Universities that are able to accept equity in start-up businesses, usually accept the equity in lieu of up-front licensing fees. Most universities have policies dictating whether or not the university will accept a seat on the start-up's board and define triggers are for stock divestiture. Many universities try to hold the stock for as short a time as is reasonable. The desired technology is licensed to the start-up for reasonable commercial terms. Sometimes the inventing faculty member is given a leave of absence during the new business' startup phase. Agreements are often made that allow the start-up access to university facilities.

There are typically three approaches used by universities to spin-off companies: Hands Off (U. of Washington uses this one.), Hands On, or the Up-to-Your-Neck approach. The Hands off Approach requires the faculty member to develop his/her own business plan, find venture funding and pay all other start-up costs. The university negotiates with a representative of the company (not the faculty member to avoid conflict of interest) for the technology license. Typically, the deal has a low or no up-front fee that is balanced by higher than usual royalties down the road and the university receiving equity in lieu of the up-front money. In that case, the university's costs are the patenting and maintenance fee payments while waiting on a royalty stream to begin.

With the Hands on Approach the university may review the faculty member's business plan, go with them to help acquire venture capital, and maybe provide a little funding. Otherwise it would be the same as the Hands Off Approach.

With the Up-to-Your-Neck approach the university puts together the business management team or provides a business incubator. The university provides substantial funding and other start-up support for the business.

Typically universities that regularly enter into start-ups or have ownership in other corporations use a research foundation/corporation as the intermediary. These foundations come in all sorts of flavors. Some universities run all their research awards through the foundation. Others use the foundation to handle IP, development and entrepreneurial activities, etc.

Universities that handle start-ups thoughtfully and well attract high energy, innovative faculty who, in turn, attract top-notch students. (Students often tend to settle near communities where they attended school.) Start-ups can provide training grounds for students and valuable collaborators for university faculty, as well as economic development opportunities. There are a number of successful models for handling start-ups.