

## Doyletech Corporation – Economic and R&D Impact Analyses



### The EA Localized Impact Assessment Service – Applied to Spin-off Companies

A Discussion Paper:  
Assessing the Impact of Spin-off Companies from Your Organization

***Making  
Technology  
Happen***

**DOYLETECH  
CORPORATION**

We go beyond consulting reports to implement commercialization activities by working with entrepreneurs, researchers, and scientists to create new companies.

We work with economic development professionals to ensure that commercialization and incubation facilities are making the impact they should.

We work with regional and federal authorities to ensure that the innovation culture is alive and well, and that there is an appropriate strategy in place to make it all happen.

We work with university commercialization officers, business park managers, and technology transfer practitioners to ensure that they have the hands-on skills and techniques to transfer technology from their institutions.

## Assessing the Impact of Spin-off Companies from Your Organization

### 1.0 Background and Rationale

Doyletech's EA Localized Impact Assessment Service is a comprehensive and proven toolset to support economic impact assessment activities. This discussion paper examines approaches to assess the economic impact arising specifically from the **creation of spin-off companies**.

The identification of economic impact from various public and private sector organizations has become a significant issue in recent years. A key aspect of this impact is the creation of spin-off companies, companies which would not have been created if it were not for a transfer of technology or people (experience) from these organizations. The spin-off companies thus identified become part of that organization's economic impact. Typically, the economic impact from spin-off companies is significant due to the creation and recirculation of new wages in the local economy. It should also be recognized that all three levels of government are significant beneficiaries from this new firm creation, even if the spin-off is not yet profitable.

Doyletech has conducted several types of economic impact analyses, including those arising from spin-offs from publicly-funded institutions. The basis for such an analysis is a comprehensive research program to uncover all companies which can be rightfully considered a "spin-off" from the organization. The definition of what constitutes a "spin-off" must be agreed to in advance. There are several definitions that can be used; for example, Doyletech's annual "FamilyTree of Ottawa-Gatineau Technology Companies" uses a traditional definition of spin-off to mean a direct transfer of technology or people, whereas, another approach which may be more appropriate for educational institutions, is to apply a "Founders" definition whereby university faculty, employees, and students who become founders of a company form a part of that institution's "FoundersTree" (in addition to any transfer of technology).

We have developed economic and R&D impact assessments for a variety of organizations including universities and colleges, municipalities, technology incubators and research parks, as well as federal organizations like the National Research Council Canada (NRC) and the Communications Research Centre Canada (CRC) where the creation of spin-offs has become increasingly important.

Our impact assessment can be a lot more than the identification of spin-off companies and an assessment of their direct (and indirect) economic impact. It can be, and often is, a complete communications program designed to effectively demonstrate the organization's impact achieved via these spin-off companies. It is tailored to the organization's specific requirements and since it is based on comprehensive research and tangible results, provides the organization with a highly credible message.

### 2.0 Methodology

This section provides an overview of the steps involved in assessing spin-off company impact. While some organizations elect to complete one (or more than one) of the following steps, the completion of all of them provides for a comprehensive, cohesive, and credible communications program demonstrating economic impact.

#### Step 1 – Program Design

Step 1 involves developing the overall program design that will guide the research and survey activities. The first step is to determine the type of 'economic impact tree' that is most appropriate for the organization in question. If the organization is an established educational institution, then a FoundersTree may be more appropriate, as it can take several years (decades even) for there to be enough spin-offs based on a direct transfer of people or technology from the institution (as is implied by a FamilyTree).

If the organization is a technology incubator or research park, or any publicly-funded organization where the transfer of technology (and the creation of spin-offs) is considered a key component of their operation, then a FamilyTree is likely possible.

The following major activities are typically completed in Step 1:

**Overall Program Design** – determination of how the ‘tree’ can meet the specific requirements of the organization. This includes development of inclusion criteria and determination of the types of marketing collaterals that are required.

**Research and Survey Design** – determination of the scope, duration, and type of survey activities required to identify the spin-off companies. This includes development of a comprehensive program for interacting with appropriate stakeholders and the identification of all support materials needed (for example, introductory letters to Faculty or spin-off company founders or presidents, etc.).

## Step 2 – Research

Based on the program and research design developed above, there are two principal tasks at this point:

1. Development of all questionnaires and supporting materials (letters, email templates, etc.); and
2. Survey program implementation.

How the survey program is to be implemented (in-person, email, telephone, or by multiple means) would be specified in the Research and Survey Design (Step 1). The surveys would collect all the necessary genealogy and other information (also specified in Step 1).

The time and effort required to develop a comprehensive listing of spin-offs should not be underestimated; particularly in the case of an established university or incubator. These efforts entail a comprehensive canvassing of all relevant information sources - both internal and external to the organization. It is our experience that no amount of research will uncover all spin-offs the first time around, which is why an online website and database (with updating tool) are recommended to track spin-offs over time.

## Step 3 – Marketing Materials Development

While the survey program is being implemented, work can begin on the overall ‘look and feel’ of the marketing collaterals. The following are examples:

**Poster ‘Family or Founder Tree’:** The structure is typically that of a genealogy poster tracking when firms were created from the organization and indicating how they have evolved (acquired, merged, etc.).

**Handout:** This involves the design, layout, and project management of a handout to be used as a multi-purpose tool to promote the organization.

**Magazine Insert (i.e. Alumni Magazine):** This involves the design, layout, and project management of a marketing piece to be distributed to various stakeholders (for example, university alumni).

**Family Tree Design Adaptation to Website:** This would include graphics and a functional database, compatible with the organization’s technical requirements, as well as a database administration tool.

**CD-ROMs and Other Multimedia:** This includes development of multimedia presentations on CD-ROM and other media.

#### **Step 4 – Economic Impact Analysis Report**

Based on specific data collected from the surveys with spin-off companies, it is possible to develop an aggregate overall direct (and indirect) economic impact analysis report. In addition to providing an estimate of the overall aggregate direct economic impact arising from the spin-off companies at a point in time, the report can provide your organization with estimates for the following types of impact:

- the “multiplier effect” that these spin-off companies have on the local economy;
- aggregate gross wages generated;
- net wages available for local expenditure by the spin-off company employees;
- local expenditures by the companies themselves; and
- employment-related taxes paid to the provincial and federal governments.

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