

SELF-ASSESSMENT TOOL - REPORT OF VALDEAL

Performed in July 2011 as part of work package 4



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DIRECTORY

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1. INTRODUCTION

The report of ValDeal Zrt. for the implementation of the self-assessment tool (SAT) is part of work package 4 “Enhancing CE Tech Transfer Capabilities” within the project CERIM. The report was prepared in June 2011 in accordance with the instructions received from the Lead Partner. This is the second self-assessment report for ValDeal Zrt. within the CERIM project and it will serve as a basis for peer review and for a comparison with the first self-assessment report that was prepared in the third project period.

The report starts with the prioritization of the seven capacity areas (incentives, development of human resources, marketing, IPR management, licensing, set-up of spin-offs, networking) for improvement, followed by the prioritization of performance drivers for improvement.

In the report we did not limit the selection of PROs according to the type of TTI nor according to the size of the connected PRO as ValDeal has such a wide focus being a privately held innovation management company that these limitations would have distorted the results. Meanwhile the lack of a sharp focus is one of the most important handicaps of ValDeal Zrt. at the moment.

This report was written by Dr. Norbert Buzás, Cogito Consulting Ltd. with the participation of Envice Hungary Ltd.

2. PRIOTIZATION OF CAPACITY AREAS FOR IMPROVEMENT

The completion of self assessment questionnaires were followed by meetings where ValDeal's staff discussed the main topics of the present self assessment. These meetings greatly enhanced the consensus between staff members and resulted in a clearer view on goals and methods used in ValDeal. The main advantage of ValDeal seems to be the spin-off management as almost all answers were positives regarding these issues. ValDeal is willing to position itself as the support of spin-off and start-up companies and small and medium sized enterprises are having a high priority in ValDeal's goals.

The worst results occurred in terms of marketing: ValDeal does not position itself effectively. Their competencies are of such a wide variety that ValDeal loses its focus and can't define its core competencies exactly. Meanwhile the communication activity is quite effective and all potential clients are reached with the - sometimes undefined - message.

Other capacity areas are at an average level at ValDeal. At IPR Management we found some questions that were not applicable at ValDeal and as such were asked to be marked with grade 3 (these are detailed later at the section of 'IPR Management').

The greatest consensus was reached regarding Networking: ValDeal is constantly seeking for new relationships with all actors of the Hungarian National Innovation System in the industry and in the academic sphere too. Having a wide pool of innovation management relations, ValDeal has a powerful network that is useful when managing scientific projects.

Due to self assessment meetings, the level of consensus was relatively high. The questionnaires were filled in by Peter Csíkos, Zoltán Hantos, Alexandra Mohos, Rita Pártos, Beatrix Kapuvári, Andrea Szűcs and Zoltán Borbély.

ValDeal is an independently established organization commercializing from several PROs. ValDeal is connected to higher education institutes, universities and PROs too and is doing technology licensing and spin-off assistance for their clients.

The total R&D expenditures of all connected PROs is expected to be 35M EUR – we have to add that they are consisting of the biggest PROs in Hungary, but surely ValDeal is only contacted to one or more departments of each institutes. The number of active licensing contracts was 2 last year and 10 SME clients are consisting the clientele of ValDeal of which 1 is revenue generating at present.

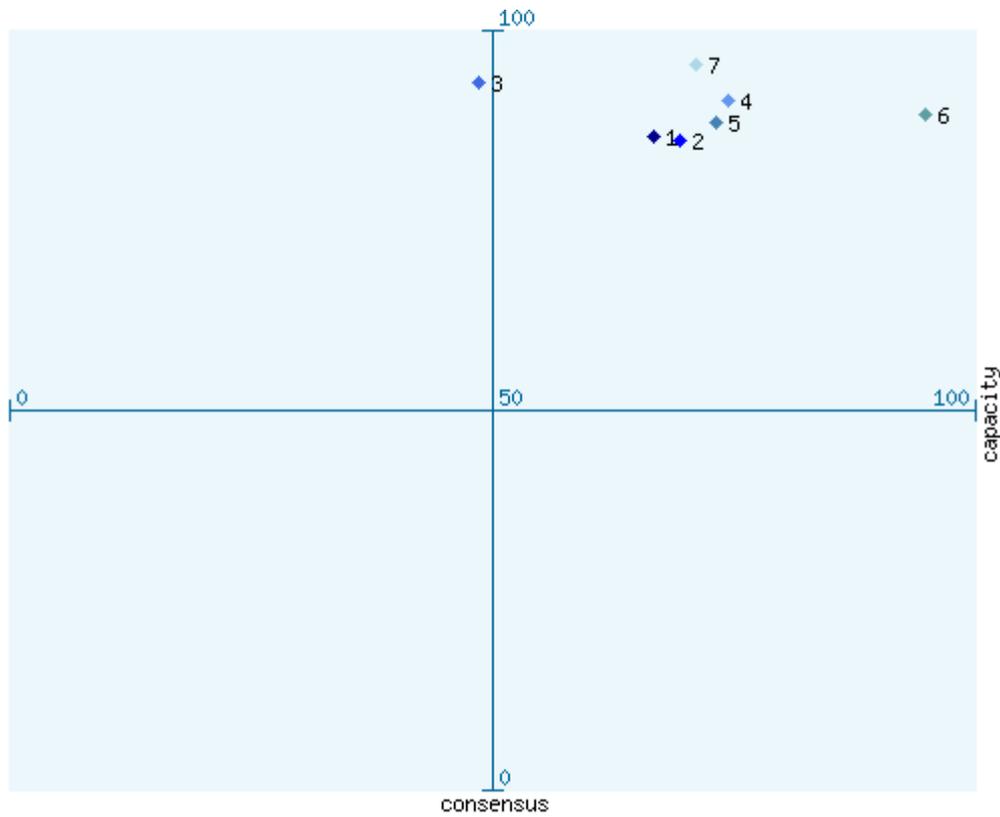


Figure 1: The grid graph

- ◆ 1 Incentives
- ◆ 2 Development of TTI's human resources
- ◆ 3 Marketing
- ◆ 4 IPR Management
- ◆ 5 Licensing
- ◆ 6 Set-up of spin-offs
- ◆ 7 Networking

3. PRIOTIZATION OF PERFORMANCE DRIVERS FOR IMPROVEMENT

The seven capacity areas are analysed below with a radar graph showing the scores of performance drivers in each capacity area and a description of the main findings.

3.1. Incentives

Incentives were marked with one of the lowest level of consensus – the reason might be that ValDeal had to face significant changes in human resources and the colleagues leaving the company marked more pessimistic values while others might have marked more optimistic.

To question one, 30% was the level of satisfaction regarding financial rewards connecting to the performance of the personnel. Unfortunately ValDeal had to face financial problems and even though the level of salaries and other financial rewards are giving a realistic picture of staff performance in theory, the actual performance was connected to the ability of payment of financial rewards in RP5. This is a statement being real vice versa: the lower staff performance resulted in less income for the company thus higher level of liquidity problems.

Non-financial rewards could motivate the staff more easily in the last period. More than 60% was satisfied with these rewards. The possibilities to participate on conferences, business trips, Christmas and birthday greetings, etc were the most important elements of this type of rewarding.

At ValDeal the definition of the term “connected PRO” is quite hard: ValDeal is connected to several PROs thus our estimations were aiming to consider the most important features of all connected PROs and a general attitude of academic sphere present in Hungary. Unfortunately no exact conclusion can be made as each case is different thus exceptions always occur and might break the below stated “rules”.

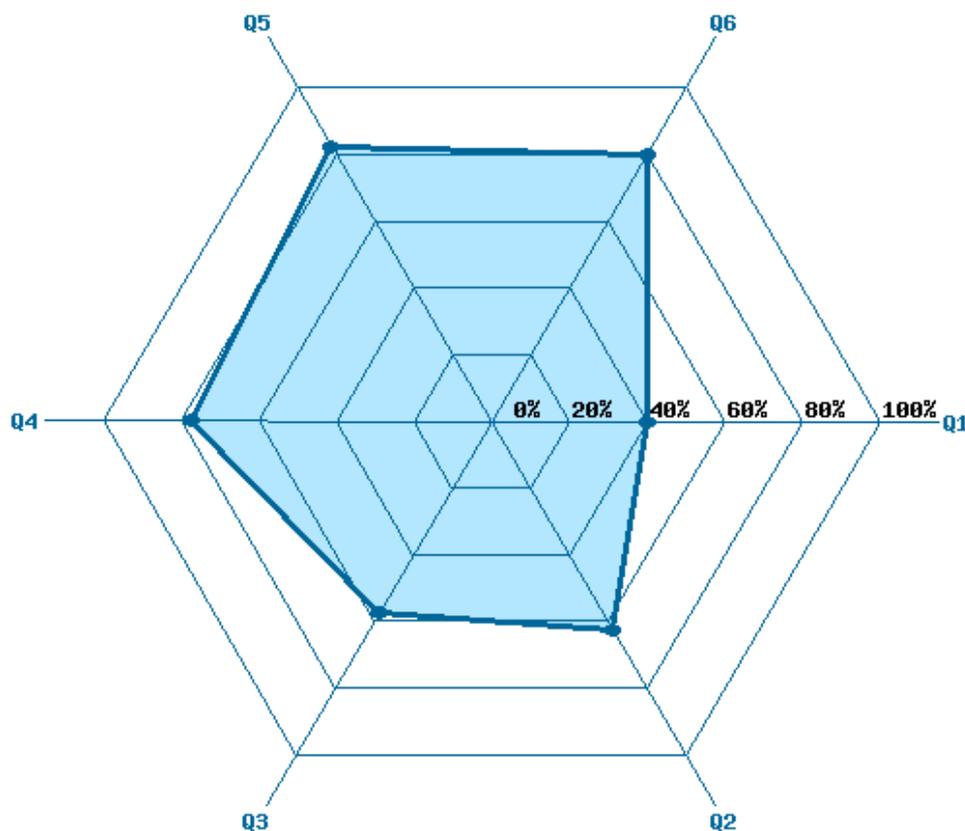
Less than 60% was reached regarding the willingness of academic actors to seek for industry collaborations and to develop an entrepreneurial spirit. This is a relatively low level of interest of which the level has to be increased by powerful PR activity of innovation management offices and companies – this is one of the missions of ValDeal too.

ValDeal colleagues found that PROs provide adequate incentives to researchers to participate in the contractual or licensing processes and to support the work of ValDeal (80%). This means a high level of trust towards bridging institutes – and although it is hard to find long-term

partnerships with PROs for ValDeal, the established relations can be considered to as strong ones where mutual trust has been declared and practiced.

Also 80% think that technology transfer and collaboration with industry are criteria for the evaluation and promotion of researchers in PROs. Innovation management is getting more and more important in the Hungarian industry: universities are emphasizing it in the education and the newly established technology transfer offices too. The criteria of commercialization are of great priority in today's project management at PROs. This phenomenon helps the work of innovation management companies.

Figure 2: Scores of performance drivers in the capacity area 'Incentives'



- Q1 The incentives our organisation provides to the personnel connect performance with specific financial rewards adequately.
- Q2 Our organisation provides incentives that connect performance with non-financial rewards.
- Q3 The connected PRO provides adequate incentives to researchers to actively seek for industry collaborations and to develop an entrepreneurial spirit.
- Q4 The connected PRO provides adequate incentives to researchers to participate in the contractual or licensing process.
- Q5 Technology transfer and collaboration with industry are criteria for the evaluation and promotion of researchers in the connected PRO.
- Q6 The connected PRO provides incentives to its staff to support our work.

3.2. Development of TTI's human resources

As mentioned before, there have been significant changes in ValDeal's human resources in the last period. Therefore several indicators were marked relatively low in this section that can be a consequence of the constant problems in salary payments.

This problem occurs because in Hungary, R&D financing was suspended therefore all innovation-related organizations suffered liquidity problems. Even though they had signed subsidy contracts, the state did not provide the planned payments. ValDeal's clients suffered from the same problems too therefore the payments did not occur in compensation to ValDeal services.

70% thought that trainings are routinely held and there is no problem in the constant education of ValDeal staff. The trainings are mostly consisting of conferences where the latest news of industry and up to date methodology can be learned in all related topics of technology transfer. This is completed by the English education of ValDeal staff – for those who have not reached the level of a sufficient business English. This also serves to enhance the competitiveness of ValDeal. The trainings are directly contributing to the achievement of ValDeal's priorities (75%) and are related to the topics where the staff is interested in and the tasks are organized.

ValDeal staff members agreed (80%) that they have the appropriate general skills to achieve their goals. This means that all general skills needed for business development and technology transfer are to be found at ValDeal even though several staff members have quitted the organization. If we don't have a skill in-house we have the appropriate specific skills outsourced (92%) – this means that ValDeal has a competent professional network where they find the knowledge needed during the work.

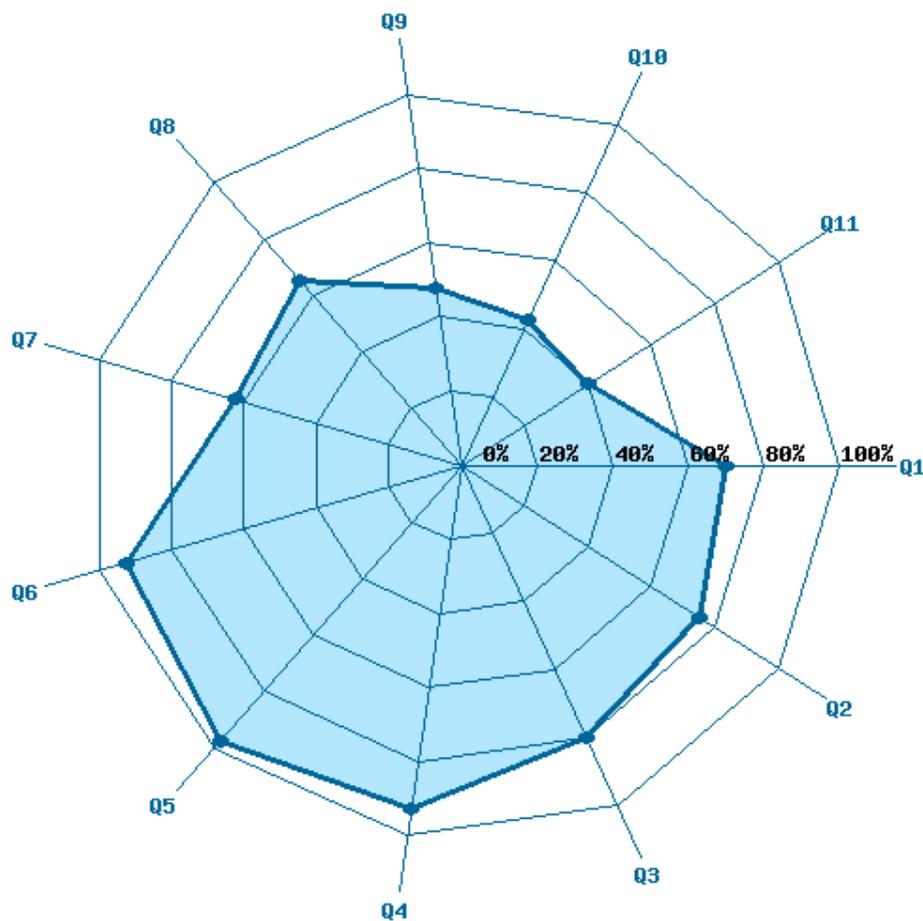
The outsourcing of specific tasks is elaborated effectively (100%). The workload and skills needed in innovation management is constantly changing and it is a must to have good connections and the ability to outsource problems effectively. Even though the staff lost several members, the role of external experts enhanced during RP5 (regarding the overall operations of ValDeal, not only in CERIM project) and the tendency continued in RP6. The number of employees in-house and outsourced are appropriate to achieve the goals (95%).

When asking about salaries and staff retentions the consensus of ValDeal members disappeared and we heard differing opinions from each staff member. Only 61% thought that salaries and benefits are appropriate and are able to achieve the desirable level of staff retention. A slightly better result occurred (65%) when asking about personnel evaluation practices. Even though they are not key factors, they are important to achieve the desirable level

of staff retention. The biggest problems arose in terms of promotional practices (professional advancement), staffing (allocation of tasks and responsibilities) and supervision practices. 50% was the level of promotional practices meaning that staff members don't find a strong motivation in professional advancement at ValDeal. The allocation of task and responsibilities are not implemented on a sufficient way neither (42%) and the supervision of tasks is not present in everyday work (40%).

The overall picture in this topic shows that a group of skilled people are present at ValDeal but a strong, motivating supervision is lacking that would be crucial for the successful operation. This might be a result of the lack of management between the operative management and the CEO.

Figure 3: Scores of performance drivers in the capacity area 'Development of TTI's human resources'



- Q1 We routinely train our personnel.
- Q2 Our staff training directly contributes to the achievement of our organisation's priorities.
- Q3 We have the appropriate general skills to achieve our goals.
- Q4 We have (in-house or outsourced) the appropriate specific skills to achieve our goals.
- Q5 We outsource specific tasks effectively.
- Q6 We have (in-house or outsourced) the appropriate number of employees to achieve our goals.
- Q7 Compensation practices (salary and benefits) help us to achieve desirable level of staff retention.

- Q8 Personnel evaluation practices help us to achieve desirable level of staff retention.
- Q9 Promotional practices (professional advancement) help us to achieve desirable level of staff retention.
- Q10 Staffing (allocation of tasks and responsibilities) help us to achieve desirable level of staff retention.
- Q11 Supervision practices help us to achieve desirable level of staff retention.

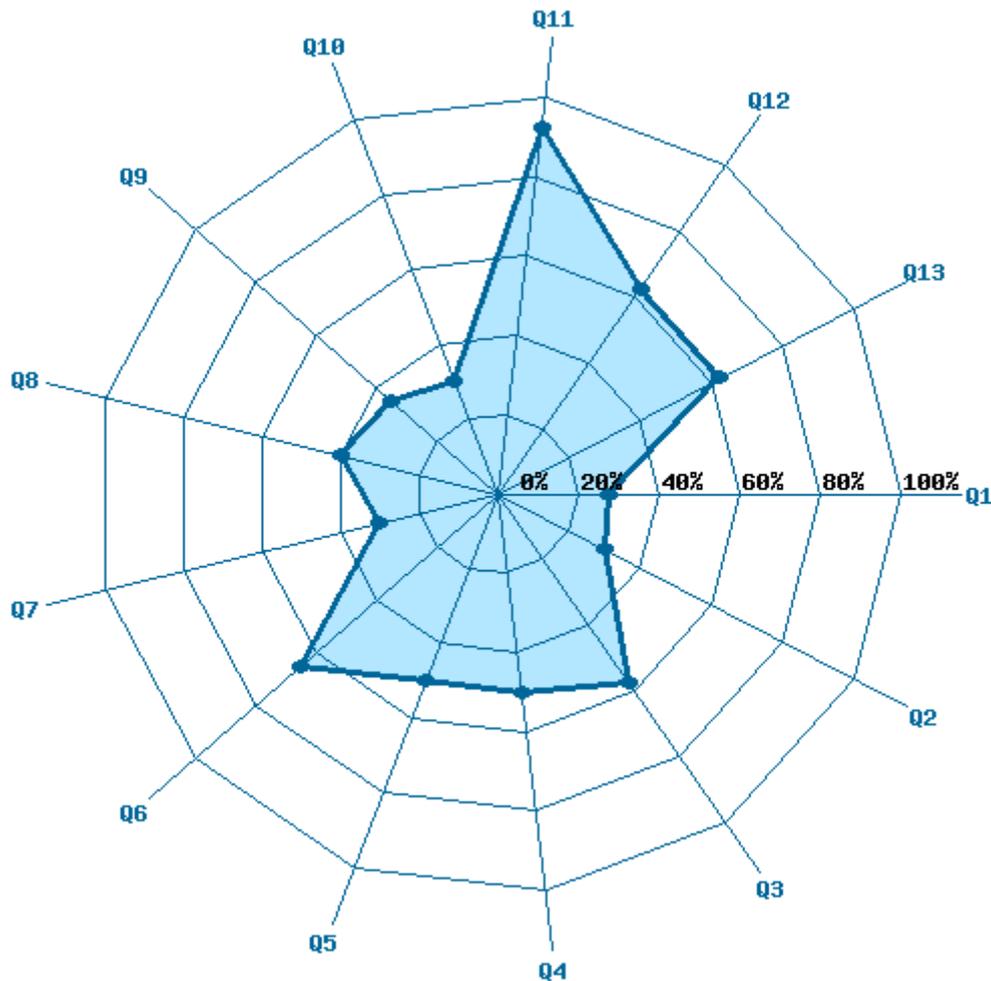
3.3. Marketing

The lowest marks were detected in terms of marketing. It appears that there are significant problems in this field and new staff members and/or outsourcing would be needed to fill in the gaps. Even though ValDeal has marketing strategy elaborated by professionals in this field, it does not focus on specific sectors and companies. The strategy has general goals and does not aim to exclude any possible target groups from the services. The marketing activities are generally consisting of TV interviews and conferences where general ValDeal services and unfocused presentations are held. ValDeal's portfolio of services is not tailored to different market segments neither (the level of this activity was 30% in ValDeal staff's opinion). The main aim of ValDeal is to attract the most actors in the field of innovation management so as to make the best match making possible. The services are tailored at each case differently – this leads to certain flexibility but also a lack of focus regarding the target groups. Meanwhile SMEs are an important target group (59% thinks) and as these firms are the most sensitive to economic changes, it is likely that they need support and it is obvious to mark them as the most important clients. But even though it was marked important to have SMEs amongst ValDeal's clients, the marketing strategy was not found fully adequate for their needs (50%). The marketing plan is not developed and articulated enough (50%) and has serious deficiencies. The improvement of reputation and credibility is surely one of the priorities but there are too many unfocused priorities which is an important problem. Awareness raising is unfocused too (30%). The review and the adaptation of ValDeal's services are not coordinated by taking into consideration the marketing strategy. Another problem arises in the accounting system as it does not fully allow to effectively develop the pricing of ValDeal's services. The problem emerges from the lack of liquidity effecting all services and possibilities. This way services are not priced based on real cost estimation but mostly on the capacity of ValDeal's clients. At most of the cases, inventors do not have the means to pay for innovation management, even though this would be a long-term investment worth to spend money on – they are only interested in contracting with success fees that has already led to significant loss in liquidity for ValDeal.

Services that do not generate sufficient income are reconstructed or abandoned after a sufficient period of time (92%). This fact allows ValDeal to find new opportunities with a reduced number of staff members.

Promotion and delivery of ValDeal’s services are partly exploited via internet (61%) thus the opportunity to have a well designed webpage is fairly used – but surely could be better if more focused on well defined target groups.

Figure 4: Scores of performance drivers in the capacity area ‘Marketing’



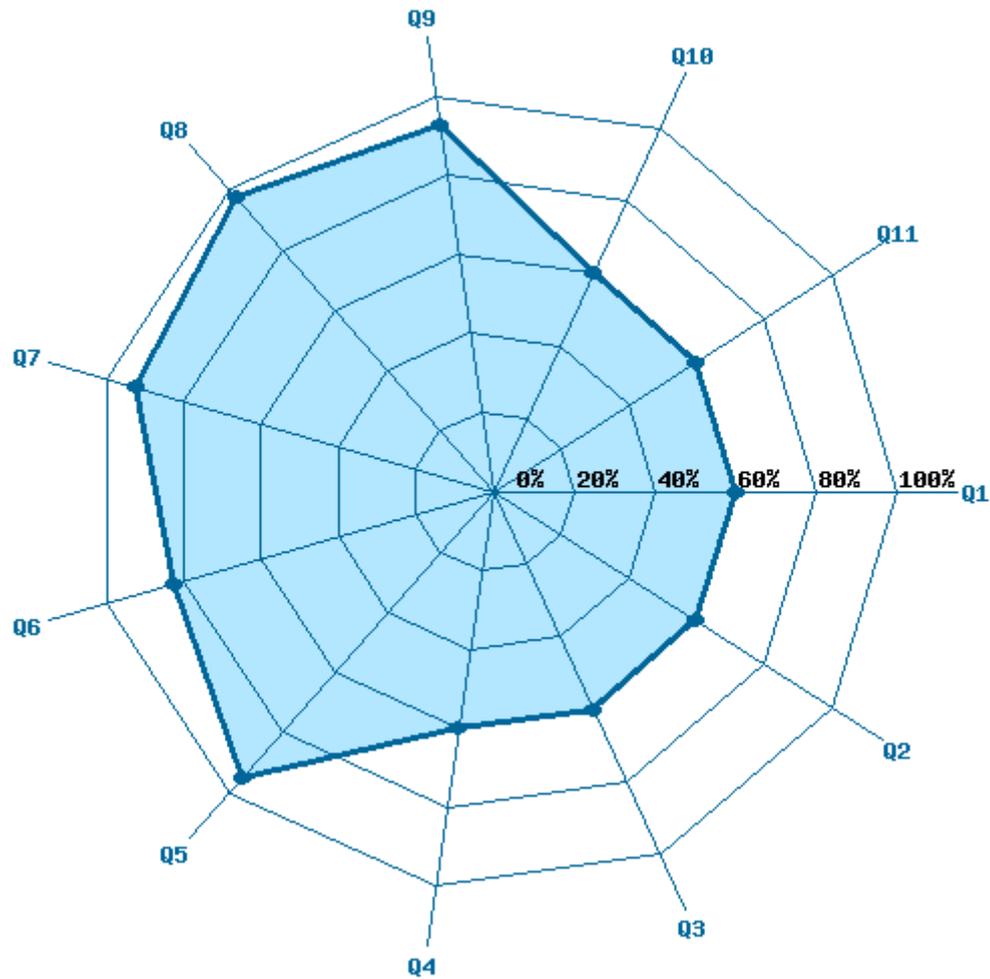
- Q1 Our marketing strategy takes into consideration specific sectors and companies' needs.
- Q2 We offer a portfolio of services tailored to different market segments.
- Q3 SMEs is an important target group.
- Q4 Our marketing strategy deals with the specific problems of SMEs.
- Q5 Our marketing plan is well developed and articulated.
- Q6 Improvement of reputation and credibility is one of our priorities.
- Q7 We run well focused awareness campaigns.
- Q8 We use our marketing strategy for reviewing and adapting our services.
- Q9 Our accounting system allows us to effectively price our services.
- Q10 We price our services based on real cost estimation.
- Q11 Services that do not generate sufficient income are either reconstructed or abandoned after a sufficient period of time.
- Q12 We effectively exploit the opportunities offered by internet for the promotion of our services.
- Q13 We effectively exploit the opportunities offered by internet for the delivery of our services.

3.4. IPR management

A few questions were asked to be answered with the mark 3 as they were not relevant for ValDeal not being a university or public research organization technology transfer office. ValDeal does not own the patents managed thus it does not have an IPR policy and does not provide any related services (Q1-4 and Q11). Also IPR costs are not covered by ValDeal (Q10).

The mechanism that proactively identifies research results that can be disclosed is found to be effective. The model of the Hungarian and Central European innovation management is considered to be useful for the identification of valuable research results. The theoretic models are well defined and are used efficiently and ValDeal also has several references and good practices from the past. ValDeal does not patent the technologies itself but helps in the evaluation prior to patenting. This evaluation considers commercial potential and economic value of the invention as all inventors are looking for economic benefit when willing to patent an invention. The patent application process can be fully managed by ValDeal if the client has this need. ValDeal has the right connections and several patent offices are around to help in IPR issues if needed.

Figure 5: Scores of performance drivers in the capacity area 'IPR management'



- Q1 The PRO has clear policy on IPRs.
- Q2 The IPR policy covers all possible types of IPRs.
- Q3 The IPR policy of PRO is well documented.
- Q4 The connected PRO provides adequate incentives to researchers to disclosure their inventions.
- Q5 We have established an effective mechanism that proactively identifies research results that can be disclosed.
- Q6 We keep sufficiently detailed records for the existed technologies in the connected PROs.
- Q7 We evaluate the technologies and research results prior to patenting.
- Q8 Commercial potential and economic value of the invention is a criterion for patenting.
- Q9 All steps of the application process is managed by us.
- Q10 All costs are covered by our organisation for optimum protection.
- Q11 We protect effectively our patents.

3.5. Licensing

100% of ValDeal staff agreed that ValDeal actively seeks for opportunities in licensing. A standard methodology for the selection of IPRs is used for licensing that is suitable in the cases it is used in. These are the most important advantages of ValDeal: the initiative attitude and the well formed theoretic background. The pricing considers competing technologies, characteristics and needs of potential licensees as well as the needs of clients. Transfer costs and additional services are also considered in pricing – as there is no focus in targeting marketing actions, the deals are differing from case to case. ValDeal staff defined IPR pricing as the estimated costs of IPR marked in economic calculations. In these terms, ValDeal staff and their network have all competencies in determining IPR pricing in scientific projects.

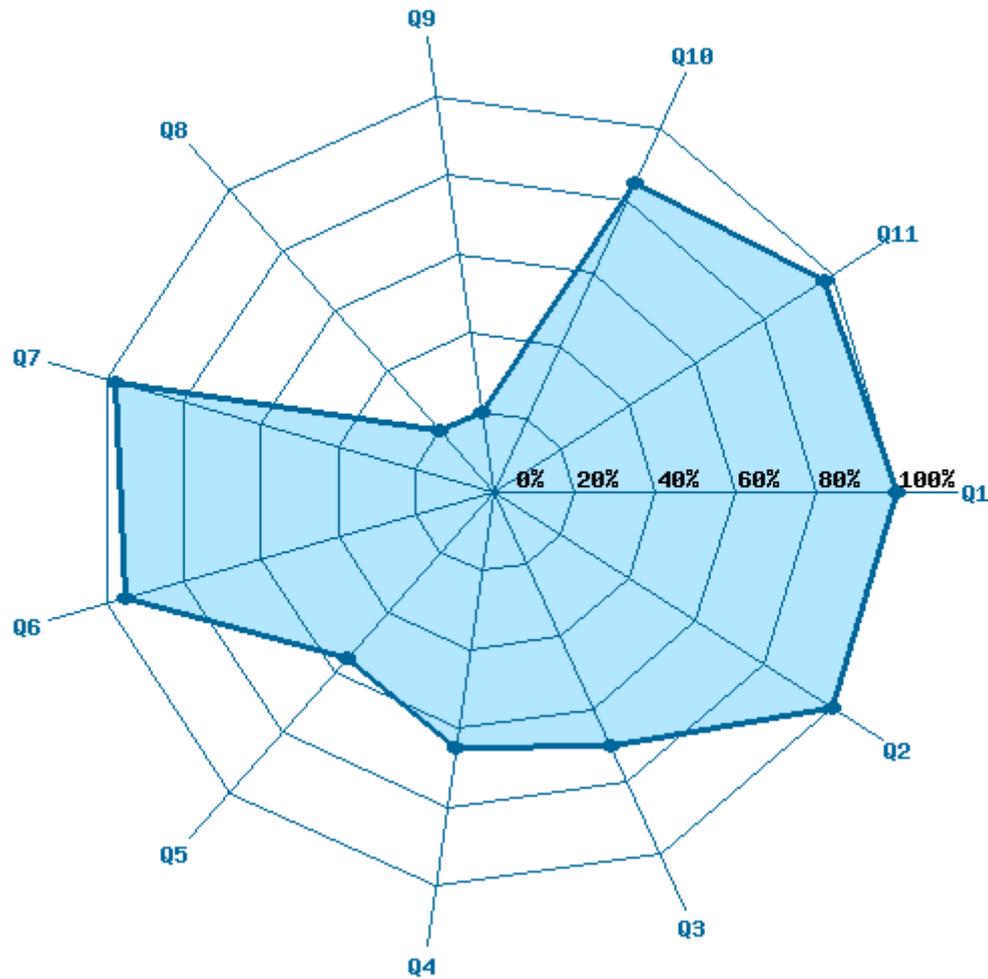
Inventors are always actively involved in negotiations and in the technology transfer (95-97%): this is crucial when making the investment or licensing deals. In most of the failures experienced by ValDeal the lack of cooperation with the inventors led to the fiascos. This is the most important experience and the well-known thesis is true in these cases: in the men-technology-market triangle, men are key elements as well as bottlenecks.

ValDeal does not use non-exclusivity agreements – only in certain special cases but if this happens there must be other agreements with the inventor to complete these agreements. Non-exclusive agreements would not lead to serious commitment from the side of inventors neither from the side of ValDeal. Dissemination might be supported by non-exclusivity agreements but this possibility is not fully exploited by ValDeal.

For the commercialization of IPRs ValDeal is constantly seeking for opportunities in their network as well as by systematic search for suitable partners and possibilities.

Licensing is a part of the strategy in most of the cases but might be the aim of the whole strategy itself. Meanwhile it is likely that in investment deals and contracts written for business planning the licensing appears as additional service.

Figure 6: Scores of performance drivers in the capacity area 'Licensing'



- Q1 We actively seek for opportunities for licensing IPRs.
- Q2 We use a standard methodology for the selection of IPRs suitable for licensing.
- Q3 Pricing consider competing technologies, characteristics and needs of potential licensees.
- Q4 Pricing and payment methods take into consideration transfer cost and additional services that might be required.
- Q5 Our IPR pricing is competitive and effective.
- Q6 Inventors are actively involved in the negotiations.
- Q7 Inventors are actively involved in the technology transfer.
- Q8 Non-exclusivity agreements are an option for maximizing future revenue for our organisation.
- Q9 We use non-exclusivity agreements in order to ensure wide dissemination of research results.
- Q10 We exploit all possible channels for commercialisation of IPRs.
- Q11 We exploit the licensing opportunity to provide additional services to the client.

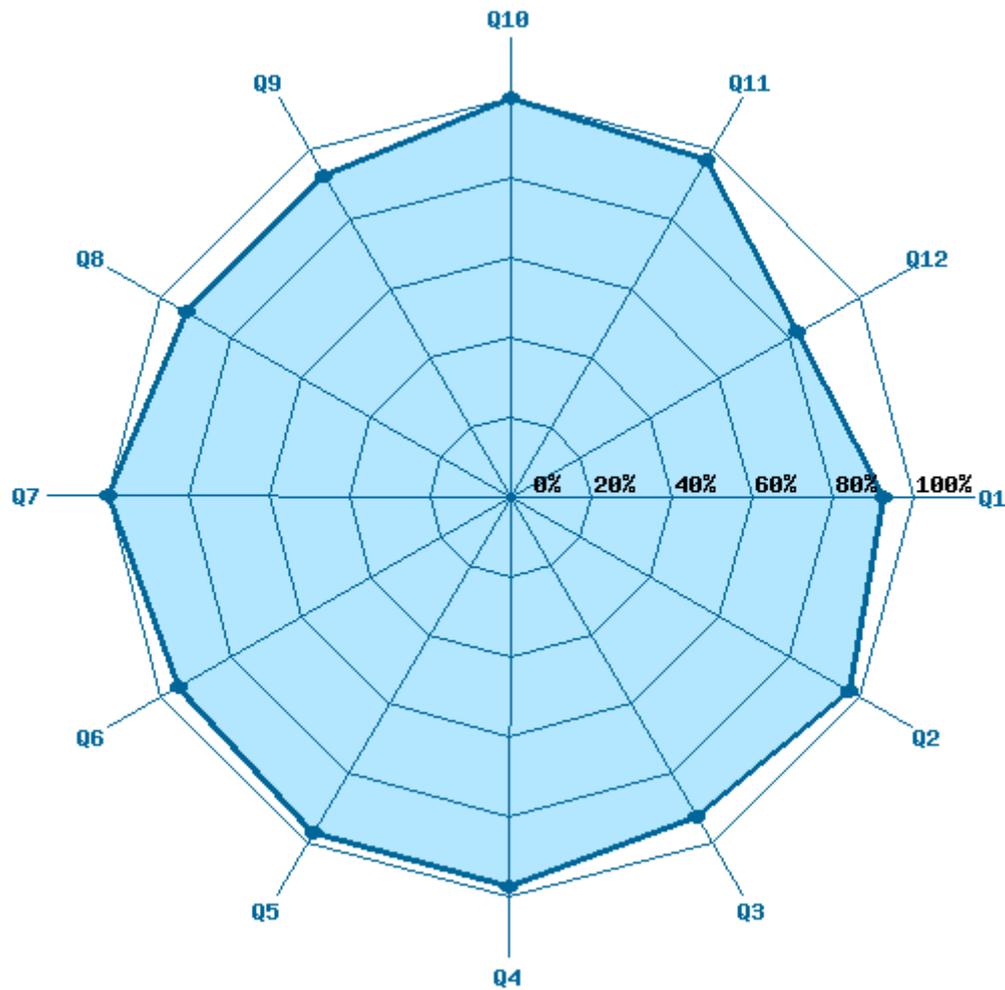
3.6. Spin-off formation

Setting up spin-offs is the part of the strategy that is considered at each case. The spin-off might buy the license of the IP but the strategy might be to do licensing to third parties – in these cases spin-offs are not necessarily formed.

The assessment procedure of ValDeal considers all alternative options for commercialization of IPs. This is the strongest value that ValDeal offers: the methodology of IPR assessment is a well adapted method to suitably analyze all possibilities and options. As mentioned before all relationships are arranged flexibly by ValDeal as all clients have different needs and in comparison to a university PRO, ValDeal as a for-profit institute can select its clients but also has to fight for them.

All the possible services are offered regularly by ValDeal that are related to technology transfer. This means that business planning, market research services, legal advices for starting businesses, IPR management and protection services, management consulting services are all between the offered services. R&D of ideas, access to seed capital, venture capital, incubation services and the opportunity of accessing specific supplier, producers or distributors are all offered by ValDeal in house or through their network.

Figure 7: Scores of performance drivers in the capacity area 'Spin-off formation'



- Q1 We systematically assess the feasibility of setting-up a spin-off for the commercialisation of IPRs.
- Q2 Assessment procedure considers all alternative options for commercialisation of IPRs.
- Q3 We flexibly arrange our relationship with the spin-offs on the basis of mutual benefit.
- Q4 We regularly offer (in house or through our network) business planning and market research services.
- Q5 We regularly offer (in house or through our network) legal advice for starting business.
- Q6 We regularly offer (in house or through our network) IPR management and protection services.
- Q7 We regularly offer (in house or through our network) management consulting services.
- Q8 We regularly offer R&D services for further development of the idea.
- Q9 We regularly offer (in house or through our network) access to seed capital.
- Q10 We regularly offer (in house or through our network) access to venture capital.
- Q11 We regularly offer (in house or through our network) incubation services.
- Q12 We regularly provide the opportunity of accessing specific supplier, producer or distribution networks.

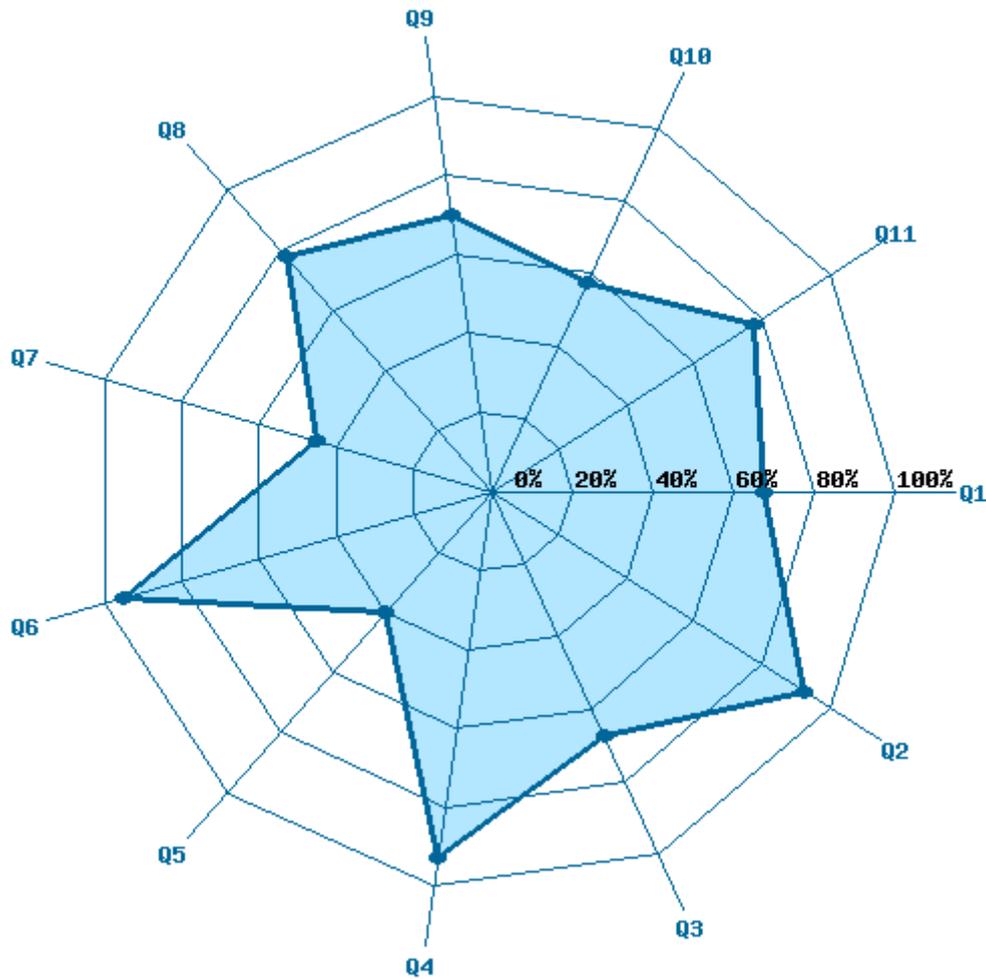
3.7. Networking

ValDeal has established valuable linkages to other TTIs and PROs (90%) – they have participated in national and international programs and other innovation managers are well known by ValDeal staff. Linkages to industry are also built (68%) and are valuable in cases where these partners are sought. Partnerships are also built with private firms and industrial associations (67% answered this) but they are more involved in engagements with TTIs, PROs and other associations as these partnerships have led to mutually beneficial cooperation. The monitoring of effectiveness of partnerships with other organizations is on a low level (40%) – this is a weak point that has to be enhanced.

New clients are sought everywhere including networking events. The most of the clients are found through partnering. Meanwhile through partnering ValDeal does not always gain skills to enhance their ability to accomplish their mission. These skills are built on the job but partnering should be exploited better to enhance these abilities. Services are enhanced and ValDeal's mission is supported through these partnerships too.

In ValDeal's partnerships partners openly share information in several cases – but there might be exceptions. Mostly the individual inventors are sceptic and don't trust in innovation managers. This has to change in a few years' time but today it is hard to make them understand that innovation managers are in the same boat as they are (especially in cases where deals are grounded on a success fee basis). If processes between the actors are coordinated fairly then the individual partners will contribute appropriately to share goals. This is a stage that has to be reached by ValDeal but support is needed from the other side as well.

Figure 8: Scores of performance drivers in the capacity area 'Networking'



- Q1 We established valuable new linkages to industry.
- Q2 We established valuable new linkages to other TTIs and PROs.
- Q3 We actively engage in productive partnerships with private firms and industrial associations.
- Q4 We actively engage in productive partnerships with other organisations (TTIs, PROs, associations).
- Q5 We monitor the effectiveness of our partnerships with other organisations.
- Q6 Through partnering we increase our client list.
- Q7 Through partnering we gain skills that enhance our ability to accomplish our mission.
- Q8 Through partnering we enhance the services we offer to our clients.
- Q9 Through partnering we establish new networks and relationships that enhance our ability to accomplish our mission.
- Q10 Partners openly share information.
- Q11 Individual partners contribute appropriately to share goals.

4. CONCLUSION

Our conclusions are based on the second Self Assessment Tool Report and on the comparison of the first and second reports. A detailed comparison is to be found in the peer review report.

The number of ValDeal staff members filling in the questionnaires did not change but there were significant changes in the composition of the group.

The most important conclusion of the second SAT is that serious problems have arose in ValDeal in the past year. The reason is the lack of fixed priced services: in most of the cases ValDeal worked on a success fee basis, meaning that operations had to be pre-financed by ValDeal. Success stories have started to occur but ValDeal has already had suffered serious decrease in ValDeal staff due to past liquidity problems. Present staff has to converge with past and outsourced ones as innovation management skills are mostly gained via learning-by-doing. Generally ValDeal has all skills needed in technology transfer but most of these competencies are outsourced and continuous learning has to be taken place at present staff members too.

The allocation of tasks and responsibilities are not implemented in a satisfactory level and a lack of coordination is present in everyday operations. This is compounded by the fact that ValDeal does not monitor existing contacts and the present clients are sometimes neglected. This might derive from the fact that ValDeal has mostly success-fee based agreements that does not demand enough commitment from the side of inventors nor from the side of ValDeal. This leads to loose connections that are not enough to build strong relationships and develop mutual trust. The monitoring of existing partnerships has to be enhanced though.

The most important advantages of ValDeal are the initiative attitude and the well formed theoretic background.

SMEs are supposed to be the most important clients but this group of clients are not aimed effectively by the marketing strategy.

One of the most important skills of ValDeal is the applicable innovation management method to evaluate technologies and to find application areas of inventions.

ValDeal does not apply non-exclusive agreements – even though they might support dissemination. This is to consider in the future if this type of agreements could be used too at ValDeal's clients.

Other conclusions will be drawn in the peer review after having consulted them with other external experts.