

## **REQUEST TO DETI FROM THE ETI COMMITTEE**

At its meeting on 25 September 2014 the ETI Committee discussed the report on the Committee's participation in the Invest NI lead visit to the USA.

Members asked a series of questions as follows:

1. **USA Visit 2014 – Matters arising from the meeting with Ekso Bionics (26 June 2014)**
  - (i) An outline of how Invest NI supports university spin-out companies in Northern Ireland to help them achieve their potential and compete commercially

## **DEPARTMENTAL RESPONSE**

- (i) Invest NI's Proof of Concept programme (PoCp) was established in 2003 to stimulate and support the pre-commercialisation of leading-edge technologies emerging from Northern Ireland's Research Organisations and Universities.

The programme supports projects with significant commercialisation potential and that are considered to be at too early a stage to attract private sector investment. PoCp support is designed to de-risk a technology to a point where it can attract seed/start-up capital or a licensing deal.

To date the programme has created 22 spin-outs in Advanced Materials, Advanced Engineering, ICT, Telecommunications and Life and Health Sciences.

Invest NI works with both the University of Ulster and QUB assisting them with their spin out companies. Normally the founders of the spin out work directly with an Invest NI client executive and have the same access to the range of assistance as any other entrepreneur starting a business.

Programmes such as the Access to Finance are also particularly important to help the spin-outs develop further through access to a range of venture capital funds.

Successful University spin outs include Kainos and Andor Technology, which now employ hundreds of highly paid staff in Belfast.

2. **USA Visit 2014 – Matters arising from the meeting with Mayor Tom Bates, City of Berkeley (26 June 2014)**
- (i) Would there be advantages to Northern Ireland by supporting fast growing US companies to retain a presence in cities such as Berkeley and expand operations to Northern Ireland when considering a European presence?
  - (ii) What is Invest NI's current focus in attracting smaller companies to invest from overseas? Is there more potential from smaller, high growth companies to help grow the economy here than from larger businesses?
  - (iii) How does Invest NI engage with business and check with business that its policies are succeeding in supporting businesses to grow.

## **DEPARTMENTAL RESPONSE**

- (i) Invest NI promotes Northern Ireland to fast growing US companies as a base to support their market entry to the UK and EMEA territories. This covers areas such as product development, customer support, pre-sales, sales and shared services functions - such as finance, administration and human resources. Northern Ireland is also seen as base to support market growth in the US in a number of specialised sectors, for example in Financial Services and cyber-security.

Given Northern Ireland's reputation for product development, the region is attractive as a base for engineering teams, including software development. The UK Government's efforts in encouraging innovation through the tax system, makes an important contribution.

The advantages to fast growing US companies include:

- Access to a talent pool with world-class skills;
- Lower operating costs – people, property and telecoms;
- Accessibility to UK and wider EMEA markets;
- Tax incentives to support R&D;
- Financial support from Invest NI;
- Trade support from Invest NI to, to assist market entry to new markets.

Invest NI has successfully engaged with a number of fast growing US companies, recent examples include Rapid7, Puppet labs and Proofpoint.

- (ii) Invest NI targets a broad range of companies in external (FDI) markets. Primarily, this is a discussion about acquiring talent; however for the early stage high growth companies from the US, the discussion also focuses on access to markets, specifically UK and wider EMEA. Generally the later stage companies have the greatest demand for talent (jobs).

Job numbers are only one factor, with job quality, innovation and exports also being essential for economic growth. The early stage companies are typically strong on job quality and innovation. The later stage companies are typically strong on job numbers and exports. A “blended approach” as operated by Invest NI, covering both early and late stage companies is considered essential, to maximise the economic benefits.

- (iii) Invest NI constantly evaluates the services it provides to businesses. Invest NI has a well established schedule of survey activities that take place on a monthly basis, to check how business customers are rating our services. This schedule is delivered by market research company Millward Brown who put quotas in place to ensure we are surveying a representative sample of all the business we provide advice, guidance or financial support. These surveys include questions about whether our support delivers value to business, helped the business to grow and provides solutions to meet business needs.

Separately, on an ongoing basis evaluations are completed of Invest NI's individual programmes of support to businesses. The evaluations are an essential part of demonstrating value for money of Invest NI's individual programme level expenditure. To avoid breaks in a programme's service provision, a final evaluation of a programme will typically commence one year prior to the scheduled end of a programme, to allow time for the evaluation and subsequent economic appraisal and casework approval.

Interim evaluations, if included as a condition of a programme's approval, will typically be undertaken at the mid-point of a multi-year programme. As part of the evaluation process, feedback from programme participants (businesses) is sought, generally through a survey of a representative, statistically significant sample of participants. Participant feedback is sought, inter alia, in relation to satisfaction with the service/support provided as part of the programme, how the service/support received has impacted on the business (including economic and wider economic impacts), as well as recommendations in relation to any future delivery of the programme.



The evidence gathered as part of the participant survey and overall evaluation feeds directly into the future funding and delivery of Invest NI's programme of support.

3. **USA Visit 2014 – Matters arising from the meeting with Bay Area Council (25 June 2014)**

- (i) What opportunities exist to encourage companies to invest in Northern Ireland where there is a pool of available talent?
- (ii) How does Northern Ireland business regulation compare with that in the Bay area?
- (iii) How does Invest NI ensure that its policies and procedures are appropriate for attracting high-tech fast growing companies from abroad? What changes in policies, procedures and approach has there been in recent times to focus on this sector?
- (iv) How does Invest NI ensure that its policies and procedures are appropriate for supporting indigenous fast growing start-up businesses? What changes in policies, procedures and approach has there been in recent times to focus on this sector?

**DEPARTMENTAL RESPONSE**

- (i) Access to talent is a key consideration for companies when considering an investment decision. Northern Ireland's key target sectors for FDI are Financial Services, Professional Services and ICT/Software. The availability of talent in these sectors is one of the crucial factors in the FDI proposition and is communicated to potential investors in a clear and consistent fashion.

Invest NI provides an extensive range of advisory and financial support to enable companies to invest in developing and delivering bespoke skills solutions. The Assured Skills Programme, developed in conjunction with the Department of Employment and Learning, is targeted at potential inward investors and those considering future expansion. The Programme allows companies to identify their specific skills requirements, and tailored training is then provided in partnership with local educational institutions and/or third party providers. Pre and post-employment options are available.

- (ii) Invest NI has not conducted any formal exercises to research business regulation in the Bay Area compared to that in Northern Ireland.

Testimony from existing investors, including those from the West Coast, shows that the Northern Ireland regulatory environment, as part of the UK, is strongly pro-business. Invest NI incorporates this message in its communications with potential investors.

- (iii) Invest NI is an active participant in the start-up ecosystem in many external regions, including Silicon Valley, Boston, London and Dublin. As such Invest NI has access to a range of companies, funders, policy makers and stakeholders. Discussions with this group help shape policies and procedures – keeping them up-to-date, relevant and, importantly, competitive.

In recent times, this has enabled Invest NI to tailor its Access to Finance initiative, to make it more relevant and accessible to overseas companies and to evaluate the importance of incubation/accelerator facilities, in supporting early stage, high growth companies.

This has also given Invest NI insight to the decision making processes and risk appetites of external funders, allowing Invest NI to coordinate its funding approach, facilitating a richer blend of funding options, including the use of private equity.

- (iv) Invest NI continually surveys though input from its executive, board, clients and stakeholders to ensure that it responds to the changing environment of business ensuring its policies and procedures are appropriate.

Invest NI has an extensive range of grant aided programmes to assist companies with initial R&D and Market Research, development of business plans and slide decks to raise finance, leadership training, design and operations, all key elements to help build a successful company. It has also facilitated the creation of a comprehensive range of risk capital through the access to finance programme. Companies in NI can now obtain equity capital in NI ranging from early stage seed funding right the way up to £2m, through organisations such as, TechStart NI, the CoFund, Kernel Capital and Crescent Capital. Invest NI has also supported Halo an award winning network of Business Angels, who are investing and co-investing in Northern Ireland start ups.

There is also a greater realisation that risk and failure are key elements of a successful start up ecosystem as recognised in the NIAO report on Risk Management. Invest NI sponsored programmes such as Propel and TechStart NI are also encompassing the latest thinking in lean start-up methodologies through their use of the Business Model Canvas.

4. **USA Visit 2014 – Matters arising from the meeting with Seagate Technologies (25 June 2014)**

- (i) How Invest NI work to convince potential investors that partnerships will be developed with universities to ensure the skills required by business are the skills being developed through university syllabuses.

**DEPARTMENTAL RESPONSE**

- (i) The Assured Skills Programme is the primary vehicle by which Invest NI addresses the skills needs of potential investors. The Programme is delivered in conjunction with the Department of Employment and Learning who work closely with Further and Higher Education institutions (and other training providers) in Northern Ireland to ensure that the skills training provided matches individual company requirements.

Further partnerships between industry and education in the area of skills are encouraged via Invest NI's Collaborative Network Programme, which supports industry-led networks to collaborate on projects with shared outcomes. The Align IT Network, the Energy Skills Training Network and the Capital Markets Network, feature industry and academic representation and are focused on ensuring alignment between the curriculum (in formal and informal education settings) and the skills requirements of each individual sector. The overall objective is to close any current or future skills gaps and enhance the overall skills profile of the Northern Ireland workforce.

A specific example of how direct collaboration between a multi-national company and an NI university can be developed, for mutual benefit, is the Ansin centre at Queens University Belfast (QUB). Based in the School of Mathematics and Physics at QUB, Ansin is an advanced materials research facility set up between Seagate Technology (Ireland) and the university.

In 2009 Seagate made a substantial investment in Ansin in terms of equipment and human resources. The investment at QUB aimed to more closely align research priorities at Seagate with aspects of physics research at QUB and would further help to embed in NI high level magnetics skills with broad sectoral relevance.

From the company's perspective, the project would not only contribute directly to Seagate's research and development learning but would also provide a flow of highly skilled engineers into local industry, many of whom are now working for Seagate in its Springtown site in Londonderry.

5. **USA Visit 2014 – Matters arising from the meeting with RocketSpace Accelerator (25 June 2014)**
- (i) Is there scope for the development of other incubation centres for innovative start-up companies?
  - (ii) Do the economies of scale exist to develop such centres in Northern Ireland?
  - (iii) What else can Northern Ireland do to develop and grow the high-tech business sector?

#### **DEPARTMENTAL RESPONSE**

- (i) Incubation centres range from accommodation-only offerings to intense three month programmes, such as TechStars, Startup500, and Y Combinator. Northern Ireland currently has a number of incubators with business development services.

Invest NI offers the Propel Programme, which is available to high calibre, innovative entrepreneurs who have potential for international success. The programme includes financial support, high quality training workshops, mentoring, investor-ready business plan support, shared workspace and support to make overseas market visits.

In addition, we are in the process of establishing a world class Accelerator Programme in Northern Ireland for pre-seed businesses that have exceptionally high growth potential and can move straight to selling in global markets, typically within two years of start up. The focus will be on technology-based companies in Knowledge Economy sectors and will consist of one cohort per year for a group of 8-10 small teams each made up of 2-4 individuals. The Programme will include seed funding and the provision of shared space where mentors and other advisors will provide intensive support to the teams, during and after the period of the Accelerator.

Invest NI considers there is some (qualified) scope for development of other incubation centres for innovative start up business, particularly in terms of providing capability support and mentoring to businesses. However, plans to develop such centres must take account of local demand and the potential for displacement. Northern Ireland has a very active local economic development community, which includes Local Enterprise Agencies that have invested

considerable resources in provision for start up businesses in their local areas. Care must be taken not to distort the private sector property market in a given area.

- (ii) Dublin already has six such accelerators with a population several times larger than Belfast so Northern Ireland should be big enough numerically to sustain an accelerator. Such an accelerator would also be used to attract in internationally mobile early stage FDI to Northern Ireland.
- (iii) Invest NI has a wide range of products and services in place to encourage the growth of new technology sectors, from early stage product development / R&D support to specific Access To Finance schemes, which are particularly well suited to the sectors. Invest NI also has specific annual targets to encourage start up businesses with the potential to export outside Northern Ireland, and many of these tend to come from high technology areas.

Northern Ireland should continue to develop an environment which promotes innovation, creativity and the exploitation of new technologies. The recently published Northern Ireland Innovation Strategy (2014-2025), sets out the key long term actions necessary to transform the innovation landscape in Northern Ireland into one of the UK's leading high-growth, knowledge-based regions. Co-ordinated actions across Government to increase knowledge generation, exchange and exploitation by businesses will form the basis of future growth of the knowledge based/high technology sector.

The Northern Ireland Universities need to continue to work closely with industry and together to look for opportunities for commercialisation of academic research. Government needs to continue to encourage indigenous businesses to invest in R&D, both through financial incentives and also through capability development programmes. Government also needs to continue to attract high-tech inward investment companies to Northern Ireland, to bring new skills/capabilities, to add knowledge/expertise to the indigenous businesses, to provide supply chain opportunities and to develop clusters of innovative businesses. These initiatives/activities need to be supported by a robust technology infrastructure based on high quality, high speed digital communications.

6. **USA Visit 2014 – Matters arising from the UKTI BIO Reception (23 June 2014)**

- (i) To receive information on the work the Department has undertaken and plans to undertake with the Northern Ireland Executive and with Northern Ireland business to work with UKTI to support and assist the business sector here.

**DEPARTMENTAL RESPONSE**

- (i) The 2013 Economic Pact ‘Building a Prosperous and United Community’ contained the following commitment: “In Recognition of the importance of boosting trade and investment, the Government tasked our Embassies in emerging markets to promote jobs and growth in Northern Ireland. UKTI and Invest NI will deepen and strengthen their work to support and develop their key sector offers on ICT and creative industries; business and financial services; renewable and agri-food.”

The Economic Pact calls for greater collaboration between UKTI and Invest NI to promote exports and Foreign Direct Investment opportunities.

Invest NI (as the agency responsible for the Department’s policies and strategies in relation to business support), is committed to strengthening its partnership with UKTI in support of the Northern Ireland business base.

The Prime Minister’s Investment conference in Belfast (October 2013) involved joint promotional activity between overseas UKTI posts and Invest NI sales teams. This partnership approach delivered success in securing senior executive attendance.

Invest NI has appointed a Relationship Manager (January 2014) to develop and implement a strategic plan to facilitate the closer working relationship between teams and individuals in both agencies to deliver on the Economic Pact commitment.

The Chief Executive Officers of UKTI and Invest NI meet on a biannual basis to discuss priorities and review progress on collaborative working.

Key areas of joint working include:- (a) relationship building and enhancing in-market support for Northern Ireland businesses in overseas markets; (b) engagement with UKTI sector specialists to develop opportunities for Northern Ireland companies; and (c) joint trade initiatives.

7. **USA Visit 2014 – Matters arising from the meeting with San Diego Economic Regional Economic Development Corporation (23 June 2014)**
- (i) How does support for high-tech companies in Northern Ireland compare with the support provided in San Diego through the CONNECT program?
  - (ii) Is the Global Cities Forum something that the Minister of Enterprise, Trade & Investment should consider involvement in for DETI in the future?

#### **DEPARTMENTAL RESPONSE**

- (i) Northern Ireland has an extensive range of financial and non financial support, from organisations such as Invest NI, NISP Connect, Halo and TechStart NI.

NISP Connect, at the Northern Ireland Science Park (NISP), is modelled on CONNECT San Diego and has a similar range of programmes such as Springboard and the Entrepreneur in Residence. High Tech companies in Northern Ireland can avail of generous grant assistance from Invest NI and TechStart NI and have access to the range of debt and equity assistance from the Access to Finance programme, which has grown from £40m to £160m in the last three years.

Where Northern Ireland probably lags behind, in comparison to the start up communities in areas such as San Diego, Silicon Valley and Boulder, is having a body of exited and successful entrepreneurs, who are “paying it forward” and contributing significantly to the start up ecosystem in Northern Ireland. Increasing numbers of successful entrepreneurs and a developing ecosystem through meet-ups at the NISP, Mash-up Fridays, Mobile Mondays will help to address this.

Brad Feld, an exited and very successful entrepreneur who has long been involved in the Boulder Startup community and who jointly established TechStars and the Foundry group (recent investors in Belfast Start up Brewbot), has said that it takes approx 20 years to develop a functioning start-up ecosystem. Invest NI and the other stakeholders are working on this.

- (ii) The Global Cities Initiative is a five-year project, led by the Brookings Institute and JP Morgan Chase, which aims to help economic development leaders in U.S. metropolitan areas reorient their economies toward greater engagement in world markets.



San Diego Regional Economic Development Corporation (SDREDC) has engaged with the Brookings Institute to develop a more distinct global identity and position the city as an opportunity-rich destination.

The ideas and collaborations generated by GCI's research and forums are taken forward through "The Exchange", a network that will develop and implement regional strategies to boost global trade and investment, forge partnerships between U.S. and international metropolitan areas, and advocate for state and national policy changes.

Invest NI typically utilises its engagement with organisations such as SDREDC and the Global Cities Initiative, to extend its reach in key markets and to generate leads that may result in active FDI projects. This needs to be balanced with the stated aims of SDREDC to increase levels of FDI in its own region.

Careful consideration will be given to the possible involvement of Minister Foster in future activities, where the opportunity may arise.

**Reply prepared by: Invest NI**  
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