

Villgro Incubator

INDIA CASE STUDY



 **infoDev**
Agribusiness



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VILGRO INCUBATOR, INDIA CASE STUDY

TABLE OF CONTENTS

1	SUMMARY	2
2	BACKGROUND AND CONTEXT	2
2.1	BACKGROUND	2
2.2	BUSINESS ENVIRONMENT.....	2
3	Strategic Vision, Mission and Targets	3
4	INCUBATOR'S Distinctive Features	4
5	Brand and Market Position	5
6	Approach to Incubation	6
6.1	Services Offered	6
6.2	Business Processes.....	6
6.3	Institutional Set-up.....	7
7	Business Model	8
7.1	Deal Flow.....	9
7.2	staffing	10
7.3	Corporate Governance.....	10
7.4	Network Partners.....	10
8	Outcomes and future goals.....	11
8.1	future Goals	11
9	Conclusions.....	12
9.1	Critical Success Factors	12
9.2	Lessons Learned and implications for Agribusiness incubators.....	13
10	REFERENCES.....	13
11	CONTACTS.....	13



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1 SUMMARY

Villgro is a business incubator with a unique rural orientation. It concerns itself not only with the launch of new businesses but more generally with the transfer of new products, knowledge and services into rural space. Faced with the challenge of finding technologies that match rural requirements, Villgro has linked marketable product/service concepts from diverse sources with entrepreneurs who have start-up experience—so-called serial entrepreneurs.

Other incubators may have difficulty imitating Villgro’s business model. The conditions for its development are unique, its management approaches are relatively untested and the values of its management team are deeply intertwined with perceptions of how the rural business system operates in India. However, other startup incubators can learn from Villgro the importance of getting management basics right before attempting to transform an entire agricultural sector. Good governance, transparency, accountability, building teams around highly capable employees and continuously enhancing their management skills are important no matter the strategic orientation of the emerging incubator.

2 BACKGROUND AND CONTEXT

2.1 BACKGROUND

Villgro Innovations Foundation is a nonprofit business incubator based in Chennai in the state of Tamil Nadu, India. Villgro is a business incubator with a unique rural orientation. It concerns itself not only with the launch of new businesses but more generally with the transfer of new products, knowledge and services into rural space. Villgro believes that rural innovators understand the challenges and technology absorption capabilities of rural life best, and that they are uniquely able to respond to these challenges with creative, appropriate solutions.

Villgro Innovations Marketing Pvt. Ltd, a former incubatee, operates a network of retail outlets in underserved rural areas in South India, where most customers are poor. Through this network Villgro markets new products and services that aim to improve agricultural productivity, open new livelihood options or increase the quality of rural life. Many of the products in Villgro Stores come from Villgro incubatees.

Villgro Marketing extends the “last mile” of commercial outreach between its Villgro Store outlets and the rural poor by training a sales force of village-level entrepreneurs.

2.2 BUSINESS ENVIRONMENT

Villgro’s ultimate clients are small and marginal farming and non-farming communities in rural and semi-urban South India. Villgro intends to create social benefits for those who earn between \$2-\$4 a day. The incubator does not use any specific parameters to determine the geographic territory of its clients or the total size of the market they represent. Its portfolio is spread across much of rural India.

Villgro operates in a weak business environment, with few incentives for private investment or change-oriented initiatives and a limited pool of educated talent. South India’s infrastructure is poorly developed and distribution networks for farm inputs and household products are

inadequate. Moreover, under law nonprofit organizations are prevented from working effectively with for-profit organizations.

Villgro competes with other social enterprises for limited donor funding, which limits its growth potential. This has spurred it to realize greater social benefits with fewer resources and to monitor its social-benefit delivery performance by applying a number of socioeconomic measures of its own invention. Villgro has separated itself from its competition by enhancing productivity in its core business processes and outsourcing noncore processes to affiliated partners, by pioneering new methods, program designs and approaches to social entrepreneurship in a rural space, and by rebranding itself with these factors.

In an effort to add value to the Indian rural-enterprise system, Villgro attempts to redress what it perceives to be the system's two biggest problems: lack of funding and lack of incubation support for early-stage growth. The companies Villgro works with are in their early stages and often need capital to address needs such as developing or improving basic products or production technology or expanding to a new business center. Many enterprises lack capable managers.

Villgro's primary strength is technology innovation. It seeks companies that need such innovation, soliciting new product concepts widely, screening potential incubatees and providing entrepreneurs with specific support, e.g. augmenting their management teams, refining their products, testing those products in rural markets, improving manufacturing or service delivery productivity, or facilitating sales through affiliated distribution networks. Faced with the challenge of finding technologies that match rural requirements, Villgro has linked marketable product/service concepts from diverse sources with entrepreneurs who have start-up experience—so-called serial entrepreneurs.

Villgro also tries to influence the rural business environment in Southern India through stakeholder convocations, awards and recognition programs, best-practice demonstration projects, professional network development and stakeholder communication. For the past three years, Villgro has hosted an annual two-day conference (UnConvention), which brings together leaders in the social-enterprise sector to discuss their experiences, their needs and new opportunities. The event is an opportunity for innovators and entrepreneurs to meet with investors and to pitch their ideas to them. Villgro also hosts an annual business-plan competition.

Villgro has tested a variety of media in the social-enterprise sector. It recently opened a new website and it sponsors a blog. Villgro is also active in recruiting recent graduates from universities and technical institutes and in opening new career paths for them through its fellowship programs, which it hopes will lead to senior management positions in rural enterprises and in parallel support social enterprises. In these ways, Villgro seeks to help form a robust agribusiness cluster in South India.

3 STRATEGIC VISION, MISSION AND TARGETS

Villgro's mission is to create wealth through innovation for rural populations in India. Achieving its goals will ultimately entail a transformation in rural risk-taking and in the values of traditional farmers as these relate to technology acceptance. It will mean more competition in rural areas, based on enhanced market access and on offering superior products and services at low cost.

Villgro's management has developed its own terminology for describing its mission.¹ When Villgro's management refers to "innovation," it means appropriate and affordable technology embodied in new goods and services that are adapted to the needs of rural populations and to the limited purchasing power of poor rural households.

Management distinguishes between "innovations" that may allow rural producers to be more productive or improve the quality of life for rural consumers and "enterprises," which assume the risk of producing innovations at prices affordable to rural buyers. An important part of Villgro's mission is to serve as an honest broker, bringing "innovations" and "enterprises" together.

In addition to "innovators" and "entrepreneurs," Villgro's universe includes for-profit distribution channels. Ultimately, enterprises and distribution channels show whether specific innovations offer sustainable value in rural settings. To Villgro, the final test of a sustainable technology is a market test.

Villgro also strengthens business-service networks. Through affiliations with specialized business service providers, Villgro arranges for specialized business services such as legal services needed to protect intellectual property rights.

Villgro measures its success by whether rural livelihoods improve based on sales figures provided by incubated companies. Villgro estimates that its incubatees have been able to sell goods and products to 350,000 rural people over the past decade and thus improve their lives. The nonprofit is refining its social-impact-assessment methodology and tools.

Over the past five years, the product/service categories in Villgro's investment portfolio have been mostly unchanged: agriculture, dairy, water and energy. Villgro has identified more than 1,500 innovations or products. It has funded more than 50 startup enterprises, in the process touching more than 350,000 lives and creating net social benefits worth an estimated \$5 million.

4 INCUBATOR'S DISTINCTIVE FEATURES

Villgro engages **multiple partners** to form supportive business networks. Much of the support Villgro provides as its clients move up the ladder from commercially viable ideas to prototype products, to bench-scale production and on to marketing to rural communities, comes from this network of specialized partners. Recently, Villgro has pruned partners from its network in order to include only those from whom it derives significant value in the pursuit of its goals.

The partners who assist Villgro to identify, refine and commercialize appropriate rural technologies include research and teaching institutions, which are sources of technical knowledge and product design know how², law and consulting firms which provide specialized

¹ The terms the non-profit uses to describe some of its program innovations—"Unconvention," "Inn hub" and "Wantrapreneur"—are all trademarks of Villgro.

² Gandhigram Rural Institute, Dindigul; PSM College of Technology, Coimbatore; Tamilnadu Agricultural University, Coimbatore; Tanstia FNF Service Center, Chennai; and Vellore Institute of Technology, Vellore are among Villgro's technology development partners.

expertise in intellectual property rights protection³ and other incubators whose specialized functional/technical competencies complement Villgro's.

When Villgro incurs significant strategic obstacles, it pursues non-traditional solutions by scaling up investments in its own incubatees. A case in point is the Villgro Stores rural retail chain. The nonprofit incubated Villgro Stores before raising additional investments, piloting the model with donor funding. Now the for-profit company will grow and scale up the model. With Villgro Stores, Villgro developed its own rural distribution system. Through its proprietary distribution network Villgro market the products of incubatees and those of other innovators that it has discovered and encouraged through its other innovation-polishing activities. Villgro management has announced plans over the next five years to scale up its proprietary rural distribution network from 400 stores from the current 10.

Villgro engages rural users to screen, test and refine products through its **User Centered Innovation Development (UCID)** program and through product testing it conducts in cooperation with Villgro Stores. This market feedback, consisting of user preferences and suggestions for product improvements, is extremely useful for manufacturers. In 2009–10, Villgro tested 61 new farm input products under its UCID program, as summarized below.

Category	Products Tested	No of Farm Plots	No of farmers
Fertilizer & Pesticides	38	172	168
Seeds & Planting material	14	99	97
Animal Husbandry	9	75	73
TOTAL	61	346	338

Source: Villgro Annual Report, 2010

Product Testing Activity 2009–10

Villgro is particularly adept at creating forms of recognition and reward to stimulate activities it wishes to encourage. It has developed a set of special awards for innovation and effective responses to particular rural needs—its **Villgro Awards Program**. More recently, it launched a fellowship program to offer internships in social entrepreneurship and rural business incubation to highly qualified students and academics. The fellows, each with four to five years' business experience, add value to Villgro's incubatees. The nonprofit recognizes the merits of its interns and of students in partner technical schools and universities through the "My Idea" program and "Student Project Support Awards."

5 BRAND AND MARKET POSITION

Villgro's management is acutely aware of its reputation and visibility in the competitive/co-operative business space which it occupies. It has staked out a position as the thought leader in social-enterprise development within the Indian social-enterprise sector.

Villgro has retained the services of advertising agencies and public relations management firms. In 2009–10, it renamed itself from Rural Innovation Network to Villgro Innovations Foundation. Through staged events, it asserted its claim to be the most active experimental agent for the delivery of innovative services to impoverished farmers in India.

³ Altacit Global, for example, specializes in patent law and intellectual property rights protection. Centroid and Invention Labs specialize in product design and prototype engineering. Still others specialize in business plan developing and zero-stage investment.

Villgro's programs not only stand on their own, but complement and mutually support each other, like the parts of a jigsaw puzzle. In the process of managing the interconnections between these parts, the nonprofit has fostered business synergies and created a rich portfolio of interconnected service offerings that transcend traditional business incubation.⁴

6 APPROACH TO INCUBATION

6.1 SERVICES OFFERED

Villgro attempts to select only zero-stage growth businesses, which are likely to respond quickly to the kinds of support services it offers. It refers other promising emerging businesses to other business incubators whose service capabilities correspond more precisely to their needs. In other words, Villgro tries to stick to what it knows and to what it does best.

Villgro provides each incubatee with services tailored to its specific needs. Service needs assessments are made through a rigorous multi-stage diagnostic for each prospective incubatee.

Villgro services include: i) business plan development; ii) business valuation and preparation for negotiation with potential venture capital investors; iii) patenting and intellectual property right protection; iv) market research; v) technology transfer and product design enhancement; vi) creation of mission appropriate technical commercial reports; vii) deal closing support; viii) indentifying, assessing and securing market channel support; ix) formation of boards of directors.

Villgro supplements these internal support services with services supplied by third parties with particular areas of specialization. Villgro makes soft loans of up to 25 lakhs (\$60,000) to cover the cost of these services, with payback terms linked to the expected and planned development trajectory of each incubatee.

As previously noted, Villgro distinguishes innovators from entrepreneurs. It finds that innovators are more likely than not to be located in rural areas, but that entrepreneurs who can qualify for incubation are not. Villgro attempts to facilitate the transfer of new products and service designs from the latter to the former. It does so by securing innovation assets to the innovator (through claimed intellectual property rights) before facilitating their transfer to enterprises headed by entrepreneurs with successful track records and internal competencies in manufacturing, distribution and/or marketing that are well matched to the innovations.

Before the transfer of intellectual property rights, Villgro offers technology incubation services to innovators. These technology development services include: i) lab tests, ii) assistance with product design and iii) field trials and market tests.

6.2 BUSINESS PROCESSES

Villgro solicits applications (which can be completed and filed online) from operating enterprises and from individual entrepreneurs.

Villgro's staff review each application before sending to Villgro's screening committee, which meets weekly. At either staff or screening level, further exchanges between the prospective incubatee and Villgro staff may be necessary for a complete application.

⁴ Villgro Annual Report, 2009–10, p. 65

After the screening committee approves an application, the next stage is a due-diligence review, which typically requires three months and intensive interaction between the prospective incubatee and Villgro staff. A team studies the enterprise, its management, the industry and the types of incubation support the enterprise is most likely to require. The team makes its recommendations to the incubation committee, which the CEO heads. The incubation committee's "go" or "no go" decisions are based on estimates of the social impact the enterprise is likely to have on rural communities. Criteria include scalability, per capita benefits, and rural community benefits.

The application management team works with the incubatee to develop a business plan and detailed incubation plan, which specifies required incubation assistance and the specific third party services each applicant requires to succeed. The incubation plan sets enterprise-maturation benchmarks and a corresponding budget for each applicant. The incubation plan is attached to a performance contract, which each applicant is expected to sign. This contract defines the relationship between Villgro and each of its grantees.

The final decision is made by Villgro's investment committee, an external committee that meets quarterly and includes experts in rural technology, agricultural engineering, social enterprise development and venture capital.

Once an applicant is accepted, Villgro makes a soft loan for third-party support services (to be paid back out of future profits) and the incubation plan is implemented. Third-party services are provided on a fee-for-service basis, with fees negotiated and support services specified and pre-approved through Villgro. Villgro provides direct assistance, such as mentoring and direct management training.

The management team monitors each incubatee's progress quarterly against its incubation plan. Incubatees take an average of two to three years to mature under Villgro's direction. The period varies depending on the starting point of each enterprise and the work needed to prepare it for market entry.

Each enterprise has an opportunity to test-market its products and services, to receive feedback from these tests and to make appropriate adaptations in price points, product design and channel delivery. If individual incubatees require additional capital investment to prepare them for sustainable and profitable operations, the Villgro team will help them find venture capital, angel investor or other funds. If marketing is required, Villgro will assist with word-of-mouth campaigns, slide presentation in movie theatres, and local cable-TV network ads to precede product launch.

Incubatees graduate when all of the work specified in the original incubation plan is accomplished. At this point, each incubatee is expected to turn a profit without additional incubator support. If incubatees require additional assistance from Villgro, they need to submit another application, explain and justify their second request and petition the incubation committee for additional resources.

6.3 INSTITUTIONAL SET-UP

Villgro is a nonprofit corporation but possesses many of the management disciplines and strong internal business controls of a well-managed for-profit company. Its defining feature is its contractual relationship with its key donors. The conditions in these donor contracts form the basis for governance.

This unique governance manifests in several ways: hard budget constraints, explicit accountability for resource use measured against quantitative targets, use of expert consultants to study Villgro's place in an increasingly crowded market, outside-board review of resource allocation decisions including incubatee selection, and an outside corporate board composed of acknowledged experts with a diversity of technical backgrounds.

Transparency is an established value. The incubator publishes annually an audited stakeholder report that reviews the outcomes and outputs the nonprofit has realized. The report contains the for-profit equivalent of an income statement, balance sheet, sources and uses of funds statement, and capital acquisition and depreciation schedule. It also calculates the social benefits realized over the year, based on estimates of social benefits and of projected sales of incubatees, which emerge from the incubation process and specifically from the business-planning element of that process. Every resource is committed with a requirement that expected results be explicitly targeted, and that actual results be tracked against those expectations.

Performance-monitoring systems relate each employee's performance to the continuation of each program his or her team supports. Villgro's senior management negotiates performance goals for each member of their team and sets salaries based on results. These goals are simply stated, codified in employee performance agreements and then closely monitored.

7 BUSINESS MODEL

Villgro's service delivery is funded by donor organizations based within and outside India. More than 75 percent of the nonprofit's cash flow comes from grants and other third-party contributions.

Management of donor relations is an increasingly strategic function. Villgro has grown only because the numbers of donors and average support have increased. The number of major donors increased from one in 2005—the Lemelson Foundation—to five in 2011. These five are the Rockefeller Foundation, Hivos People Unlimited, Aspen Network of Development Entrepreneurs, The Sir Dorobji Tata Trust, and Lemelson. Lemelson doubled its support between 2008–9 and again between 2009–10. The 2008-2010 sources and uses statements are summarized below.

In line with its efforts to grow its donor base, most of Villgro's project rather than general expenditures. Fully 82 percent of Villgro's 2010 expenditures involved project funds. Each successive programmatic innovation has the aspects of a strategic line of business, with its own funding sources, performance monitoring systems, and accountable implementation team. As noted, each program is designed to test new approaches to innovation delivery.

Villgro's serial program approach to rural enterprise development offers several advantages: i) it has facilitated fund raising by allowing entire programs to be "owned" by a single donor; ii) it has allowed for several distinct incubation process experiments to be conducted simultaneously and their success to be monitored side-by-side in controlled real-time experiments; and iii) it has facilitated the process of outreach and networking at the more agile "program level," as contrasted with the more cumbersome enterprise level.

Receipts and Payments Account for the year ended 31st March 2010				
Description	for the year 2009 - 10		for the year 2008 - 09	
	Rs.	p.	Rs.	p.
Opening Cash & Bank Balances	19,728,090.93		6,421,651.08	
RECEIPTS:				
Grants	64,527,854.00		36,399,623.00	
Interest	1,235,187.00		541,856.00	
Programme Receipts	305,740.21		-	
Contributions	1,301,625.00		-	
Other Receipts	93,510.00		-	
Samruddhi Income	277,413.33		(409,789.45)	
Recovery of Advances & Deposits	689,531.50		1,044,121.60	
Total	88,158,951.97		43,997,462.23	
PAYMENTS:				
Innovation to Market Programme & Rural Innovations Fund Initiative	3,000,557.37		441,410.94	
Lemelson Recognition and Mentoring Programme	34,617,111.04		15,745,367.53	
User Centred Innovation Development & Talent Development Programme	6,848,909.59		4,631,028.68	
Village Level Entrepreneur Programme	37,393.00		-	
Samruddhi Expenses	5,206,040.50		2,369,981.50	
Fixed Assets	-		16,100.00	
Advances & Deposits	1,722,078.54		1,065,482.65	
Closing Cash & Bank Balances	36,726,861.93		19,728,090.93	
Total	88,158,951.97		43,997,462.23	

Villgro's business model has changed over time. In its initial years, Villgro focused on grassroots innovators, but found that these innovators often lacked the entrepreneurial skills to grow their innovations and take them to market. Management now brings innovators with market-ready ideas to entrepreneurs who already have a going business but want to grow that business with new products and services.

7.1 DEAL FLOW

Villgro has no single method or source for discovering appropriate technologies, services or knowledge-based solutions to serve rural needs. It works with diverse sources: some rural, some international, from large Indian-based multinationals and from serial-startup entrepreneurs.

Villgro has begun developing specific programs for the processes of innovation discovery, market testing and solution delivery at various stages in the product development life cycle. In

the process, it has learned that its **best chance for successful outcomes is through referrals**. It works with other incubators, donors and government agencies at different stages of product and enterprise development. Villgro seeks to position itself as an incubation network integrator.

7.2 STAFFING

At the end of 2010, Villgro's total staff numbered 63. Of these, 32 were involved in incubation activities and most of the remainder were involved with Villgro Stores. Villgro divides its work among five different functional teams, which include: i) **incubation and scouting team**, which does of all the fieldwork and due diligence review required before investments are made; ii) **the technology transfer team**, which manages interfaces with various technical institutes and transfers knowledge from various sources to the incubator, to investors and to other support systems; iii) **the knowledge management team**, whose role is to manage internal learning and thus assure that the status quo is challenged and that new ideals are celebrated and embraced; iv) **the Villgro Stores team**, which manages and supports Villgro Stores; v) **the capacity-building and training team** which manages student and innovator competitions, the UnConvention and other external outreach programs.

Because of the diversity of these activities, its staff's core skills must be equally diverse. Most employees on the incubation and scouting team, for example, have a background in engineering, finance or business management. They are expected to be able to carry out due diligence and to possess some level of business-planning skills, along with an understanding of social enterprises. Villgro actively seeks out potential new employees with a passion to work in the development sector. It actively recruits in several of the institutions of higher learning with which it is affiliated.

7.3 CORPORATE GOVERNANCE

Villgro has a five-member board of directors, all from outside Villgro. The board met four times in 2010. Board members work with top-ranking Villgro executives in three critical areas: i) the Investment Committee, which chooses incubatees and other beneficiaries; ii) the Revenue and Audit Committee, which reviews revenues and costs and approves their accounting; and iii) the Management Committee, which provides strategic direction, recommends the development and refinement of basic business systems and reviews and approves all personnel decisions.

7.4 NETWORK PARTNERS

Villgro's relationships with its partners have become increasingly structured, as some partnerships have proved more beneficial. Thus, under the first of the two grants the Lemelson Foundation provided to support Villgro's core business incubation activities, the nonprofit worked jointly with the Indian Institute of Technology-Madras. By the time of the second grant in 2009, Villgro was strong enough that a co-grantee was no longer needed. However, Villgro maintains a close relationship with ITT-Madras, which holds a directorship on its board and recently collaborated on the development of a new social-engineering course. Villgro has also pruned partners whose services have not proved to be effective. In 2009, Villgro engaged a consultant to assess its association with five universities and training institutes, which resulted in Villgro terminating its relationship with three of them.

Relationships with specialized providers of business support services to Villgro incubatees are also important. These services include business-plan development, product prototype creation, packaging design, market research, customer preference testing and legal support services.

Villgro has developed standard service contracts with some dozen firms. It uses the fee schedules it negotiates with these providers as the basis for its own programming and budgeting.

8 OUTCOMES AND FUTURE GOALS

At any given time, Villgro incubates 15 enterprises. During any given year the nonprofit may add seven or so new incubatees to its portfolio, while continuing to support eight others in their second or third years of incubation. In addition, Villgro tries to fund six innovations. Funding innovations is a lesser commitment of resources and management time than funding incubatees.

Villgro has incubated approximately 50 enterprises to date. Of these, 14 have proved financially sustainable. One has grown rapidly and raised two rounds of venture capital and private equity funding and is on its way to becoming a major company. Another four to five are poised to grow into major companies.

Villgro's management summarizes its goals and objectives for the next year in each annual report. In FY 2010/11, these included:

- 15 innovations taken up by seven new and eight carryover incubatees.
- 435,000 rural persons affected by incubatees
- 100 grass roots innovators trained.
- Five technology transfers from innovators to going concerns.
- Specific cross-fertilization services provided to 10 incubatees referred by ICRISAT.
- 3,500 student innovator applications to My Idea reviewed.

8.1 FUTURE GOALS

The two most significant challenges Villgro faces in the near term:

- ***Finding innovations to match the needs of rural communities.*** Finding innovations that create real value for rural households is difficult. Villgro has organized a dedicated scouting team that searches patents, reviews technical papers, and reviews leads provided by network partners and other sources. The team also leverages Villgro's recognition and award methods to identify innovations with commercial merit.
- ***Responding to investors' perceptions of risk.*** Private investors—including angel investors, venture capital funds, and special-purpose, long-term asset investment trusts—perceive enterprises that sell into rural markets as inherently more risky, which limits their willingness to invest. Some of this perception has to do with relatively unsophisticated innovators, and some with basic differences between the cultures of rural entrepreneurs and private investors. Entrepreneurs need to convince prospective investors that they have a strong case and are able to manage perceived risks effectively. Villgro works with them to transform communication weaknesses into

strengths. Villgro next year plans to launch its own venture capital affiliate—Villgro Innovation Fund (VIF)—to fill the financing gap between the exhaustion of initial seed capital or incubator financing and the second-stage financing typically supplied by venture capital funds. HIVOS of the Netherlands provided seed funding to confirm the viability of the fund. Villgro is actively seeking investors.

9 CONCLUSIONS

9.1 CRITICAL SUCCESS FACTORS

Several features of the Villgro business process have contributed to its success. These include:

- i) The assignment of a knowledgeable incubation team to work closely with the incubatee over the first phase of its economic life. The team anticipates problems, diagnoses weaknesses and identifies priority needs before any of these become fatal to the aspiring enterprise.
- ii) The assignment of tech-savvy and well-educated young managers to incubatees whose own set of human resources may require strengthening. In order to recruit, select and insert well-trained and energetic young people into startup companies, Villgro has developed its Villgro Fellowship Program.
- iii) Regularly scheduled rigorous monthly review of incubator progress. A collateral feature of Villgro's incubation process involves the "eye dropper" dispensation of financial resources. One drop of funding is released at a time to incubatees, and then only when they have made sufficient progress against action items included in their incubation plan.

Villgro's creativity has also helped it succeed. Examples of that creativity include its specialized "innovation" language; the multiple programs it has pioneered and continues to roll out; the service concepts its management has conceived, which it protects under copyright; and its use of the Internet to distribute know-how about social entrepreneurship. Villgro's uniquely valuable contributions to India's rural business ecosystem are the multiple commercial experiments it has conducted.

Villgro perceives itself as a pioneer in transforming business in rural India. When it is not able to find existing solutions to problems that constrain the development of rural enterprises or inhibit the delivery of products and services to rural consumers, it has developed its own solutions. These solutions have invariably entailed the development of enterprises to offer market services or as supply-chain integrating services that would otherwise be absent from the rural business ecosystem. Examples include Desi-Service, Villgro Stores and Rural Opportunities Production Enterprise. The nonprofit has become the champion of non-traditional methods, programs and networked approaches to rural wealth creation.

Yet another factor are the strong, mutually beneficial relationships Villgro has forged with partners and helped them forge relationships with each other. It facilitates exchanges between innovators and entrepreneurs. It leveraged the competencies of its stable of specialized service providers and inserted them into the rural business world. Villgro has worked with and through venture capital firms and angel investors to secure stage-two financing for incubatees.

Partnerships with technology institutes and with university faculties provide additional sources of strength. Villgro's ability to energize networks represents a significant advantage to it and its clients.

9.2 LESSONS LEARNED AND IMPLICATIONS FOR AGRIBUSINESS INCUBATORS

Villgro has undertaken an extremely ambitious mission to fundamentally change the business ecosystem in rural India. However, in terms of creating sustainable business enterprises Villgro has not been notably more successful in its core incubation function.

Other incubators may have difficulty imitating Villgro's business model. The conditions for its development are unique, its management approaches are relatively untested and the values of its management team are deeply intertwined with perceptions of how the rural business system operates in India.

Other startup incubators can learn from Villgro the importance of getting management basics right before attempting to transform an entire agricultural sector. Good governance, transparency, accountability, building teams around highly capable employees and continuously enhancing their management skills are important no matter the strategic orientation of the emerging incubator.

Openness to the incubator's larger business environment matters at great deal as well. There is no substitute for being in the market, for knowing what potential customers value and for understanding what is available in the market.

The ability to effectively engage the skills and the competencies of business partners can greatly leverage the resources available to an incubator.

Finally, by reaching ambitiously for rural change and bravely embracing difficult to achieve goals, Villgro has inspired heroic efforts, which can be replicated at other strong, well-managed organizations. Big challenges attract the best and the brightest employees. Meeting and exceeding ambitious challenges is the key to raising capital from both donors and agencies of government, and to attracting specialized business service providers as partners.

10 REFERENCES

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