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Guide to Innovation Funding Applications

Contents

General Advice for Funding Applications

Keep in mind the priorities of the funding agency. What projects are they looking for and what are their key investment criteria?

Avoid starting off by trying to explain how great your idea is or how clever the technology is. The first part is about setting the context for the market need and how it will be addressed - this must be laid out in as compelling and logical a way as possible. Remember the importance of a good first impression - those first few sentences are critical so you need to make them interesting and exciting to create positive momentum throughout the rest of the application.

In essence, there are generally four fundamental questions considered before making an investment decision:

1. **Is it a big enough market?** Does it represent value for money compared to the investment requested?
2. **Can the innovation be world leading?** Is the idea sufficiently distinctive and strong to be successfully exploited in the UK and globally?
3. **Is it at the right stage of development?** It must be market driven, rather than predominantly a research project
4. **Why should public money be used?** Why not use company funds or raise additional finance via VC investment or a bank loan?

Key Features of a Good Application

A summary of what makes a good proposal, remember always refer to the application guidelines for details of the questions you need to answer in the application form.

Remember that each section on the application form has a list of key information that should be supplied. A tip when checking an application is to have someone else go through it and check that the text in each section covers the required topics.

A top-level summary can also be found towards the end of this guide.

The key features of a good proposal are:

1. **Alignment to the competition scope**
2. **Innovation**
3. **A strong business case**
4. **A convincing value proposition**
5. **A credible plan for Research and Development**
6. **The right consortium**
7. **A clear need for support**
8. **The right kind of risk**

To unlock that funding:

- Above all, make sure you write an application that excites and inspires

1. Alignment to the competition scope

This may seem obvious but alignment to scope is the most important thing to get right.

If the evaluators don't think the project is in scope they will reject it and it doesn't matter how strong the rest of the application is. Don't waste a lot of time and effort writing an application if you're not sure that it's a good fit.

Read the briefing document carefully and check with the competition helpdesk if you are in any doubt to make sure you are in scope before you start.

Once you've checked your project is in scope, think carefully about the best way to present your case. Be very clear and specific about how your project fits the scope – don't leave anything to guesswork by the evaluators.

Use clear language, refer to the terminology used in the brief and keep it simple. Project assessors are not necessarily experts in your specific sector so you should avoid acronyms and highly technical language where possible.

2. Innovation

Innovation should be at the heart of any application. Innovation in this context is not about incremental improvements but delivering step changes to sectors. That can mean developing something completely new, or applying an existing technology to a new sector. Innovations can be technical (pushing the boundaries of a technology or applying it to a new problem) or commercial (addressing a need in a novel way).

You also need to show that you have the freedom to operate in your chosen sector and geographies. Evidence to support this can include results of patent searches, literature surveys and competitor analyses. Remember to describe the current IP situation and how you will protect IP arising from the project. The Intellectual Property Office (IPO) has useful resources for companies on protecting your IP: **gov.uk/ipo**

Make it clear to the assessor how your project improves on the nearest current state-of-the-art and use language to make the innovation easy to identify. Without making wild, unsubstantiated claims, you need to make sure that your idea is genuinely novel and that it doesn't come across as too incremental or inconsequential. Timeliness is an important factor here; many exciting technologies don't realise their potential because the market isn't ready for them, so make sure you convince the assessors that this is the right time for this project.

Beyond the market as a whole, how will the project enhance your offering and make you more competitive? What are the outputs of the project and can the innovation can be enabling and underpinning: i.e. does it have the potential to drive improvements in multiple applications across a wide scope?

3. Strong business case

Above all, the assessor is looking to understand the need and customer demand. What is the problem you are addressing? Is it a credible business opportunity? The heart of your business case must be focused on how you will make money from the idea, placed in the context of the market opportunity and market size.

An ideal response explains why that market need exists (what is driving it) and what is required to meet it before describing how it will be addressed. This robust linkage between your proposed solution and its commercial outcomes must be spelt out. Poor responses talk too much about the solution without first describing the issue.

The assessor is looking to see whether you understand the potential market for your project. The best responses use current market data references (try to avoid wildly optimistic projections!) and describe the wider picture before focusing on the market share expected for your solution. The dynamics of the market are also important. Is it growing? How fast? What trends affect it? What is the competition? What are the barriers to entry?

Once this has been made clear, you must outline your strategy to access the market. The assessor wants to see if this is realistic. If you cannot explain how your product will be made, who will retail it, or your sales/service model you will be marked down. You should also be upfront about any legislation or regulatory issues, current or forthcoming, that may affect your ability to access a market.

Don't claim too much – the assessor knows what is possible and, as far as return on investment is concerned, wants to see if the investment of funding is value for money. Make sure your projections for growth and market share are robust and on a realistic timescale. If you are proposing a collaborative project this is an ideal opportunity to talk about the role of each of the project partners. For example, having a downstream retailer or a supplier in the project can really add weight to your exploitation plans.

Essentially, the detail you provide here supports your claims of market capture and the assessor is trying to establish whether it is likely to succeed. A badly defined market opportunity can often come undone at this point, with the assessor wary that your proposed project is more 'technology push' than 'market pull'.

4. Convincing value proposition

It is a truism that people don't buy technology; they buy what technology does for them. The success of any innovation, therefore, depends ultimately on human motivations and behaviour.

This reality can represent a risk for organisations seeking to exploit innovative technologies, as even the most cutting-edge technology will fail if potential customers see no benefit or are unable to use it effectively. By taking its inspiration from human behaviour, design not only mitigates that risk but leverages opportunities to create more value through outstanding customer experiences.

Using high-quality design at the start of a project can help businesses to:

- better **understand their customers and end-users** and, in so doing, create more desirable and fit-for-purpose products, services and processes
- develop more **sustainable solutions** and increase business resilience
- **reduce innovation risk**, timescales and cost
- differentiate their offerings in **competitive** markets
- identify and open up **new markets**
- **communicate** ideas and collaborate more effectively
- become more **investor-ready**
- **strengthen their brand** – increasing awareness, loyalty and advocacy among customers

4. Convincing value proposition continued....

Human/customer considerations are often lacking from technology-enabled innovations leading to less successful propositions so make sure you consider:

- Who are your target customers or end users? Is your product or service desirable in the context of their specific motivations and aspirations?
- Is it easy to adopt (i.e. is behaviour change required and, if so, how will you achieve this?)
- Does it fulfill a genuine need?
- Is it easy to use?

Do not underestimate the inertia barrier. Think about all the technology that is currently available versus how much use is made of it. It is often preferable to stick with the status quo even if a better solution exists because it is a known pain versus an unknown potential gain. Even a small amount of learning or behaviour change can be a sufficient deterrent to new technology uptake.

A convincing value proposition should include benefits for all the project partners as well as stakeholders outside the project. Be sure to check the competition guidelines for any specific criteria about who should benefit from your project. The applications that do well go beyond restating the commercial benefits of the idea, and also emphasize the ways in which others might benefit.

If applying for public funds, it is important to demonstrate that the project will be helping more than just the proposer. You must provide benefits in all categories and explain how these can be achieved by your business strategy.

The key categories are:

- **Economic Benefits**
- **Social Benefits**
- **Environmental Benefits**
- **Regional Benefits**

4. Convincing value proposition continued....

Economic benefits: To your customers, your supply chains and the broader sector – perhaps through exports, raised visibility of the sector or competitiveness.

Social benefits: These can include regional benefits, in terms of local employment and cluster growth; customer benefits in terms of quality of life, education, empowerment etc; employee benefits, such as safer working environment, skill development etc.

Environmental benefits: This can cover emissions (to air, water and ground), raw material consumption (including water), energy efficiency, biodiversity, waste avoidance, recycling, or more sustainable business models or consumer behaviour.

Regional benefits: These may include some of the economic, social and environmental benefits where these have a regional bias. Will your project help raise the profile of your region for a particular sector and deliver other, knock-on benefits? Think big, as well as small – from local to global impacts.

In all cases, don't ignore the potential negative impacts. These should be detailed and their mitigation/minimisation described or justified. If the assessor judges that your project is potentially damaging, and that you haven't considered this, it will negatively impact your score.

5. Credible R&D plan

It is important to explain what you will do in the project – i.e. how you will address the critical success factors described in your business opportunity. The assessor wants to understand the technical approach and although they tend to be knowledgeable in your sector, you should not assume familiarity with all the technical aspects. Avoid jargon and acronyms and break down the project into key work packages and milestones.

This suggested format is useful to ensure you include all the relevant information clearly and concisely:

Work Package No. & Name,
Partners involved, Timeline (e.g. M0-12),
Description of Activity, Milestone

The project is best summarised in a Gantt chart (included as an appendix) with each task explained. Provide an appropriate level of detail – a handful of tasks is too little, but breaking down every week is too much. The tasks should be clear on resource allocation, cost and interdependency with other tasks.

This response shouldn't be treated any differently to most internal project plans. The assessor is looking to see if the plan is realistic, whether there is sufficient resource (and where it is coming from) and if management will be an issue. Make clear the reporting lines, especially with multiple sub-contracts or partners.

The assessor is looking to see if the plan will achieve on the project objectives and will have considerable project management experience so make sure it is clear and all adds up!

A strong proposal clearly identifies what the exact scope, deliverables and exploitations of the funded project will be as well as the longer term scope, deliverables and exploitations beyond the funded element of the project. The proposal you are writing is unlikely to take the project to the ultimate end goal of product/service commercialisation but you will still talk about this in terms of your market opportunity etc. Be clear what the project will deliver and acknowledge the further steps required to achieve commercialisation. Strong proposals include details about the immediate opportunity after completing a successful project even if this to help get project approvals from a board of directors or to help achieve getting further public/private investment for detailed designs or proof-of-concept work. Doing this can also help strengthen your risk analysis, for example, including risks around potential time to markets, shifts/changes in business focus and/or markets and potential competitors.

6. Right consortium

It's the old cliché, an A class team can make a B class product a success but a B class team won't necessarily succeed even with an A class product. Your proposal is, therefore, as much about convincing the assessor that you are the right team for the job as it is about presenting a groundbreaking innovation project. Whether you are applying as a single company or a large consortium, it's about demonstrating that the project will proceed as described and will be likely to deliver the intended outcomes after the project has ended.

Remember that route to market and exploitation are as important as the product/service development aspects. Many projects fall down on the route to market aspect and don't demonstrate that they have engaged likely customers or manufacturers. The assessor wants to understand if the project partners have the skills, experience, resource and facilities to carry out the project **AND** exploit the results themselves.

What does the perfect consortium look like? It's a common question but there is no magic formula for the ideal number of partners in a successful project. It is all about what is right for the particular project you are proposing. If you need 10 partners or one it doesn't matter as long as you can justify it.

One aspect here is why a sub-contractor or partner has been included – what value are they bringing, and is it core to the delivery of the project? Make sure all partners have an active role and that there are no "passengers" along for the journey. One part of this is to demonstrate how each partner will benefit from the project. A common issue is project partners included in the consortium but not mentioned throughout the bulk of the proposal. If a partner is actively involved they should be mentioned each step of the way - in the benefits, in the technical approach, in the business case etc.

If you have gaps in your team, don't ignore them and hope no one notices. Be upfront about the gaps and explain your plan to fill them. You should also include this within your risk mitigation strategy.

Need help finding collaborators?

KTN can help you identify and connect with the most appropriate partners for your project. With over 60,000 members in their network across industry, academia and intermediaries, together with our in-depth sector knowledge, they are the UK's innovation network.

7. Clear need for support

If applying for public funding you need to explain why public money should be used on your project.

Ideally by now you will have described such a compelling and exciting project that you yourself will start to wonder why it even needs public help! So, you need to explain why you can't afford it (perhaps your R&D budget is already committed elsewhere), and then show why commercial finance isn't available.

The kind of answer that assessors are looking for here usually relates to risk: i.e. it is too risky for commercial investors; hence Innovate UK funds could help to get through this stage of development.

Other important factors include: reducing the time to market in order to get there ahead of competitors; to increase the amount of R&D taking place in the UK, or to facilitate a new R&D collaboration.

8.cThe right kind of risk

The one thing to remember here is: risk is not a bad thing!

One of the most common mistakes we see in applications is an understating of the risk in a project. The instinct for a company is commonly to play down the risk and portray the project as a sure thing in order to convince the assessors that it will succeed and, therefore, must be supported. In fact rating the risks overall as low will mark down your score – the question arises why you need support to de-risk the project if it is already low risk.

For a radically innovative project, risk is likely to be high. Of course, there are different kinds of risk and a "good" risk for a proposal might be technical risk i.e. you are not sure if the technology will work. You mitigate this risk by having a great team and the right resources i.e. if anyone can make it work it will be you. "Bad" risks would include poor management, a weak consortium, a poorly defined route to market etc.

Ensure you undertake a complete risk assessment across all the categories listed. Many proposals ignore or give scant attention to commercial and environmental risks and are marked down because of it. You must describe mitigation strategies for each identified risk (and rate each one). This is not about coming up with reasons for why this risk isn't a problem, but rather a strategy you will follow to minimize and control the risk.

Risk, Rating (High, Medium, Low), Impact, Mitigation

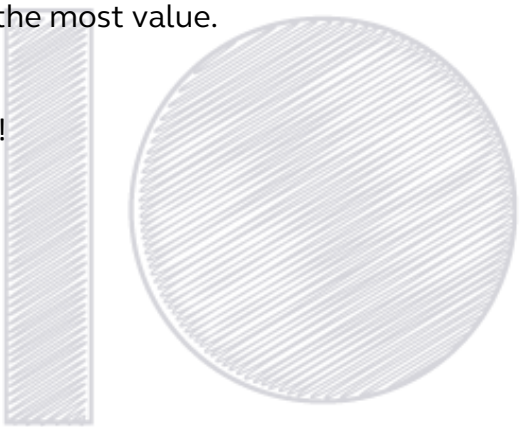
Best practice is to provide a table in the Appendix. For example:

Risk	Probability	Impact	Rating	Mitigation	Rating After Mitigation	Owner
E.g. Project partner pulling out	1 - low 2 - med 3 - high	1 - low 2 - med 3 - high	Probability x Impact 1 - low 2,4 - med 3,6,9 - high	Consortium agreement already in place, regular project meetings planned, good network of contacts, interest from other parties,.	1 - low 2,4 - med 3,6,9 - high	E.g. Project Manager

Commercial risks may include losing partners/sub-contractors, staff, changes in market or raw materials costs etc. Environmental risks could include generation of new waste streams or emissions, increased energy use or demand from users.

Top Tips for Grant Applications

1. **Fit within scope**
   - Make sure your project is within the remit for the competition – details can be found in the Briefing Document
2. **Agree key points with partners**
   - Get started on your outline project plan and Consortium Agreement as soon as possible – who will do what and who will own what when it comes to IP?
3. **Be clear & concise**
   - You don't have much space so make every word count and avoid overly technical language
4. **Make a realistic plan**
   - Remember if you get the funding you will have to do the work so don't write yourself into a corner
5. **Be convincing**
   - Why do you need the money? Ask yourself – would you invest?
6. **Remember risk & innovation**
   - Projects generally need sufficient quantities of both to be eligible for funding
7. **Quantify & justify assertions**
   - Provide numbers and evidence where possible to back-up your claims
8. **Excite & inspire**
   - Stand out from the crowd and make sure your first few paragraphs are particularly strong as that first impression counts.
9. **Get advice & feedback from organisations like KTN**
   - They are grant funded to support you – provide independent, objective feedback and advice. Contact them early to get the most value.
10. **Don't leave it too late to ask questions or submit!**
    - Remember that deadlines are strictly adhered to!



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If you have any questions please contact:

British Society of Animal Science
Berewyk Hall Court, Bures Road, White Colne, Essex CO6 2QB
Tel: +44 (0)1787 221 029 Email: bsas@bsas.org.uk Web: bsas.org.uk