

**Getting the money: A review of key differences in factors driving philanthropic and venture capital investment in biomedical technologies with social good application.**

Research and development in life sciences is capital intensive. Lead researchers, business managers and chief scientists need to be able to efficiently review, present to and ultimately access appropriate funding resources internationally, including grant funding.

Presentation for venture capital is a well described art. This project addresses the question: In what respects do potential philanthropic funders of new ventures with biomedical social good applications look for similar, or for different, key factors compared with profit driven venture capital investors, when they receive new venture plans and or proposals to provide funding?

**Methodology:**

To identify potential key difference factors, in the absence of previously established researched information, the author first spoke with fifteen informed individuals in the field, framing the research question broadly. With each subsequent interview further depth could be explored as key difference factors became apparent. Seven of the fifteen interviewees formed a virtual focus group successively discussing the views of previous interviewees. Through this process the following was corroborated by the evolving majority of the seven virtual focus group participants as key difference factors.

**Key findings:**

In contrast to what venture capitalists seek for potential philanthropic funders:

1. A commercial patent outcome is not requisite
2. Risk is considered only relative to the proposed project
3. Funding horizon is usually limited only to the proposed project
4. Marginal success towards the funder's goals is sufficient and this could include formation of human resources as a consequence of the project
5. Wish to catalyse new resources to address disease of personal interest
6. Researchers academic credentials are more important than managements track record
7. Proposals should be aligned with the funders philosophic commitment i.e. a cooperative not competitive context
8. Philanthropic investors usually do not require plans to monitor achievement against milestones; do not typically titrate their investment against the achievement of pre-agreed milestones; nor are they driven by the prospects of likely exits as they expect only a social return on their capital.

**Summary of comparative drivers for financial & philanthropic investors:**

From secondary data research and interviews the following summary of comparative drivers for financial and philanthropic investors was established, grouped according to standard requirements for raising capital:

\* Refer table on right.



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Pacific Channel, through our access to expertise and financial capital, facilitates the growth of commercially viable biotechnology companies in Australia and New Zealand: emerging global centres of biomedical sciences and technology.

Pacific Channel was formed as a "channel" between Australasia and the world's largest market - the United States, acting as a conduit toward long-term, global growth and success. Our team has extensive collective experience and knowledge in academic research, executive and corporate management, government and international trade.

We provide a range of fund raising advisory services, including international grant access strategy and facilitation.

Through informed access to international grants, Pacific Channel provides access to a substantial funding pool from government or philanthropic sources outside the traditional sources of equity capital, especially from the US. We will perform a review of research and development initiatives that might be appropriate for grant capital; make the match to appropriate programmes; undertake grant preparation; grant administration and project management aligned to a successful application.

For more information please see Pacific Channel's annual report on how to access international grant funding: *Biotechnology Grant Capital of the EU and United States*. This report provides a detailed review of grant resources available internationally for Australian and New Zealand life sciences research and advice on accessing various grants. It is available through our website, which also outlines our other venture development and advisory services: [www.pacificchannel.com](http://www.pacificchannel.com)

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Financial Investors	Social Investors
<b>WHAT THEY NEED TO KNOW PRIOR TO CONSIDERING FUNDING</b>	
Underlying assumptions.	Operating assumptions.
The competitive environment.	No comparable context viewed generally as stand alone project.
The market environment for product/technology.	Simply the need for the product/technology i.e. its relevance, which is seldom quantified. If commercial assessment is required the criteria is indicative only.
Potential for super profit.	Funding will catalyse new resources to address their personal interest in a disease state or other area of social need.
The technological approach proposed is broadly considered to be valid/ of hot interest e.g. proteomics.	The outcome areas to be advanced are worthy/ of hot interest e.g. HIV. Usually neutral on what technology is employed.
<b>WHAT THEY NEED TO SEE IN A PROPOSAL FOR FUNDING</b>	
The probability of a success that is self-contained within the venture.	The probability of at least marginal success that moves toward accomplishment of providers own social goals. Such success could be formation of new human resources to address a disease of interest.
The language of finance i.e., a business model in financial context.	The language of logic i.e., a defined goal, and progress steps toward its attainment.
Patents and an intellectual property strategy that secures future profits.	A commercial patentable outcome is far from a requisite. Intellectual property can be a negative, especially for an enabling technology as this can act as a disincentive to other developers, especially in a small market.
Benefits accruing to the few i.e., the company, and management, in order to raise more capital.	Benefits accruing to the many without immediate gain for company or management. The decision makers are responsible to their constituencies.
The management and research team are capable of success and flexibility, ideally having demonstrated success in a proven venture, such that even if the proposed product/technology initiatives fail the venture might still prosper.	The grant project will also develop the research capacity and capability of the organisation and/or country/region.
Management with known track records of business success.	People with academic credentials ideally known to the funder.
Intuitive sense of managements capabilities.	Proven credentials of a knowledge base that is assumed to be sufficient.
Close geographic proximity to monitor plan implementation and achievement of milestones.	Often neutral on geographic proximity to funding source but still requires an ability to monitor implementation.
Investees that can benefit from the investors specialist knowledge and skill sets e.g. Investment banking and corporate partnering networks.	Seldom offer skills and experience to grant recipients. However where the philanthropist has specialist skill sets available, they will show a strong preference to fund projects that utilise this.
Assurance that enough progress will be made to position company for next financing round.	Assurance that at project's end, goals will have been reached and funds will have been thus well spent. However, for a small minority of philanthropists evidence of ongoing viability of the company seeking funds is required. Also, for international philanthropists seeking to develop capability in foreign countries, continuity of local follow-on funding commitment is important.
A financial investor will expect constant revision of whether the planned expenditure plan is still the best use of their resources to maximize profit.	Grant making bodies will wish to ensure that the money has been deployed for the agreed grant purpose.
Will wish regular reporting against pre-agreed milestones and ultimate a profit return.	Often do not have an effective outcomes based measuring system and may not follow up on outcomes of its grant investments at all.
A financial investor will seek successful deployment of the project as this offers an exit and therefore, return of their capital.	A grant funder is most interested in successful deployment of a project that progresses their philanthropic goals and social agenda.
A financial investor is more likely to require board membership for an investment of over 7 figures or representing 15% of the company.	A grant funder will very rarely demand a conditional board membership and traditionally will be provided with progress reports throughout the term of the project.
<b>WHAT THEY NEED TO BELIEVE BEFORE PLACING FUNDS</b>	
The company is well-positioned and mentally attuned to be fiercely competitive.	The project is aligned in its philosophic commitment with that of the provider - cooperative context.
Time sensitivity- time is money.	Goal sensitive- time is more than money.
There will be measurable results within a defined period.	There will be some impact, incrementally useful, hopefully sooner than later. Recognises that outcomes, especially from fundamental science, are unclear.
There will be a significant financial return - greater than 40% pa for seed investments.	That their programme goals will be advanced e.g. to get value into the third world.
All major risks to the project(s) and the venture have been identified, ideally quantified and risk mitigation strategies are outlined.	Major risks relative to the parameters of the proposed grant have been eliminated.



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