

Successful Start ~ Promising Future

*A review of the activities
and achievements of
The Britech Foundation
through its early stage
development*

Selected highlights from a report prepared in
January 2004 by the Directors of The Britech
Foundation Limited.

Executive Summary

The Britech Foundation was formed in late 1999 with one primary aim: to further the economic and commercial relationships between the UK and Israel by encouraging collaborative research and development partnerships between UK and Israeli high-technology companies. Though the economic and political environment has been difficult during these early years, Britech has been highly successful in attaining this primary goal, while achieving significant additional benefits for the technology base in both countries.

Britech is more than just a grant-awarding body. Recipients of Britech funding undertake to repay up to 150% of the funds received in the form of a royalty on their sales following successful commercialisation, and the first such royalty income has already been received. Furthermore, the objectives of Britech projects are set in terms not of national markets, but of international – and often global – markets resulting from the collaborative developments. Enormous spin-off benefits have been achieved in many instances through mutual exploitation of existing technologies and market position.

The key elements of Britech are now summarised.

UK-Israel Partnerships

A wide range of collaborative partnerships between UK and Israeli companies has been developed. In addition to its direct involvement in funding projects, Britech has handled many hundreds of enquiries relating to technology and business links between the countries, and helped hundreds of companies to assess and pursue opportunities in the UK or Israel. More than 170 specific partnership requests have been dealt with and over 40 formal partnerships created. This level of activity has been achieved with efficiency, employing a very small staff and maintaining an aggregate administrative cost of less than 12%.

While a proportion of these partnerships lead directly to applications for Britech funding,

the majority are pursued by conventional commercial means. The benefits accrue to the partners from both countries in the form of technology transfer, management expertise, market access and investment. Though Britech cannot track the progress of such partnerships in detail, it is clear from the direct feedback of the companies involved that the benefits are significant. In practice partnerships take a wide variety of forms, ranging from simple distribution agreements to formal joint-venture companies. They involve companies of all sizes and levels of maturity, with a broad geographical distribution across the countries.

Year	Fund	Budget	Actual	% of Fund
1999/2000	2500	375	337	13.5
2001	2500	375	332	13.3
2002	3500	375	384	10.9
2003	3500	393	393	11.2
2004	3500	393	393	11.2
Aggregate	15500	1911	1839	11.9

Table 1. Britech Foundation administrative expenditure (in £000)

Britech Projects

Just under £10 million has so far been allocated to 25 collaborative Britech projects, the combined projected commercial revenues of which are more than £500 million. Five projects have already been completed and commercialised, and the first royalty payments have been received from one of the earliest. Further details of Britech’s projects and the selection and approval process are given in Section 4, with a full listing of projects included as Appendix D.

Britech projects cover a wide range of sectors reflecting closely the primary technological synergies between the two countries. The project selection and approval process seeks to harness the additive effect of synergy between companies – the “2 + 2 = 5” factor – through which Britech provides much of its value-added. By emphasising this synergy, even companies of quite modest existing technology means can achieve enormous benefits through the collaborative process. Case study 1 (Section 5.1 of full report) is an excellent illustration of this effect.

Spin-off benefits

The collaborative partnerships generated by Britech often benefit from additional effects resulting from the process. Naturally, these spin-off benefits differ from case to case but may be generally characterised into the four areas of Product, Market, Culture and Credibility.

• Product

In addition to any new product being co-developed under a Britech-funded project, collaborative partners commonly identify additional, more immediate, opportunities to enhance their product portfolios through product adaptation and interchange. Such arrangements would be very unlikely under normal circumstances, but once they are committed to close co-operation in Britech work, product exchange and licence deals are made much easier.

Furthermore, valuable technological innovations can result from the collaborative work in unexpected ways. Case study 2 (Section 5.2 of full report) gives an excellent example of such a ‘windfall’ benefit, where extremely valuable intellectual property has been discovered as a by-product of the Britech project.

• Market

For practical reasons, most Britech projects have the UK defined as the initial target market for the new products developed, with expansion into the European, US, Asian and other markets following later. When applied to the existing products of the companies, however, Britech collaborations yield more immediate access to new markets through cross-fertilisation between the companies.

Case study 3 (Section 5.3 of full report) is a good illustration of this type of market access. In this example the participants in a Britech project have been able to provide invaluable market access for their existing product range – the Israeli company bringing a highly advanced product to the UK market for the first time through the UK company’s channels, while the UK company has been able to access new markets in China and the USA where its partner has a strong position.

Even in cases where a Britech project is not appropriate or practical, Britech's involvement can give rise to significant business opportunities for companies in Israel and the UK. Case study 4 (Section 5.4 of full report) is a typical example where two companies introduced by Britech (with the aim of a collaborative relationship) discovered such strong synergy that the UK company decided to invest directly in the Israeli company through acquisition.

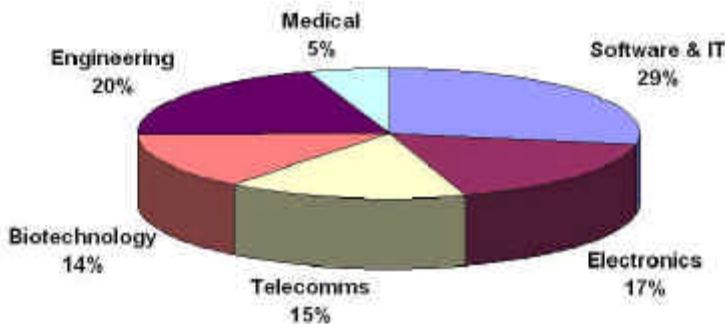


Chart 1: Project Technology Distribution (by grant value)

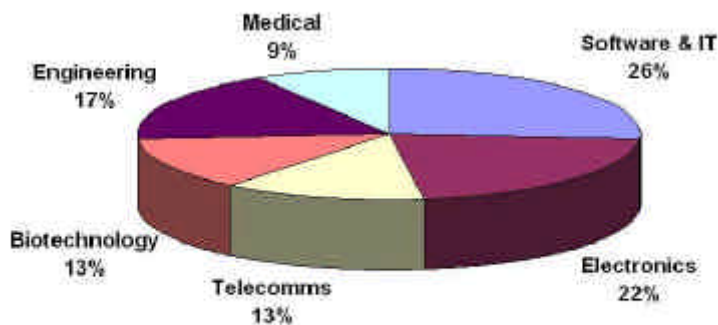


Chart 2: Project Technology Distribution (by number)

• Culture

Though it brings enormous benefits, collaboration is never easy. The advantages of UK-Israeli collaborations are evident, with English as a common language, similar legal and financial systems, and comparable environments fostered by the two governments in support of innovation and entrepreneurship. Without proper

appreciation of the differences between the two countries, however, serious problems can arise. Britech provides a vital bridge between the two business cultures, which has proven invaluable to many of the partnerships involved.

• Credibility

Many of the most exciting and imaginative partnerships in which Britech has played a part have been between companies of widely differing type – a large UK plc partnered with a four-person Israeli technology start-up, for example. In such a case there is an understandable anxiety on both sides about the risks involved in collaboration. On the one hand, the small start-up company may have concerns that its large partner could exploit its best ideas without due credit, while on the other hand the plc may feel that it places its entire reputation at risk by reliance upon such a tiny, inexperienced company.

Here Britech fulfils a vital rôle by providing a clear and defined framework for the partnership placing both governments, by proxy, behind the arrangement. This provides reassurance to both parties and affords Britech a place 'inside' the partnership, imparting confidence and legitimacy.

Industry reaction

Importantly, Britech has developed an excellent reputation among client companies for its supportive, flexible and non-bureaucratic approach, and for the quality and relevance of the mentoring and advice offered. Even unsuccessful applicants for funding have praised the organisation and its process, while providing advice and contacts to other organisations has helped many companies unsuitable for Britech's direct support (see Case Study 4).

The way forward

Though the economic and political environment has been difficult during these early years, Britech has created a strong basis for further and deeper collaboration between the UK and Israel by strengthening an understanding of the technology

capabilities of both countries, promoting wider areas of collaboration, and fostering opportunities for general trade between the two countries. As the economic indicators improve for the technology sector, and looking forward to progress in the Middle East peace process, Britech provides a strong basis for even greater progress in the future.

The Britech Board believe that the initiative has provided excellent value to both countries, and are unanimous in recommending its continuation for a further term of five years. The level of funding should be set at or above the current level. Any reduction in funding would be wasteful of the position attained, while a modest increase would provide even greater efficiencies by capitalising on the processes already set in place.

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Publication Note:

The full 37 page version of *Successful Start – Promising Future* was prepared in January 2004 by the Directors of The Britech Foundation as part of their formal obligation to report progress to the governments of Israel and the United Kingdom.

Because the report contains detailed commercial information confidential to companies involved in Britech projects, it is not appropriate to make the whole of the text public. This document presents the key highlights of the report in a simplified form suitable for wider distribution.

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