ups vying for such an opportunity, there is no quick and easy method by which large firms can identify those with the best ideas and strongest commercial potential. This, therefore, makes collaboration a financial and commercial risk from the perspective of the large company, inhibiting the ability of innovative start-ups to work with them to build their idea and business. Stakeholders believed that the formation of a link between such companies is a unique aspect of the programme. Indeed, the initial activities of the IC tomorrow programme are essential in developing a suitable relationship. The application process at the first stage requires start-ups to discuss their idea in response to the challenge through a written submission, as well as provide supporting evidence of their business model and plans. With challenge partners not involved in the competition process until stage two, IC tomorrow wholly carries out the initial sorting of start-ups and thus only advances those ideas that show greatest promise. This in itself is resource intensive and large firms are unlikely to be able to commit to doing this themselves. IC tomorrow therefore offers a useful service at no cost to the trial partner, with this stage therefore facilitating the emergence of a relationship between small and large firms. Large firms are exposed to only those putting forward credible solutions, whilst successful start-ups at the first stage of the application are given the chance to convey their product to the established organisation.

— ‘I think that relationship with a challenge partner really sets it apart from other programmes and Government-centred initiatives.’ (Stakeholder)

— ‘Dealing with large enterprise organisations is always difficult. There’s inertia to move from large enterprise companies towards new suppliers, especially if they’re small and unproven in a particular sector. So I think one of the major reasons we wanted to do some work with the IC tomorrow was to get connections with those large organisations.’ (Start-up)

Whilst working with large organisations can provide the first stepping stone to creating a sustainable customer base for small firms, there are also other potential positives to having such firms as partners. SMEs may possess limited absorptive capacity, as they lack the skills, resources and capability to effectively use outside knowledge. This could mean that start-ups and SMEs have difficulties in developing their product as quickly as they would wish, which could cause financial pressures.<sup>7</sup> The link between an established organisation and start-up - the main feature of the IC tomorrow programme - can again be key to surmounting this hurdle, with trial partners noting during interviews their ability to provide the right support and guidance. As a result, they can build a commercially viable product in a much shorter time period. In our survey, 14 out of 19 (74 per cent) start-ups said the *support and guidance provided by an established trial partner* was either very or fairly important in enabling them to develop their product.

— 'I can honestly say that they've had access to... information and insight that would take them a long time to get.' (Trial partner)

### Financial support

SMEs and start-ups frequently find it more difficult than larger organisations to obtain credit, with this becoming an evermore prominent problem in the years following the financial crisis.<sup>8</sup> A chief reason for this is that lenders are not fully aware of the potential of ideas and production possibilities, hence they are either unwilling to lend to such organisations or require a higher risk premium for this.<sup>9</sup> This can prevent entrepreneurs from building ideas and turning them into commercial products. With the failure of the private sector to supply the financial resources needed to enable businesses to become sustainable, it is left to government intervention to attempt to solve this issue. Indeed, a number of start-ups that were successful in the competitive process highlighted their need for funding to further their idea. Within our survey, 19 out of 20 (95 per cent) of start-ups stated that the *provision of one hundred per cent funding* was very or fairly important in them being able to develop their product. Furthermore, 16 out of 19 (84 per cent) indicated that, *in the absence of IC tomorrow, they would not have developed their idea in the same way*.

— 'The fact that they're offering a substantial amount of money to develop an idea which could then go on to be a product is quite tempting for me, and I decided to take a shot at it.' (Start-up)

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<sup>7</sup> See, for example, **Reinertsen D (2009)**. 'The principles of product development flow: Second generation lean product development.'

<sup>8</sup> **Fraser S (2012)**. 'The impact of the financial crisis on bank lending to SMEs: Econometric analysis from the UK Survey of SME Finances.' Report prepared for the Department for Business, Innovation and Skills

<sup>9</sup> **Feldman M & Link A (2012)**. 'Innovation policy in the knowledge based economy.'

## WHAT ASPECTS OF THE PROGRAMME HAVE BEEN PARTICULARLY VALUABLE TO BUSINESSES?

### Start-ups

#### The ability to trial an idea and build credibility

As mentioned earlier in this report, one of the problems initially faced by start-ups and SMEs is that their product initially lacks credibility. Thus, start-ups can find it difficult to develop a customer base and establish a viable business. The ability to have their product tested and verified by a reputable company has been stated by both stakeholders and start-ups themselves as a key benefit of this programme. Indeed, all 20 start-ups and SMEs responding to our survey said that the *ability to trial their product or service* was very or fairly important in helping them to progress their idea, whilst 17 out of 18 (94 per cent) indicated that the *reputation of the challenge partner in their industry* was very or fairly important in product development. At the end of the trial, some of the start-ups and challenge partners may agree to continue working with each other.<sup>10</sup> This gives small firms a solid platform on which to further develop their business and find new customers. Even in instances where start-ups and challenge partners do not continue working with each other, start-ups can utilise their experience of working with a leading organisation to demonstrate the reputable nature of their product and business, which can enable them to start developing a brand.

- ‘What I think the main benefit to them is having the customer, they’re building something in the confidence that you’ve got a customer at the end of that process, or at least a very good chance of a customer.’ (Stakeholder)
- ‘So those really were the two overriding goals, was to allow us to test and prove the system at scale and to be able to come away from it with a testimonial effectively.’ (Start-up)

#### Market and business knowledge

Start-ups sometimes have limited knowledge of the markets they are trying to access and the true potential of their product which is a weakness that challenge partners can help to address during the trial. For small firms and start-ups, not having this expertise can increase the risk of attempting to develop a product, as this lack of understanding can impact on their ability to attract customers as well as their ability to keep operating costs in check. This could therefore thwart the possibility of developing a sustainable business. In our interviews with trial partners, we found that such firms can provide insights into a

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<sup>10</sup> It is worth noting that some Innovate UK stakeholders were unsure how many partnerships continue after the trial. In relation to impact and value for money, it would be useful to track such a metric if it does not currently exist.

market that give start-ups a realistic chance of establishing themselves and thus reduces the risk associated with generating a new product. The ability to run a trial with a challenge partner enables the start-up to receive help on how to refine the idea to suit the current and future demand within a market. Within our survey, we asked start-ups to highlight the types of support offered by the trial partner that were most valuable to them. Seventeen out of twenty start-ups stated that at least one of the five examples of support included in our survey was fairly or very important to them. The types of guidance included gaining an insight into industry best practice, helping to improve the productivity and efficiency of the business, as well as learning more about how to grow a business.

— ‘It was a real opportunity to get some in-depth knowledge around a sector that they had previously tried to get in to but had not managed it.’ (Challenge partner)

— ‘So, that has been fantastic because they are a perfect partner for us...They have knowledge in the area. They have marketing capacity. They have contacts.’ (Start-up)

Stakeholders argued that a unique feature of the IC tomorrow programme is that it funds those with ideas even if they do not have a business up and running. Those who are successful in the competitive process but lack business experience can often find that they are able to develop their business acumen throughout the trial. In particular, the support of staff at Innovate UK and their challenge partner during the trial can enable start-ups to begin thinking from a more commercial perspective. Ultimately, the aim of the IC tomorrow programme is to try and turn great ideas into sustainable businesses, hence this is a crucial aspect of the support and guidance offered. Results from our survey appear to vindicate this; 16 out of 19 start-ups (84 per cent) stating that *support on understanding more about the commercial viability of the product* from challenge partners was very or fairly important to them. Indeed, some start-ups stated in their interviews how working with the challenge partner contributed to them refining their product and creating goods for a specific segment of a market.

— ‘IC tomorrow forced them to think about the commercial realities of life and I think they’ve found that very useful. Very hard, but very useful.’ (Challenge partner)

### Speeding up the development process

Start-ups and challenge partners interviewed highlighted that the funding and commercial partnership offered by the IC tomorrow programme enabled small firms to develop their product in a much shorter time period than would have been possible otherwise. For start-ups, this can prove vital, as delays in getting a product to market can mean that a competitor is able to capture market share and customers first. Furthermore, experiencing setbacks could lead to cash flow issues and increasing financial pressure. For example, having delays in your product development can mean firms miss out on a window of opportunity when demand would be high and they will also incur extra development

costs.<sup>11</sup> In contrast, IC tomorrow can reduce the possibility of these occurrences, giving more confidence to start-ups to progress their idea. Thus, innovations that may not otherwise have occurred, are brought to market as a result of the features of the IC tomorrow initiative. Examples of products/services that have emerged as a result of the programme include a mobile app that provides loyalty data to retail outlets using iBeacon technology and service software focused on providing location insights, such as the movement and level of crowds at large events which is used to improve crowd safety and marketing.

— 'I think that's one of the key reasons for entering was that it enabled us to get to a position in only around two months that otherwise, without that opportunity, might well have taken us two years.' (Start-up)

— 'I think that would have taken an awfully long time...I have no doubts if they put their minds to it, they could have done this on their own but I really doubt that they would have done, because I think they would have run out of money too fast.' (Challenge partner)

## Benefits for challenge partner

### Exploring new horizons

Challenge partners also reported a range of benefits from IC tomorrow. From their viewpoint and that of stakeholders, working with SMEs can enable them to be exposed to new ideas and ways of thinking – a benefit also highlighted in the literature on small and large firm partnerships.<sup>12</sup> There was recognition amongst challenge partners that there was a need to look outwards to understand what direction the sector may head towards in the future, but there was not always a clear idea of how to do this. By bringing together innovative start-ups, IC tomorrow facilitates the opportunity for leading organisations to explore how their industry may evolve and be impacted upon over time. This is enabled via two mechanisms: the competition process and trial itself, as well as the networking opportunities between small and large firms, which forms part of the second aspect of the IC tomorrow programme. In the survey, the most common reason given by challenge partners for working with smaller companies was to *understand the possible future pathway of their industry*, with 5 out of 7 trial partners stating this as a motive for participating.

— 'They are there essentially to expose them to a vision of where some of the innovation is heading. Quite a lot of our commercial partners like to meet with all the applicants in their challenge, not just

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<sup>11</sup> Cooper R & Edgett S (2005). 'Lean, rapid and profitable new product development.' Product Development Institute, Canada

<sup>12</sup> James A, Gee S, Love J, Roper S & Willis J (2014). 'Small firm-large firm relationships and the implications for small firm innovation.' Enterprise Research Centre, White Paper Number 9

the finalists or not just the winner, and that helps them to get more of an understanding as to where some of the most disruptive thinking is heading.’ (Stakeholder)

- ‘A lot of [this sector] is very slow-moving and very sluggish and is aware that there is a new digital world out there that they have to get involved with, but they struggle to work out how to get involved with it and what should they be doing, so I guess that’s the biggest issue.’ (Challenge partner)

### The ability to see quick progress

The findings reveal that large organisations sometimes lack the flexibility and structure needed for innovative ideas to develop. Various decision making structures and more complex lines of responsibility can curb the chances of new products or services emerging altogether. Experiencing delays as a result of, for example, the need to complete paperwork and receive clearance from management teams can lead to opportunities for innovation being missed. These are examples of soft institutional failures that inhibit innovation from emerging.<sup>13</sup> Some challenge partners stated that if they were required to contribute financially, this would delay or prevent their participation, as there would need to be internal confirmation that money was available for such use, verifying what stakeholders themselves argued. Within smaller organisations however, the absence of such structures allows for new ideas to be followed through quickly. Given the approach within larger firms, the fact that there is no funding contribution necessary from challenge partners is a key attribute of the initiative, as this would potentially have a significant influence on the types of challenge partners willing to take part, which could ultimately lead to less effective matches between start-ups and leading organisations.

- ‘We get them away from a lot of what might’ve been otherwise internal politics about ‘Do we have a budget for this?’’ (Stakeholder)

- ‘They’re [start-ups] very agile. They can develop things very quickly, iterate very quickly but they’re not bogged down by lots of bureaucracy, paperwork and committees and so forth..... It was a really great experience because we were able to work very rapidly.’ (Challenge partner)

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<sup>13</sup> **Arnold E, Farla K, Kolarz P, Potau X (2014).** ‘The case for public support of innovation.’ Department for Business, Innovation and Skills, London

## WHAT ARE THE KEY LESSONS TO LEARN, PARTICULARLY AROUND LINKING SMALLER COMPANIES WITH LARGER ONES IN THIS WAY?

### Understanding each other

The interviews we completed with stakeholders and challenge partners indicated that, even after going through a rigorous competition process, where start-ups have to clearly demonstrate their idea to tackle a specified challenge, there can still be confusion and a lack of clarity about the overall requirements of the trial. Hence, the initial phases following the competition process seem critical in the formation of a successful relationship, because this is when both the start-up and the challenge partner are likely to try and build a better understanding of each other's thoughts and ideas. Indeed, previous conflicts between challenge partners and start-ups have led Innovate UK to making changes to contractual terms and conditions to try and alleviate such issues. At present, a memorandum of understanding (which comprises four paragraphs outlining required conduct) is agreed between the parties involved prior to the start of the trial. Our interviews with challenge partners suggested that they may not always be fully aware of their rights and responsibilities, hence further clarification of the expectations of each organisation may be needed in future, so that they understand the conditions they must meet as part of the process.

— 'Partners/start-ups seem to be initially on the same page at the pitch/early stages, but this doesn't [always] prove to be the case later down the line.' (Stakeholder)

— 'Yes, there were a few problems. One of them, it sounds very basic, was for [the start-up] to actually completely understand what our problem was. Although the pitch was very good, it took quite a bit of time for [the start-up] to really, really understand what the problem was. We had to really strip everything back to the basics to be absolutely certain [the start-up] understood that.' (Challenge partner)

— 'Yes, I'm not sure how much resource they have, but I think something that's still a little bit unclear to me is what we will be able to do with it [the product]. I don't think that's been agreed yet, what we can do with it, what the rights are, what we can and can't do with it. I think that should be made very clear.' (Challenge partner)

At present, the way challenges arise is that employees at Innovate UK engage with contacts in particular industries to find out the key issues emerging in their sector. Leading organisations in an industry will then set a challenge based on these discussions, with the aim of finding a suitable start-up to try and come up with a solution to the problem identified. Innovate UK will then organise a competition inviting start-ups to pitch their ideas. However, challenge partners don't have prior knowledge of the types of start-ups

that are likely to apply. This can hinder their ability to set an appropriate challenge for both parties and may restrict the effectiveness of the trial and relationship between the two organisations.

- ‘I’d set quite an open brief and probably should have been a bit more specific in hindsight, but equally, you know, when you’re pitching to a broad community of start-ups, you don’t really know what to expect, in terms of what they’re going to come back with or who’s going to respond, or if, in fact, anyone’s going to respond.’ (Challenge partner)

### Offering focus to both organisations

When both organisations are clear on their roles and expectations, linking firms in this way can lead to greater focus on the particular type of product or idea that they both wish to pursue. Without such a relationship, start-ups may not be fully aware of which markets they should target (as highlighted by stakeholders) and how they should develop their product, whilst our discussions with challenge partners found that they were not always clear on how to engage in innovative activity that can help them develop their understanding of the future pathway of their industry. Through this programme, start-ups now have a clear route that they need to follow in order to achieve a particular target and lead organisations focus their attention on a particular type of innovation relevant to their industry.

- ‘Our paths would not have crossed so it really does bring, I guess, expertise from other industries but it also I think it really helped us focus on what we really needed to do.’ (Challenge partner)

### The need for an intermediary

Innovate UK put in place a set of rules and conditions to ensure that both parties can mutually benefit from the programme. If small and large firms were not linked in this way, it is possible that the benefits could accrue more to one party than the other. Given their established position, it may be expected that without the responsibilities outlined by Innovate UK for each firm, challenge partners are more likely to gain from the initiative. Challenge partners will possess better knowledge of the industry and may use their size, resource and cost advantages to fully utilise the concept introduced by the start-up. We did ask start-ups whether they believed that *the challenge partner would derive greater benefit [than themselves] from this programme* and just 4 out of 19 (21 per cent) agreed that that this would be the case, which suggests that the policies put in place by Innovate UK do help to ensure that benefits are evenly balanced between small and large firms. Feedback on the role of the challenge partner was generally quite positive in the survey, with 12 out of 19 (63 per cent) of small firms agreeing that *it has been easy to contact the challenge partner when they have needed guidance*. The same percentage agreed that they were *in regular communication with their partner about developments occurring throughout the trial*. However, despite the rules put in place by Innovate UK, intervention

by staff members is still sometimes required to ensure that each party meets their terms and obligations. 6 out of 19 (32 per cent) start-ups stated that they *had to involve Innovate UK to help resolve issues between themselves and the challenge partner*. This initiative therefore does encourage collaboration between small and large firms and shows the value of Innovate UK's role in supporting successful working relationships.

— 'So, that can happen, and we do, and I have had a number of conversations where the winning start up has rung me up and said, 'Look, could you just get back and have a word with so and so, because they're saying that I need to do this and that.' That ability to intermediate between two sides has been quite useful, and generally speaking, it [issues] gets smoothed over.' (Stakeholder)

— 'Suddenly the challenge partner was making lots of demands and it was just unrealistic, because it was going to benefit them way more than us, which wasn't the whole point of the competition.' (Start-up)

## **WHAT IS THE RELATIVE IMPORTANCE AND BENEFIT CREATED BY THE DIFFERENT ELEMENTS OF THE SUPPORT? WHERE DOES INNOVATE UK ADD THE MOST VALUE?**

### Competition process

Whilst not explicitly mentioned by challenge partners, stakeholders said that the filtering process conducted by Innovate UK is of great importance in attracting leading firms to take part in the IC tomorrow programme. Large organisations that we interviewed rarely demonstrated that they have the knowledge and resources to find innovative start-ups with ideas that could have a significant impact on their industry. There is no easy method of ascertaining which SMEs have credible business plans and a proposal that aligns with the needs of their sector, with start-ups having greater knowledge about the potential of their product than the large firm; hence there is a mismatch in the level of information possessed by the two parties. In this respect, Innovate UK provides a service that addresses this gap allowing small and large organisations to collaborate. The qualitative evidence suggests that such collaboration may happen less or not at all without IC tomorrow's intervention. The rigour of the competition process is designed to ensure that only those companies that put forward a viable brief to solving a challenge enter the pitch stage of the application procedure. Innovate UK thus provides an essential sorting mechanism, which paves the way for a collaboration to form.

— 'The fact that we do quite a lot of the pre-filtering, and we only put forward to them a relatively small number of what we think are good prospects, for them to look at, that's a value add for them.' (Stakeholder)

— 'Innovate UK made it really pretty seamless and pretty easy for me to get involved. Again, they seemed to make it as easy as possible for the brands to get involved.' (Challenge partner)

Indeed, trial partners are not the only ones to gain from the initial application process. All start-ups must submit an application in the first stage of the process to demonstrate the commercial potential of their product. Those who are successful in the first stage then must pitch their idea to a panel of judges which includes the challenge partner and industry experts. The application procedure in itself and the guidance supplied by Innovate UK during this process offers start-ups the chance to learn how to improve their pitching and presentation skills, as well as the opportunity to network and gather information on how to improve their ideas. This can enable even those who are unsuccessful in receiving funding to leave with information on how they can develop their idea into a business. One challenge partner we interviewed did suggest that it may be helpful to provide information to future applicants of examples of good proposals and what they are looking for to help start-ups in their application for funding, although there was recognition that this could make it trickier to differentiate between submissions.

— ‘We’ve had feedback from quite a few people that having to refine their pitch, having to perfect the art of pitching including questions, in ten minutes, and then having the opportunity to see other people do it and just sit in a room where you’ve got professionals, and you can network with those people and you can talk to them and find out what their impression of your pitch was, is a useful exercise in itself.’ (Stakeholder)

— ‘Of course along the way the IC tomorrow programme ... also offers sort of practice pitching mentoring, so we help them to refine their story and to have a clear idea as to what some of the judges are going to be looking for so that they can sort of focus their content around that.’ (Stakeholder)

### Protecting Intellectual Property (IP)

For start-ups, a key benefit of the programme is that they are able to work with a challenge partner and potentially develop a customer base, without having to relinquish any control over their IP (which is protected as part of their contract).

One of the attractions of the programme for larger organisations is that they are not required to contribute any money towards the programme, but may benefit from the innovative idea in the longer term, if they choose to develop further commercial terms with the successful applicant. This could be, for instance, by having access to higher quality inputs from producers operating at a different level within the supply chain. The funding structure (including the maximum sum available) appears to facilitate the ability to implement this IP condition, as a financial contribution by a challenge partner could alter their demands from the initiative. In our survey, 19 out of 20 (95 per cent) start-ups said that the *retention of full IP* was very or fairly important in helping them develop their product.

- ‘By us funding it, we can protect those companies, we can protect those companies and say, ‘You build the IP, it gets to be your IP, you can exploit it.’ Then they get to, kind of, keep the knowledge, they get to keep the skills, they get to keep the capacity to exploit it.’ (Stakeholder)

## Support during the trial

Generally, in the majority of interviews we conducted with start-ups and trial partners, the role of Innovate UK during the trial was discussed positively. In some instances, partners and/or start-ups mentioned that they were relatively ‘hands-off’ and allowed the relationship to flow, but also gave full responsibility to the participants of the programme. In one of our interviews with challenge partners, the participant stated that when external finance is provided in this way, those offering funding can sometimes want to get heavily involved in activity and direction, yet this was not an issue during this initiative. Instead, Innovate UK provided support when requested, allowing space to enable an effective collaboration to form that can help stimulate innovative activity.

- ‘People think, ‘Well, if I’m going to hand over £25,000, I want to drive and get in the driving seat and manage and twist it, and force it down a route that I think is good, because hey, I’m paying for it.’ There was none of that. No. They were very, very good at offering the support when it was required.’ (Challenge partner)

However, both challenge partners and start-ups did highlight areas where they thought that support could be improved. Each project is unique and likely to move at different speeds. Whilst some take time to evolve, others may proceed at a much quicker pace. As a result, it was suggested by a start-up that it would be helpful for Innovate UK to ensure that they closely monitor how quickly different trials are progressing, so that the diligence processes are carried out at the appropriate times. Furthermore, whilst companies were complementary of the support that Innovate UK provided in terms of making them more aware of the commercial environment and questions that they needed to consider as a business, there was awareness from challenge partners that additional guidance may be needed after the trial to further develop a sustainable commercial business. Whilst a desirable outcome of the initiative, it is not always the case that start-ups will continue their relationship with the challenge partner or even have a commercial product developed at the end of the trial. Hence, start-ups may need, for example, support and advice on what they need to consider to continue developing their business, as well other opportunities for funding. However, further evidence would need to be collected on this to understand whether this is a broader issue amongst start-ups. We discuss more on how to measure impact in the final chapter of this report.

- ‘What I found was that, for instance, long after the trial had actually finished, I was getting calls and emails from IC tomorrow, you know, asking if I could set up regular monthly reviews of progress,

which is a nonsense because the trial had finished. They just weren't expecting us to move that quickly.' (Start-up)

- 'Really, they should be helping these start-ups on their next steps saying, 'Right, okay, you've done a trial, it's been successful, how are you going to make money out of this?'' (Challenge partner)

## HOW SUITABLE IS THE CURRENT SYSTEM OF FUNDING AND IS THERE ANY POSSIBILITY OF ALTERING THIS IN ANY WAY?

### Stakeholders

On the whole, stakeholders believed that the current funding structure was suitable for the purposes of the programme. Altering the structure such that challenge partners and/or start-ups were required to part-fund the initiative could have significant implications for the types of firms that participate (as earlier evidence shows). In the case of start-ups, those with just ideas may struggle to come forward with any funding themselves and would thus not apply, which could prevent certain ideas from taking off. The types of challenge partners that are willing to take part may also change, depending on the ease at which funding can be released by such organisations, and this could make finding the right challenge partner more difficult. Additionally, stakeholders and challenge partners thought that asking leading organisations to make a financial contribution is likely to result in them placing greater demands on the start-up and potentially wanting some stake in the IP, which would thus restrict the ability of promising start-ups to establish.

- 'One [problem with removing the grant] is... that it would make it incredibly hard to find the right partner. Secondly, it would just destroy this whole idea that, how could you possibly say, 'Well, you've got to provide money, and you can't take any equity, you can't interfere with the IP.' That would just be a complete mess.' (Stakeholder)

There were more mixed views about whether the level of funding supplied to start-ups is appropriate. Currently, successful SMEs are given up to £35,000 for their trial. Some stakeholders believed that offering too much money could see start-ups lose focus and motivation in their attempt to move towards a commercially viable business. Also, the type of start-ups this programme seeks to attract are not necessarily in a position where substantial amounts of funding are required. On the other hand, a few stated that this was a one-size-fits-all approach and what constitutes an appropriate level of funding entirely depends on the sector being considered. Hence, whilst small sums of money are suitable for certain trials, they are simply too low in other sectors to run an effective trial.

- 'So I think what our funding levels allow or enable is for the winning companies to have a real sort of clear focus.' (Stakeholder)

- ‘The pot of funding should be determined by the sector that we’re working with, so sometimes, actually, £15,000 is enough for the challenger to accept. In other cases, if it’s a wearable technology challenge for example, £35,000 might be more appropriate.’ (Stakeholder)

## Start-ups

Our earlier analysis indicates just how valuable start-ups have found the current funding structure, recognising its importance in allowing them to test their idea, alongside the help of a challenge partner. As mentioned by stakeholders, whilst requesting start-ups to contribute may be possible in some instances, there would be some who simply could not afford to do this. Furthermore, receiving funds from a financial institution has become more difficult in recent years, as a result of the credit crisis and so changing the funding structure could mean that some ideas are unable to progress quickly, if at all, into a particular market. Given the aim of this project is to encourage innovation in start-ups, making changes to the funding arrangements could stifle the level and variety of innovations that emerge. In our survey, we asked start-ups how their involvement in the IC tomorrow programme would change if they were required to part-fund the initiative. 11 out of 19 (58 per cent) of start-ups who responded to the survey noted that changes to the funding structure would mean that they *would not look to apply* for this programme. The funding structure also removes some of the risk of collaborating in this way for both start-ups and challenge partners, increasing the potential for both to experience a net gain, which allows partnerships to develop. Changing this could prevent a relationship from forming altogether, as one party may feel that there is not enough benefit from taking part. As stakeholders and start-ups discussed, the types and number of challenge partners and/or start-ups could change, making it trickier to form suitable collaborations. This could subsequently hinder the programme from achieving its overall aim.

- ‘Putting that funding on the table is what brings the challenge partner and the challenge applicants together. I think without IC tomorrow kind of greasing the wheels in that way, and just putting a bit of money on the table, I suspect both parties, the partner and the applicant might not come to the table.’ (Start-up)

From the interviews we carried out with start-ups, there was a general consensus that the level of funding provided to SMEs was about right for the aims and purposes of this project, particularly given that there was also support being offered in the form of the challenge partner and/or Innovate UK. However, we have only conducted interviews in a small number of sectors and it would therefore be worthwhile in future research to cover a wider range of industries to see whether this view is held more broadly amongst successful applicants.

- ‘What it does is get people who have an ambition to develop something or to innovate to speed up that process with the help of a challenge partner. So yes, I think it’s balanced about right at the moment.’ (Start-up)

## Challenge partners

Both challenge partners and start-ups noted that, if the structure of the funding arrangement was modified such that large firms were asked to contribute, it would impact on the types of organisations that would become involved in this initiative. This could sometimes be to the detriment of the overarching objectives of the programme, as start-ups aren't able to work alongside a relevant partner to develop their product. From the challenge partner perspective, the reasons as to why lead organisations may not participate were generally to do with the internal structure of such companies, with there being difficulties in receiving clearance to allocate funds for this type of programme. The current structure de-risks the initiative from the perspective of the challenge partner, who could ultimately benefit from low-cost research and development. Whilst there is no requirement for challenge partners to supply funding, some did state that there is a cost to their business of taking part in that resources must be diverted towards supporting this initiative instead of another business activity. Asking trial partners to part-fund their involvement, however, could mean that industry leaders who don't benefit from large profits and/or special budgets for this form of activity may pass on the opportunity.

- 'So, what you'll end up with is lots of very, very boring challenge partners, because what you'll get is the big cash-rich companies. You'll basically have to go to companies that have got big profits.'  
(Challenge partner)

Not only could changing the funding structure influence the types of challenge partners that are willing to participate, but also their involvement in the programme itself. This could prove beneficial, as leading organisations place greater focus on the initiative, as they look for a return on the investment they have made. However, increasing levels of demand and control put on a start-up by the large firm could adversely impact on the relationship between the two organisations and inhibit the ability to bring forward their ideas through a trial. There is also a possibility that challenge partners look for solutions and products that are more suited to the needs of their company. This would restrain the emergence of inventions that benefit a whole industry (as is suitable for a government-grant programme) and may limit the commercial viability of the solution developed by the start-up. Thus, the benefits of the programme, in terms of bringing through start-ups and boosting growth may become more limited.

- 'Well then the challenge partner could interfere a lot more. I think it would be really difficult and would hamper innovation. They would have a vested interest and would steer it towards their own goals and would definitely skew or potentially narrow what was possible.' (Start-up)
- 'It just puts the pressure on, to prove that whatever budget you've put in has a decent return on the investment and that budget has proved its worth basically.' (Challenge partner)

## CAN THE INITIATIVE BE SCALED UP WITHOUT LOSING VALUE?

The most common method of scaling up the programme discussed by stakeholders and participants was to run more competitions and therefore increase the number of start-up/challenge partner partnerships. In general, offering larger pots of money to start-ups through this programme was not seen as the right approach, although there may be instances in specific sectors where higher funding is needed just to get a trial running. Stakeholders stated that there are currently other programmes in place for more established businesses and/or those looking for higher levels of funding. We thus outline the implications of increasing the number of challenges, as discussed by those we interviewed, in the sections below.

### Staff resource

Stakeholders acknowledged that running IC tomorrow was quite labour intensive for Innovate UK staff. Challenge partners had to be sourced and industry problems identified, with competitions having to be organised on a regular basis to find a suitable start-up to tackle the challenge set. However, there is the potential that once a database of challenge partners are in place and effective systems for running the competitions are established, the costs of the programme may fall and level out. Further research on the potential trajectory of costs if the initiative was expanded would be needed to confirm such a theory. Alongside this, continued support is on offer during the trial phase so that any issues that arise between challenge partners and the SME can be addressed quickly, with further paperwork and monitoring also required in the trial period. This is to ensure that public funding is being used appropriately throughout the process. With there being little scope to automate processes within the initiative, scaling up could increase human resource costs and overheads. In order to improve the programme in its current capacity, we have already seen participants mention the need for support and guidance at the end of the trial. Thus, to scale up this initiative, a review of whether the programme can be organised more efficiently may be needed, as scaling up could otherwise lead to rising overhead costs.

— ‘You want to watch that then the overheads required to do that, because there’s no money being handed out, and just to make sure it doesn’t go too far, such that, because the amounts of money being handed out are quite small, inevitably, the ratio between the overheads to run the programme, versus the amount of funding, that gets handed out is going to be tough.’  
(Stakeholder)

— ‘Well if it was scaled up, one thing they’d clearly need to do is improve their administrative processes before they have any scaling up.’ (Start-up)

### Quality versus quantity

Start-ups meanwhile questioned whether increasing the scale of the initiative in this manner would be worthwhile in helping the programme achieve its key objectives. Whilst there are often going to be enough start-ups interested in applying for funding in a programme such as this, some argued that there is a limited supply of reputable large organisations across various industries, hence finding relevant challenge partners could become increasingly difficult. This is the real added value of this initiative, as working with a large established organisation can enable the small firm to signal in its market the quality of its product and thus begin to develop its own brand, which can help to attract a sustainable source of customer demand. Compromises in the quality of trial partners could therefore reduce the ability of start-ups to commercialise their product and establish a business.

— ‘I think for most applicants it’s the calibre of the partners that attracts people to enter and it’s also the calibre of the partners that is the real value of the project. So I think there is a natural limitation on scaling up in terms of how many big heavy-hitting, international, well-respected companies they can get to take part.’ (Start-up)

Additionally, increasing the number of competitions will only be beneficial if the quality of the challenges and solutions to these remain high. As demonstrated in the previous section, increasing the scale of the initiative will have implications for overheads and if the quality of challenges being managed by Innovate UK staff is diluted by the programme being increased in size, the effectiveness of the support and guidance will be limited, as the solutions to challenges are unlikely to develop into a sustainable business, simply due to the products not being viewed as ground-breaking within markets.

— ‘To scale it up for the sake of having more opportunity I don’t think is a good idea, I think it’s more about quality, not quantity.’ (Start-up)

## 05. ANALYSING FUTURE IMPACT

### Start-ups

Responses from stakeholders suggest there is currently little administrative monitoring taking place of start-ups which are both successful and unsuccessful within this programme. To understand the quantitative impact the programme has on start-ups, we would need to know what the size of the company was like before applying, as well as turnover and profit figures. This gives a baseline from which to track the growth of a company. Whilst a trial lasts around six months, this is only the first step in a start-up trying to establish its business. An ideal scenario for a SME at the end of the trial would be to have the challenge partner continue as a customer, but there is no guarantee that this will materialise. The growth and progress of start-ups therefore can take many years, thus it would be worthwhile for Innovate UK to conduct monitoring of those they funded over a longer period of time than is currently the case.

Some of the key information on businesses that took part in the initiative may be publicly available (in any VAT or PAYE records where appropriate or through Companies House). Where there is missing data, short surveys collecting this information would enable accurate tracking of funded organisations, as well as data on how many mergers have formed (if any) between challenge partners and start-ups. Innovate UK could record and file data on the level of funding provided to partnerships. Long-term monitoring of the financial health of funded start-ups can provide an idea of whether the types of projects that have received finance through the IC tomorrow programme are those that offer high rates of return. Furthermore, comparing progress with a matched panel dataset of similar business that do not receive funding through IC tomorrow would allow Innovate UK to isolate the impact that arises from the programme.

Whilst quantitative data is a useful starting point, this would ideally need to be supplemented with qualitative information. For instance, this can enable Innovate UK to collect the views of start-ups on how high risk they believed their innovation was and the possibility of them pursuing this had IC tomorrow not existed. Working with a challenge partner and Innovate UK can enable start-ups to experience intangible benefits, such as, insights into how to run a business and industry best practice. Establishing the range of intangible benefits gained by start-ups would ensure Innovate UK understands the full benefits for successful applicants. Additionally, collecting qualitative data can help Innovate UK gather detail from start-ups on whether they need support at the end of their trial and why, so effective intervention can be implemented, if this is deemed appropriate. Those who are unsuccessful in their bid for funding also receive a wealth of information and support from IC tomorrow that can facilitate their own growth. These companies, as with those who are successful, should be tracked (albeit on a far less frequent basis) to understand the impact (if any) that the process had on their business. For instance, the advice provided may have allowed them to refine their idea, consider new markets for their

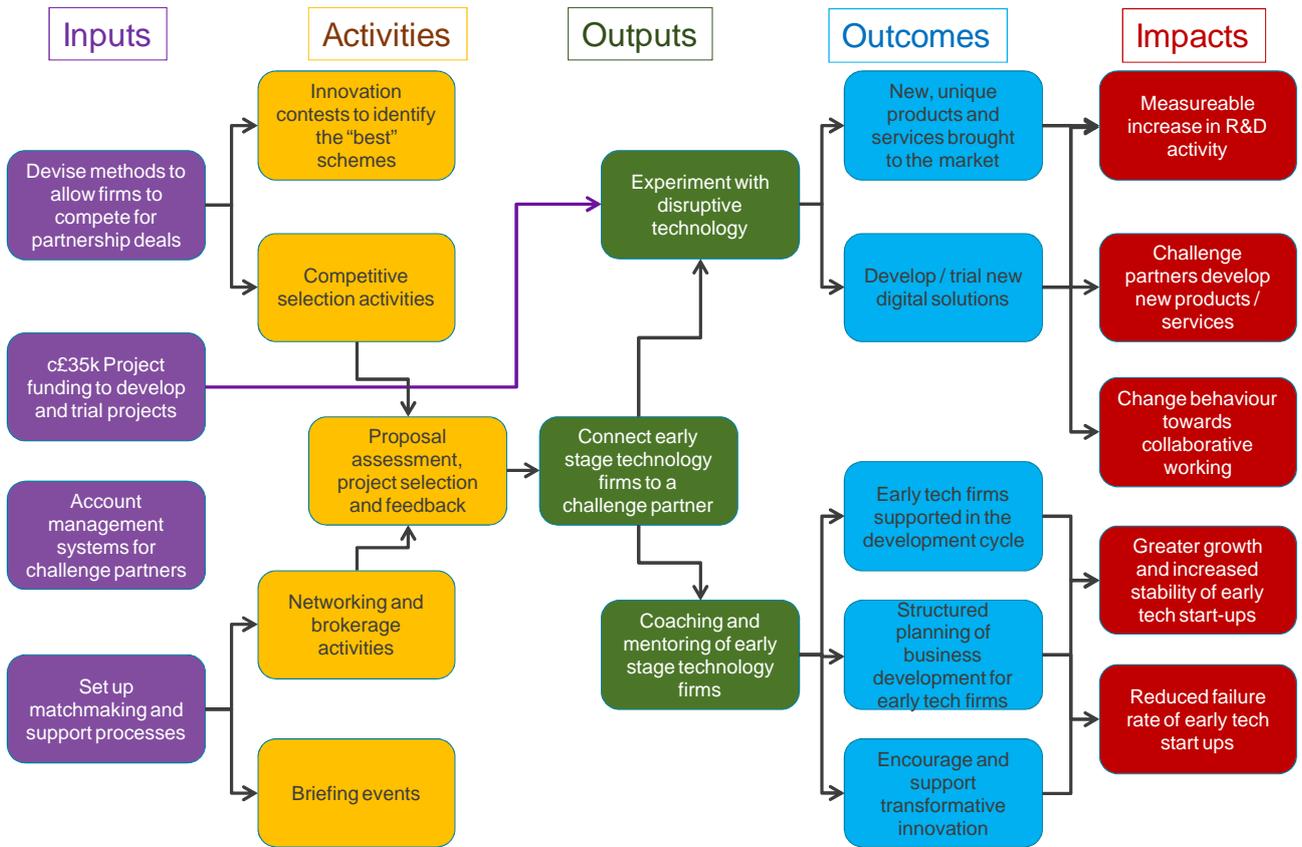
product or even network with future partners. Whilst not strictly a counterfactual group, these unsuccessful applicants also offer an insight into what progress is made without IC tomorrow and the potential reasons behind this.

This review has offered some ideas on how the programme may be scaled up or changed going forward. Collecting the types of data highlighted above can also enable Innovate UK to see how the outcomes of the programme change once a major development in the operation of the initiative is introduced. Whilst one cannot assume that the change in IC tomorrow is responsible for all the change in outcomes, closer monitoring and discussion with participants can offer further evidence on whether participants believe that the changes have boosted their businesses.

### Challenge partners

At present, there is minimal monitoring of challenge partners. Yet, at the very least, there is a need to ask challenge partners for their feedback on the programme at the end of the trial and the potential impact the start-up could have on their industry. This will give Innovate UK an indication of the extent to which the IC tomorrow programme is encouraging disruptive innovation. If Innovate UK ever decides to increase the scale of the initiative by expanding the number of competitions, it will be necessary to showcase the value this has for challenge partners, which thus requires their views. Collecting their opinions is also important from the perspective of growth and welfare. Positive impacts on the economy may not only come through the rise of start-ups. The inventions themselves may shake-up industries and introduce new products that increase the welfare of consumers. Innovations may lead to companies being able to access more efficient inputs and improve their production processes, which can reduce costs and the prices of certain items within a market. Keeping in contact with challenge partners can help Innovate UK explore the economic and social benefits from the viewpoint of industry and their consumers, which may not be as objectively captured through discussion with start-ups themselves.

# APPENDIX 1: THEORY OF CHANGE MODEL



## APPENDIX 2: DATA TABLES

**Question in survey (for start-ups only):** How important, if at all, are/were the following elements of the IC tomorrow programme in relation to developing your product/service?

Name	Very important	Fairly important	Not very important	Not important at all	Total
Retention of your full intellectual property rights	19	0	0	1	20
The ability to trial a product or service	16	4	0	0	20
The provision of one hundred percent funding	16	3	1	0	20
The reputation of our challenge partner in their industry	8	9	1	0	18
The support and guidance provided by an established trial partner	6	8	4	1	19

**Question in survey (for start-ups only):** How important are/were the following types of support and guidance that may be offered by the established trial partner to helping you achieve your ambitions?

<b>Name</b>	<b>Very important</b>	<b>Fairly important</b>	<b>Not very important</b>	<b>Not important at all</b>	<b>Total</b>
To understand how our innovation/idea can be improved	11	4	2	2	19
To understand more about the commercial viability of the product/service	5	11	1	2	19
To gain an insight into industry best practice	5	6	5	3	19
To help improve the productivity and efficiency of our business	4	6	6	2	18
To learn more about how to grow a business	4	5	6	4	19

**Question in survey (for start-ups only):** To what extent do you agree or disagree with the following statements about your relationship with your challenge partner?

Name	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Total
We regularly communicate with the challenge partner about developments occurring during the trial	6	6	5	1	1	19
It has been easy to contact the challenge partner when we have needed guidance	5	7	3	3	1	19
We have had to involve Innovate UK to help resolve issues between ourselves and the challenge partner	4	2	3	4	6	19
The challenge partner will derive greater benefit from the relationship than us	2	2	6	8	1	19