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These case study reports were developed together with the InfoDev report on lessons learned on virtual business incubation. The full publication can be downloaded from http://www.idisc.net/en/Article.39261.html
SECTION 1: BASIC INFORMATION

Background

The BiD Network, short for the Business in Development Network, supports the start, growth and financing of SMEs in Developing Countries. The foundation does this mainly by organizing business plan competitions (named BiD Challenges), preparing entrepreneurs for financiers and bringing together (angel) investors and entrepreneurs with a ready-for-finance business plan. The BiD Network Foundation is supported by donors and other sponsors, with cash as well as in-kind contributions.

The BiD Challenge first started in 2004 as a project of NCDO, a Dutch development cooperation organization. After the initial success in the Netherlands, an independent foundation was established in 2007. Together with international partners, BiD challenges are now organized in Philippines, Jordan, Kenya, Liberia, Tanzania, Uganda, Argentina, Bolivia, Colombia, Ecuador, Mexico and Peru. In 2011, BiD Network also initiated activities in Burundi, Liberia, Kosovo, Rwanda and Palestine.

Besides generic business plan competitions, thematic or sector challenges have also been organised, internationally as well as in selected countries or regions. These competitions often had specific partners/ sponsors, and include for instance challenges for Women in Business, Farmers in Business, Wood Industry Business, Businesses benefitting Children, Businesses for Nature (with WWF). Further, competitions were held with focus on Green projects, Technology businesses, International enterprises and Young Energy Entrepreneurs (with GVEP and E&Co).
**Type of clients**

- The BiD Network receives business plans from starting entrepreneurs (70%) and established businesses (30%).
- The business plan competition targets businesses that create employment, and that have a 'more than profit' mission; companies that aim to achieve positive social and/or environmental impact.
- Business plans are sourced from around the globe, with emphasis on the countries where international partners attract entrepreneurs to the BiD challenges.
- The targeted entrepreneurs have an investment requirement ranging from $10,000 to 1 million US dollar

**Achievements**

The main achievements can be summarized as follows:

1. Over the period 2005-2010, 489 SMEs were started or supported in their growth, at a cost of Euro 14,400 per SME.
2. The supported SMEs created 3,505 direct jobs, thus financial support per job created was about €2,000.
3. From 2005 to date, over $12,000,000 have been matched and invested in the BiD Network entrepreneurs. In 2010, $2,902,290 was leveraged in loans and investments in 29 matches between SMEs and investors.

**Future outlook**

For the period 2011-2015, the BiD Network Foundation attracted funding from the Dutch Ministry of Foreign Affairs to target (starting) entrepreneurs in post-conflict economies (Burundi, Liberia, Kosovo, Rwanda and Palestine). For the coming five years, BiD Network has the ambition to become ‘the Facebook of SME finance’. BiD wants to make it possible for an investor to invest directly in SMEs using only their smartphones.

In addition, the Foundation experienced that there are many organisations interested in using the online infrastructure of the BiD network (the “platform”) to host their own business plan competition, to manage their entrepreneurs and investors and offer more and better tools and resources. To this purpose, the Foundation established a commercial spin-off company BIDx in 2011. The BiD Network Foundation in the future will continue to implement projects and provides advisory services the 20 local SME service providers in the 17 countries in which BiD Network is active. The BIDx commercial web services company will develops and sell licences for the online platform for business plan competitions. Prospective clients are business development centres, incubators, investment funds, business coaches, commercial banks targeting SMEs but also government institutions that promote entrepreneurship.
1.2

The main services of the BiD network are:
- Business plan competitions
- Online coaching program
- Online business and financial planning tools
- Investor match making

SECTION 2: SERVICES

The BiD Network Foundation’s services over the past years can be split into three groups of activities, namely:

- Business plan competitions to develop the “demand side” of ready-for-finance businesses and support & coach entrepreneurs in their business and financial planning;
- Advisory services – consisting of basic and advanced support to local SME service providers, BiD Network developed modules on business planning, preparing for finance and investor readiness, this includes train the trainer support.
- Engaging investors, funders, banks, and especially angel investor networks, to invest in the selected start-ups and SMEs (“supply side”).

Figure 1.1: the BiD network “bow tie” model

The following section describes the main services of the BiD network foundation, and provides insight in lessons learned.

1.2.1

SERVICE 1: “BUSINESS IN DEVELOPMENT” BUSINESS PLAN COMPETITION;

The BiD Challenge business plan competition process

Generating publicity and establishing a brand is important for any business plan competition. BiD network National partners and sector partners ensure that the launch of a new BiD challenge business plan competition generates significant publicity and deal flow. Before the launch, National Partners forge partnerships with a wide range of institutions, requesting them to mobilise their network to support the publicity campaign. Besides established media, publicity partners may include chambers of commerce, embassies, financial institutions and business schools. Nowadays, social media such as Twitter and Facebook are also used to spread the news.

Participating in the BiD challenge is free of charge. Entrepreneurs simply join the challenge by creating a login name and uploading their information on the BiD network platform. Every plan submitted to the BiD Network is assessed in three different stages. In every stage, the plan is reviewed.

1. The process starts with the submission and assessment of the business idea; a three-pager that provides basic information on the business idea and financial position of the entrepreneur. During the assessment, the idea is mainly to check the business concept on eligibility, maturity and feasibility. Also, the requested finance needs to be between $10,000 and one million.

2. If the business idea is selected, the entrepreneur can be matched to a coach, and invited to submit a full business plan. The business plans are again assessed and scored by two assessors. Then, they can be submitted to the competition.

3. Next, 5-10 potential ‘winners’ are selected; they are invited to the awarding ceremony where the winner(s) will be announced. The event which can be local, regional or international, attracts media attention which is of high value to the
sponsors, contributes to the BiD challenge brand and also functions as a “marketplace” where participants can meet and exchange with potential investors and business partners. In the final stage, all plans in the system are again reviewed on their attractiveness for investors. Plans that qualify for investment are marked as ‘BiD Grade’, and may be presented to investor affiliated to the BiD network.

**LESSON: Attracting quality participants: strategy and a qualitative approach**

Key challenge for the BiD Network is to attract potential growth entrepreneurs with realistic and attractive business plans, and not the “fortune seekers” or “consultants”. The BiD Network does not invest, but matches investors and entrepreneurs. A key challenge here is the quality of the business plans. Low quality plans damage the reputation of the BiD Network with potential investors.

The organization tries to attract quality business plans by offering limited prize money, and emphasizing the opportunity to be matched to an investor.

- External communication emphasizes that joining the challenge is not about the prize money, but about coaching, contacts, networks, and finally, to get companies started and grown.
- Next, partners are selective in their publicity campaigns. While at first, the challenge was announced in national generic media, the publicity partners are now selected so that the launch of a new challenge is targets the appropriate audience.
- Thirdly, an important lesson was learned by the BiD Network in the Netherlands. For some time, it operated a performance-based rewarding scheme for national partners. Herewith, partners received a fee per business plan that was uploaded on the platform. This focus on quantity jeopardized the quality of the submitted business plans. In the new model, the focus is now on creating a deal flow of quality, “BiD grade” business plans.

Besides generating business plans through the competition, national partners or BiD Network staff also proactively approached existing SMEs and invite them to submit their business plan to BiD challenge.

**LESSON: Quality of business plans varies**

In the early days, the BiD Network “investor matchmaking” service targeted the winners of the business plan competitions. The quality of the business plans however was low. Today, 40% of the “BiD-grade plans” (plans good enough to be presented to investors) are from existing SMEs which not all participated in the BiD challenge.

The BiD Network finds the challenges are a good tool for building the BiD Network brand, and developing a network of coaches and investors. It is also a good tool for attracting business plans, however, the quality of the ‘competition business plans’ is generally lower than those of established enterprises that are approached / seek assistance from the network because they need external financing to grow.

Scoring and grading business ideas and business plans, and providing feedback and coaching requires significant human resources. To tackle this issue, the BiD network has mobilised large groups of skilled volunteer coaches.

BiD Network works with about 750 voluntary coaches and experts. Many volunteers are recruited by partnering with large companies, who make their employees available.

BiD Network works with about 750 voluntary coaches and experts.

Lessons for attracting quality business plans: A sound promotion and selection strategy, and “quality based” rewarding from the funder.

“BiD challenges are a good tool for building the brand of the network.”
LESSON: Mobilise volunteer coaches as in-kind contributions of large companies
The majority of coaches and experts is recruited through cooperation with multinational or large companies and, to a lesser extent, alliances with business schools. These organizations are approached as potential sponsors or partners of the BiD Network. As part of their support, they can offer an in-kind contribution, by promoting voluntary work for the BiD Network amongst their staff, and allowing their staff to perform their coaching activities in some cases during office hours.
BiD Network also promoted coaching activities on social networks such as LinkedIn and Facebook, but this proven to be less successful in terms of numbers of coaches contracted (more labor intensive, less results).

LESSON: Preparing entrepreneurs for investment requires professional support
BiD Network Foundation learned that in the final stage of support, preparing entrepreneurs for investment, voluntary coaching is not enough. In this stage, professional advice is needed, also to harness the reputation of the BiD Network towards potential investors. The BiD network now considers working with professional coaches. The intention is that finally the entrepreneur will cover these expenses, and as the entrepreneur moves forward in the investment process, (s)he is more willing to pay for the services.

SERVICE 2: MATCHING TO INVESTORS
BiD Network aims to match entrepreneurs to investors in several ways.
- Investors or other interested parties can log in to www.bidnetwork.org free of charge, browse the plans, and contact the entrepreneurs. Summaries of the business plans submitted to the BiD web platform remain available online. Further, short videos of entrepreneurs and their ‘elevator pitch’ are available online through YouTube or other embedded channels.
- Although investors could in theory contact entrepreneurs directly, without interference of the BiD Network, the majority prefers to involve BiD Network staff to select potentially suitable investees for them;
  - During the awarding ceremonies and SME marketplaces, ‘speed-dating sessions’ or ‘pitching sessions’ with entrepreneurs and potential investors are facilitated.
  - BiD Network staff pro-actively select and present business plans to affiliated investors.

LESSON: Challenges of matching to investors from abroad
Matching investors from Europe and the USA to (starting) SME entrepreneurs in developing countries proved to be highly challenging. Most investors have their own preferences and criteria in terms of business sectors, geographical regions and minimum size of the investment. Only few BiD grade plans arouse their interest. In addition, although investors were eager to invest in a developing country, unfamiliarity with the local context, cultural barriers and high transaction and monitoring costs formed a high threshold. Solutions were sought, but these did not provide a golden solution to the challenge.
For instance an “Investor Safari” to Uganda was prepared in 2009, which had to be cancelled due to lack of interest from investors. Investors indicated either to have too little time or found the destination too challenging for investment. A lesson was that this trip did not meet the needs of the investors. Following this, therefore BiD Network initiated an Access to Clean Energy Challenge (Business plan competition) completely tailored to the needs of its investor network. By accommodating to the focuses of most of its investors at
that moment, BiD Network saw it was able to match plans to investors much more efficiently. All five finalists of this Challenge received financing from investors. Since 2009, BiD Network has also started focusing its support to matching entrepreneurs to angel investors in their own region. BiD Network realized that Angel investing is very attractive for entrepreneurs, as these investors provide so-called ‘smart capital’. They often have personal interest to guide the entrepreneur in running their businesses. According to BiD Network, starting SME entrepreneurs are best served if they are matched to an angel investor in geographical and cultural proximity of their business, at maximum 2 hour drive from the SMEs. BiD Network national partners in some countries have already set up Business Angels Networks. According to the BiD Network, angel investors are most likely to make investments in the range of $10,000 to 50,000.

Setting up local angel investor networks

For setting up local angel investor networks, BiD Network has developed a so-called “champions approach”.

1. BiD Network’s in-country partners scan the region for influential and wealthy (ex-) entrepreneurs. Through formal as well as informal background checks, including information from legal institutions, rating bureaus, financial institutions and other entrepreneurs, the network aims to select one champion entrepreneur with “clean money”.

2. If (s)he confirms basic interest and willingness to invest in local SMEs, BiD Network offers to facilitate a ‘pitching-session’, at a location of the angel investor’s choice. The conditions are that the investor brings a number of likeminded friends, and then BiD Network’s partner selects and prepares five entrepreneurs. During the ‘pitching-session’, information is exchanged, however negotiations are not allowed yet.

3. If there is a “match” or a potential interest to invest from one of the investors, BiD Network offers expertise, coaching and contract templates to both the investor and the entrepreneur, and arranges a new meeting. During this second session, draft contracts can be discussed and negotiated under facilitation of BiD network and its partner when this is required. The investor often brings his/her accountant and/or lawyer.

Experience indicates that after a number of sessions, investors may choose to pool their resources and share the investment risk and screening/monitoring costs by setting-up an SME investment fund together. To date, this has happened in two instances, in Indonesia and Argentina.

Monitoring and evaluation

An M&E system is in place where management monitors the performance of the network in terms of numbers of business ideas and plans uploaded to the network, and the number of companies matched to an investor. This information is extracted from the online platform.

The challenge for monitoring and evaluating the impact of the BiD network is that the BiD Network platform is a free service for entrepreneurs and investors. Cases in which investors and entrepreneurs have “matched” through the online platform without BiD Network knowing about it cannot be counted. In addition, entrepreneurs may have started or grown their businesses and created jobs without BiD Network knowing it. Thirdly, BiD challenge entrepreneurs may participate in several business plan competitions at the same
time, so the BiD challenge support is not always unique. In all these cases, BiD Network cannot assess the degree to which participating in the platform contributed to the start and/or growth of the business.

To overcome this information gap, companies are invited to participate in a survey one year after they have submitted their business plan. Approximately 50% of the companies respond to the survey. The survey assesses if companies supported by BiD Network were actually started and still exists. Companies are questioned on their number of employees, sources of business finance, turnover, expected future business finance needs and their satisfaction with the BiD network support. This information feeds into reports to the donors, as well as into the strategy and new business development activities of BiD Network.

1.3 SECTION 3: ORGANISATIONAL SET-UP AND GOVERNANCE

Funding
- Sources of funding
BiD Network Foundation is funded through donors, sponsors and private funding. BiD Network’s main partners vary, meaning the organisation continues to attracting new donors and supporters. The donors are attracted to the innovative character of the organisation and its initiatives, as well as its transparency on cost effectiveness and impact. In 2009, the Dutch Ministry of Foreign Affairs, NCDO, the Dutch national Lottery and the Dutch NGO ICCO were important contributors. Other supporters include multinationals, banks and investment funds interested in impact investing, as well as international business schools and philanthropic investors. National partners also contribute with 50% of the national challenge (activities) budget. Some national partners are government institutions (mainly municipalities), who have access to their own funding. The strategy for the future is to commercialise part of the service, but since this initiative is still recent, no particular lessons can be drawn yet.

- Main cost items and (potential) revenue generators
The cost of organising one business plan competition is around $ 40,000. This includes salaries for National Partner staff, hours for BiD Network staff, facilitating the awarding ceremony/event and the prize money (prize money varies; generally between $ 4,000 and $ 10,000).

The BiD Network and the partners at the moment do not generate revenues from investors or participating entrepreneurs.

Funder requirements
Donors / contributors to BiD Network request reporting on outcome level, and have stimulated the cost-effective operations of BiD Network by calculating costs per company supported.

The cost per company supported can be summarised as follows:
- 489 SMEs were started or supported in their growth, at a cost of Euro 14,400 per SME.
Governance structure
The BiD Network’s initiator and Managing Director plays a pivotal role in the organization, being responsible for fundraising, research and new business development, monitoring and website development. A second Managing Director was recruited to manage the core business (sourcing and assessment of business plans, matchmaking and investor services) and advisory services to the network of International Partners. The supervisory board is composed of six members, with backgrounds in financial sector, private sector and multilateral organizations. The supervisory board oversees operations, budget and plans of the Foundation, which is a formal requirement for Foundations established in the Netherlands. The main driver for efficiency and effectiveness is the funders/donor market and its funding requirements.

Staffing
- Key staff functions and competences
In 2010, BiD Network had an average number of twenty one staff members who worked mostly at BiD Network headquarters in Amsterdam, and travelled frequently to the 17 focus countries. Staff in the BiD network headquarters is generally young university educated with an international or business background.

Key positions in the BiD network are:
- Coordinator advisory services
- Coordinator of the coaching program
- Coordinator sector challenges
- Coordinator Training Development
- Coordinator match making
- Country advisors responsible for two to three countries
- And regional coordinators for East Africa and Latin America posted in the region

Key qualifications for staff in partner organisations, who implement the challenges nationally, include an entrepreneurial attitude, a strong network to mobilise publicity partners, volunteer-coaches and potential angel investors. National partner teams are generally composed of one senior and one or two junior staff.

- Motivation model
Staff strongly believes in the BiD Network SME development approach and model, which is a strong motivator. Targets are set and discussed with the management, and results achieved are input for performance reviews, yet there are no bonus structures or such financial incentives.

LESSON: Do not pay your volunteers
The volunteers do not receive a volunteer allowance. The organization has piloted remuneration of volunteers, but this lead to them being less satisfied and less committed. Instead, the BiD Network offers various trainings to coaches and organizes events where they can meet one another. Coaches work out their personal motivation and appreciate events for the networking opportunity.
SECTION 4: IMPACT ON CLIENTS

Results

- Benefit per company

Currently, out of the close to 3000 entrepreneurs that receive support in developing and uploading their business plan, an estimated 16% (489) of the entrepreneurs start or have grown their businesses. 12% are start-ups and 4% of the entrepreneurs already owns a business and uses BiD support to grow the business. The remainder (84%) did not start a business, for a variety of reasons. The annual survey, completed by 50% of the non-starters, indicates that lack of access to capital is the main reason for not starting the business.

According to the BiD annual survey and interviews, the main expectation or reason for companies to join is that they look for finance, either through an investor or by winning the prize money. Improving the business plan and having access to an (international) network of potential partners is mentioned second and third.

Interviewed entrepreneurs in retrospective mainly valued the received coaching/feedback on the business plan from the assessors. This is also expressed by entrepreneurs in the survey. 42% mentioned improving the business plan as the most important contribution of the BiD Network to development of their business; another 27% mentioned capacity building and guidance as the most helpful contribution. Also, entrepreneurs that reached the final round or won the challenge mentioned that being a finalist boosted their self-confidence and motivation to start a business.

Entrepreneurs’ expectations seem not to be fully met. Most entrepreneurs join the BiD challenge with the objective of getting their business financed.

Only a very small share of the entrepreneurs succeeded in attracting external finance to the company through the BiD network. Even for finalists and winners, access to finance remains a challenge. 7% of the surveyed entrepreneurs mentioned finding an investor or subsidy as the most important contribution. The majority of companies that managed to attract finance got a loan from friends or family. Less than 3% of the business plans are officially matched to an investor by the BiD Network. In some cases, the invested sum was still less than what was needed.

- Benefit to the business enabling environment

The BiD Network impact on meso and macro level has never been formally evaluated, yet may include a positive impact on the entrepreneurial climate by raising the profile of entrepreneurship as a career opportunity. More tangible results may include that in 5 out of 12 BiD challenge countries, other additional business plan competitions emerged after the BiD challenge, replicating the formula.

With respect to the benefit for the investor match making activities on meso/macro level, in three instances a local SME investment fund was set up. These funds also support a number of non-BiD entrepreneurs.
SECTION 5: LESSONS LEARNED AND APPLICABILITY

Summary of lessons learned

-> Attracting quality participants: strategy and a qualitative approach
Distinguishing real entrepreneurs from “fortune seekers” requires a sound promotion and selection strategy from the implementer, as well as a “quality based” evaluation or rewarding method from the funder.

-> Mobilize volunteer coaches as in-kind contributions of large companies
Mobilizing large numbers of volunteers can be an effective means to improve the cost-effectiveness of a business plan competition during labor intensive stages, such as business plan and business idea screening, providing individual feedback to entrepreneurs and coaching entrepreneurs during business plan development. BiD network has positive experience recruiting large numbers of qualified volunteers by partnering with (departments of) large (multinational) companies with business development expertise.

-> Preparing entrepreneurs for investment requires professional support
Volunteers can support entrepreneurs cost-effectively up to a certain level. Yet, bringing a business plan up to the quality level where it can be presented to an investor requires professional support.

-> Business plan competitions are a tool for establishing the brand and creating volume
Business plan competitions have proven to be a very effective tool to generate publicity and establish a brand. The quality of the submitted plans widely varies. In the current portfolio, 60% of the “BiD Grade plans” (plans that are presented to investors) are sourced through the business plan competition. 40% of the attractive plans for investors come from existing entrepreneurs who are selected and actively approached by BiD challenge staff.

-> Local angel investors are more likely to invest and add more value than international funders
Matching international investors to local SMEs is very challenging. Local angel investors are more likely to invest and add value. Networks of angel investors can be initiated by third parties such as the BiD Network.

-> Do not pay your volunteers
Paying volunteers has an adverse effect on their motivation and job satisfaction. Volunteers can be best rewarded by funding and supporting their participation in combined training and networking events.
ANNEXES

1.6 SOURCES
The section below provides a list of documents consulted and people interviewed for the preparation of this case study:

- Thierry Sanders; Managing Director of the BiD Network Foundation.
- Rene Fortuno; representing BiD Network partner “Philippine Business for Social Progress”
- Margarita Carlés; representing BiD network partner FUNDES in Argentina
- Coen van Iwaarden; regional BiD network coordinator Latin America
- Annual reports BiD Foundation 2007, 2008, 2009 and draft 2010
- www.bidnetwork.org
- M&E data of the BiD network (reports and case studies)
- Entrepreneur survey data BiD network 2007, 2008 and 2009 (raw data)

1.6.2 ENTREPRENEURS INTERVIEWED
The section below provides a profile of the BiD challenge entrepreneurs interviewed:

1. Skylink Innovators, Kenya
Mr. Samwel Kitoni  
Cell: + 254 721 414 696  
Email: skylinkinnovations@gmail.com

About Skylink Innovators Kenya
Sky Link Innovators was established in 2007 by two cousins, Samwel Kinoti and Agnes Marete, with George Onyango joining shortly afterwards as the third partner. It sells biogas installations as a commercially viable source of energy, mainly to rural based institutions such as boarding schools. The company has grown rapidly over the last three years and now works through a small core staff and 20 contracted technicians. Sky Link’s turnover in 2009 was $40,000 (KSH 3,240,400).

Skylink in 2010 won the BiD Challenge East African Clean Energy Challenge as well as the Ashden Awards. It was offered coaching on business plan development and training on business management through the Global Village Energy Partnership (GVEP), which they thought as very useful. The company also received financing of $ 35,000 from Barclays Bank and E+Co, which was a good start but not sufficient to implement the business plan (budgeted for $ 100,000), for which they are still seeking additional finance.
2. Sakha Consulting Wings Pvt Ltd, India

Mrs. Meenu Vadera
Phone: +91-11-40601878
Email: admin@sakhaconsultingwings.com

About Sakha Consulting Wings

Sakha Consulting Wings Pvt. Ltd. is a social enterprise, launched to provide safe transport solutions for women, by women in urban India.

The services are available primarily to women and their families. The women drivers engaged by Sakha are handpicked from the poor and marginalized sections of society, and their entire training and development is undertaken by Azad Foundation, Sakha’s non-profit sister organisation. Driving skills are provided by Maruti Institute of Driving and Technology Research as well as our in-house trainers. In addition to driving, these women are taught self-defense by the Delhi Police, Crime against Women Cell to equip them with the means to deal with any untoward incident that they may face on the roads.

Azad Foundation has ensured rigorous training in subjects such as map reading, routes and roads in Delhi, communications and grooming, as well as an understanding of women’s rights, particularly in protection from violence in public and personal spaces—so that a smart, confident and well trained woman is behind the wheel.

Women on Wings connected with Sakha’s Women on Wheels in September 2009 and recommended them to participate in the Dutch BiD Challenge. Because the BiD Network does not have national challenges in India, Mrs. Vadera joined the international BiD challenge competition and submitted a plan in June 2010, expecting the BiD network would connect the company to investors or business partners. She was not coached in developing her business idea or business plan. When Women on Wheels was selected amongst the top 4 finalists, she travelled to the Netherlands for presentations, training sessions and bilateral meetings with potential investors/donors. The BiD challenge price money was used to buy the first car and start the business. The meetings did not result in new business partnerships or investments.

3. Ugolo & Ingleton, the Netherlands

Mrs. Carla Peters
+31 6 1040 3587
Info@ugolaandingleton.com

About Ugolo and Ingleton

Ugolo & Ingleton was established in 2008 as a design and trading company combining high design and rich crafts from developing countries. It creates home and personal accessories which are built on traditions, stories and craftsmen.

Mrs Peters did not join the BiD challenge but submitted her business plan outside the competition because she was looking for an investor for her starting company. She also was supported by the BiD network to develop a presentation video of her ‘elevator pitch’, which was posted online. During several months she had meeting with at least 5 investors, but none of these meetings resulted in an investment. According to Carla, the investors often only watched the YouTube ‘elevator pitch’, and had only scanned through her business plan. They were not very informed on the details of her business plan, rather they were interested in her personality and experience. Taking equity in a company implies a long term relationship, and to make this relationship work there needs to be a good match, also on personal level.

After nine months, the BiD network contacted her again and set up a new meeting with an investor. This time, it resulted in good match and a $354,000 investment.
4. Animaná Trading, Argentina

Mrs. Marina Adriana
+54 11 480 709 28
adriana.marina@gmail.com
http://www.animanaonline.com/

About Animaná

Animaná is an ethical design and trading company which was created to promote textiles and garments made from authentic natural fibres and natural dyes from Patagonia and the Andes. The company aims to maintain traditional fabrics and weaving techniques and support rural development through fair trade, and the incorporation of added value to natural fibers of the region.

Although in Argentina, there are many business plan competitions, Mrs Marina specifically chose to join the BiD challenge in the hope that the competition would bring her to Europe to identify new clients. Animaná already existed at that time, but she has plans to expend the business to international markets. Through the competition, she received coaching services which helped her to improve her business plan. She joined the awarding ceremony and pitched her plan to several investors but this did not result in a match. Even though business plan was not selected as a winner, she has fond memories of the BiD challenges and thinks it inspired her and boosted her motivation.

1.6.3 FURTHER INFORMATION

The table below provides an overview of the BiD Network Foundation main results and budget per year for the period 2005 to 2010.

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of businesses started or grown</td>
<td>18</td>
<td>30</td>
<td>142</td>
<td>98</td>
<td>101</td>
<td>114</td>
<td>503</td>
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<tr>
<td>No of direct jobs created</td>
<td>814</td>
<td>370</td>
<td>884</td>
<td>479</td>
<td>458</td>
<td>515</td>
<td>3,520</td>
</tr>
<tr>
<td>Finance matched (Euro)</td>
<td>-</td>
<td>-</td>
<td>1,501,000</td>
<td>2,896,950</td>
<td>4,699,064</td>
<td>2,902,290</td>
<td>11,999,304</td>
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<tr>
<td>Number of full BPs submitted</td>
<td>80</td>
<td>160</td>
<td>450</td>
<td>589</td>
<td>658</td>
<td>1,046</td>
<td>2,983</td>
</tr>
<tr>
<td>Expenses from Annual Reports (Euro)</td>
<td>450,000</td>
<td>690,000</td>
<td>1,302,776</td>
<td>1,472,651</td>
<td>1,650,142</td>
<td>2,102,839</td>
<td>7,668,408</td>
</tr>
</tbody>
</table>

Table 1.1: BiD Network Foundation main results and budget per year (2005 to 2010)
Source: BID network foundation Annual Reports 2007 - 2010
**Client response to survey**

The tables below give more detailed insight in client responses to the surveys implemented by the BiD network Foundation.

### BiD Network helped the most

<table>
<thead>
<tr>
<th>Service</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve BP (template&amp;feedback)</td>
<td>42 %</td>
</tr>
<tr>
<td>Capacity-building/Guidance</td>
<td>27 %</td>
</tr>
<tr>
<td>Nothing</td>
<td>16 %</td>
</tr>
<tr>
<td>Networking</td>
<td>9 %</td>
</tr>
<tr>
<td>Publicity</td>
<td>7 %</td>
</tr>
<tr>
<td>Finding Investor/Funding</td>
<td>7 %</td>
</tr>
<tr>
<td>Award</td>
<td>6 %</td>
</tr>
<tr>
<td>Encouragement</td>
<td>6 %</td>
</tr>
<tr>
<td>Credibility</td>
<td>2 %</td>
</tr>
<tr>
<td>Advocacy</td>
<td>1 %</td>
</tr>
</tbody>
</table>

Table 1.2: BiD network challenge participants were asked how the BiD network has supported them most. Response: 261 entrepreneurs that submitted their business plan to the BiD network between 2005 and 2008. Source: BiD network survey 2005-2008

### BiD Network can help

<table>
<thead>
<tr>
<th>Service</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance/Grant/Partner</td>
<td>161 62%</td>
</tr>
<tr>
<td>Technical Assistance/Coaching</td>
<td>68 26%</td>
</tr>
<tr>
<td>Business Networking</td>
<td>38 15%</td>
</tr>
<tr>
<td>Publicity</td>
<td>12 5%</td>
</tr>
<tr>
<td>No help needed</td>
<td>7 3%</td>
</tr>
<tr>
<td>Does not know</td>
<td>9 3%</td>
</tr>
<tr>
<td>Feedback on BP</td>
<td>6 2%</td>
</tr>
</tbody>
</table>

Table 1.3: BiD network challenge participants were asked how the BiD network could help them best in the future. Response: 261 entrepreneurs that submitted their business plan to the BiD network between 2005 and 2008. Source: BiD network survey 2005-2008
Case study reports to IntDev publication: “Lessons learned on virtual business incubation”

2 CASE STUDY

THE HUB Amsterdam

The HUB Amsterdam BV
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E: amsterdam.hosts@the-Hub.net
I: www.the-Hub.net
Contact person: Thomas Vaassen
Position: Managing director

2.1 SECTION 1: BASIC INFORMATION

Background
The HUB is a privately funded business incubator or business centre for “social enterprises”. The first HUB opened in London, in 2005. There are now over 30 HUBs around the globe, in major cities in Europe, the USA, Canada, Mexico, Brazil, South Africa, Israel and Australia.

The HUB offers services within the walls, but can be considered as virtual incubator because members only access the physical facilities for a limited number of hours per month (depending on their membership).

The Amsterdam HUB was initiated in 2007, when the founders initiated discussions with funders, investors and the local community, and opened its doors in 2008.

Type of clients
The HUB does not refer to itself as a business incubator, but as a community of social entrepreneurs. The majority of members in the HUB Amsterdam is academically schooled, urban, and in their 30s or 40s. About 50% of the new members is initiating a new business, the other half already owns a business.

The HUB is careful in selecting its members, because it wants to maintain an appropriate mix of entrepreneurs. The targeted members are “social entrepreneurs”; entrepreneurs with a drive to offer business solutions towards the challenges of today’s society. However, looking at the current membership, around 10% of the members’ businesses really qualify as a social enterprise.

- Another 30% of the members is innovative or has a special approach or target group. This group includes trainers or career coaches.
- The remainder is referred to by the HUB as “cool people”, who offer added value because of the broad range of expertise they can offer to other members. This
group includes, among others, lawyers, administrators, HR experts, software developers and event organizers.

Capacity
The HUB Amsterdam counts with around 295 members, of which 50% works from the HUB only once per month and thus are fairly inactive. Because the majority of the members do not use the exact number of permitted hours, the HUB can “be like an airline company” and sell more seats than the actual number available. However, the office floor should not be overcrowded. With the current capacity, the maximum number of members has been fixed at 350.

Achievements
HUB Amsterdam is currently hosting 295 businesses, of which 195 are start-ups;
- In 2010, the company reached the break-even point based on commercial revenues only;
- The impact of the HUB on the establishment and growth of social enterprises is difficult to measure. There is no hard data available.
- Based on interviews we estimate that 15% of the businesses use the HUB facilities during their first, temporary step in their growth oriented business development process.
- In terms of estimated number of impacted, growth oriented businesses, based on interviews it can be estimated that the HUB incubates around 50 growth oriented companies. (out of a total of 300 members, 150 are active members. Of these active members, it is estimated that 35% of the business is growth oriented, 35% not growth oriented and 30% of the members is implementing a “project” that will be stopped).

Future outlook
The main challenge of the HUB Amsterdam at this point is to have sound financial result without losing sight of its social mission. Another challenge for the HUB Amsterdam is to make its achievements with respect to its mission (contribute to a more sustainable and social City of Amsterdam) more tangible. Although the members and shareholder actively underwrite this mission, the impact of the HUB is not systematically measured.

Also, the HUB is considering whether it should offer pre-packaged products or services from third parties that meet the needs of their entrepreneurs. For example, survey indicated that 62% of Hub members are interested in a shared insurance scheme that provides disability/sickness/work-leave insurance and benefits. Sixty per cent of the HUB members are interested in a micro-lending scheme that enables members to provide seed-funding to other members.
2.2

The main services are:
- Selecting the appropriate mix of members
- Hosting the entrepreneurs
- Member-driven, HUB-branded entrepreneurial activities

Members are selected that:
- Share the HUB's mission;
- Have “business acumen” to contribute to the community

LESSON: Guard the diversity of members

LESSON: Social media are an effective tool for communication and contribute positively to the brand identity.

LESSON: The host is of crucial importance for the working atmosphere.

SECTION 2: SERVICES

Main services
- Selecting the appropriate mix of members
- Hosting the entrepreneurs
- Member-driven, HUB-branded entrepreneurial activities

Selecting the appropriate mix of members
Having a diverse mix of members is very important for the HUB as this will ensure that it remains attractive to new members and more importantly it will ensure that the members are adding value to each other as well.

The HUB has a three-step application process:
1. Members complete an online questionnaire, specifying their business sector, what they expect from and want to contribute to the HUB, and their desired level of membership;
2. The HUB host reviews the applications. If an applicant is active in a sector that is already over-represented, or if the host considers that he/she has little to contribute, (s)he is being put on a waiting list.
3. Selected applicants are invited for an interview with one or two HUB hosts. During the interview, the hosts assess if the applicant has the right “business acumen” to contribute to the community, and if the entrepreneur fits the mission of the HUB; namely, to contribute to ‘a better world’.

LESSON: Need to actively guard the diversity of members
Once a critical mass of members has been reached, the vast majority of new applications will come on board via “word of mouth”. This implies that there is always risk of becoming stuck in a certain network, which undermines the diversity of members and the added value of the membership. In addition, hosting too many ‘similar’ businesses can become a financial risk for the facility.

A host therefore actively needs to continue approaching “unlikely members” or underrepresented groups to maintain the diversity of entrepreneurs.

Hosting the entrepreneurs
A host is a HUB staff member who is responsible for day-to-day operational issues. The host is the first point of contact for members. The host is also responsible for “programming”, and managing the HUB events agenda. According to management, the soul of the HUB is kept alive by the “hosts” of the facility. Hosting is a skill, even an art. A good host creates a positive working atmosphere, and brings members together who can create synergies.

Hosts of the HUB make extensive use of social media, to keep members and other interested parties updated on new events and initiatives, and to continue to build the profile of the organisation. ‘Hubdates’ are posted on social media such as Twitter and Face Book, and because they are liked and re-tweeted by the variety of HUB members, spread quickly through Amsterdam sustainability community.

LESSON: The Host is the soul of the HUB
According to management, the soul of the HUB is kept alive by the hosts of the facility. Good hosts are hard to find. It is important to recruit hosts with a hands-on mentality.

Services ‘for-members-by-members’
The main service of the HUB, besides the facilities, is provided by the members themselves. The HUB host plays a key role in facilitating members, but also in organising and networking with other organisations that can be of added value to members.
There are no fixed procedures in place for members to start a HUB initiative. However, if the HUB itself is requested to invest time and resources, one of the hosts needs to be informed, to discuss the proposal with the management team.

The number and quality of member-driven initiatives differs widely between HUBs worldwide. In Amsterdam, member-driven, HUB-branded entrepreneurial activities included:

- **Hub Intrapreneurs**: Inspiring and supporting in-company social innovators and intrapreneurs. A pool of HUB-based entrepreneurs developed the concept and approached a number of potential clients. Unfortunately, the project was not a success and was abandoned.

- **Hub Summer School**: In collaboration with Hub Rotterdam, the HUB offered a summer of learning opportunities including performances, workshops, and presentations from members. The Summer School is open to both members and third parties, who pay an admission fee. The revenue generated is shared between the HUB and the contributing members.

- **Hub Talent**: The HUB host, as well as individual members, acquire social and innovative projects through their networks of contacts, former members and clients. In 2009, Hub Amsterdam generated around €12,000 in collaborative work through Hub Talent for its members.

- **Programming**: The HUB host and HUB members develop an agenda of lectures, workshops or other events for HUB members. These programmed events are usually during a lunch break, and cover themes relevant for members’ business development or related to the social mission of the HUB. The workshops are provided by other HUB hosts or by third parties;

- **Participating in relevant events**: The HUB host makes sure that the HUB is represented at relevant events, and encourages relevant members to join these events in order to represent the HUB and promote their own company.

**LESSON: Keep stressing that “Members own the HUB”**

Services provided by the HUB itself are mainly limited to the facilities and the ‘hosting service’. The “incubation services” are provided to members by other members. The HUB learned that members need to be reminded of the message that “members own the HUB”, to avoid a situation in which members sit back and develop a ‘client attitude’.

**Business Helpdesk**

The Business Helpdesk is an expert network supplying HUB members with information and assistance related to legal issues, fiscal policies, forms of enterprise, contracting, intellectual property rights, business operations, planning, human resources, accounting, auditing, media, marketing and communication.

The Business Helpdesk experts voluntarily offer their time and expertise. Hub Members can ask for up to thirty minutes of free consultation.

**International network**

The HUB offers exposure and potential networking opportunities to other HUB members around the globe. This may be a strategic asset that is still underdeveloped. Currently, the international network of the HUB Amsterdam is only relevant for a very limited number of members (estimated at 3%).
2.3 SECTION 3: ORGANISATIONAL SET-UP AND GOVERNANCE

Funding
- Source of funding
The HUB is fully privately funded, with €50,000 shareholder capital and a €200,000 loan. The organisation made an operational loss in 2008 and 2009, nonetheless was at break-even point in 2010 and prognoses for 2011 are positive as well.

- Main cost items
The main cost items are rent (40% of the annual budget) and staffing (another 40%). The remaining budget covers operational costs, including catering, cleaning services, auditing services, etc. Staffing costs are significant and are mainly reserved for HUB hosts, who are “the heart of the HUB” because they facilitate exchange between members.

- Revenue generation
The HUB Amsterdam derives approximately 60% of its revenues from membership fees. Membership fee charges range from €110 to €400 for established companies, and €85 to €310 for start-ups. Special arrangements can be made for teams of 4 or more people. There are six membership levels, ranging from one level that offers access to a working space for five hours per month, to one that allows unlimited access. As mentioned above, the share of “inactive members” is about 50%. This allows the incubator to “overbook” the office floor, eg. to sell more seats than the actual number available.

Forty per cent of the revenue generated by the HUB comes from renting out facilities (small meeting rooms as well as the entire office) for events by HUB members (75%) and external parties. Large events include product-launching events, workshops, art gallery weekends, fashion events and book presentations.

Funder requirements
The funders and shareholders are “social investors” who provided credit or investment capital on preferential terms. These senior investor, with a strong network in the local private sector, are actively involved in the HUB and provides strategic guidance and advice. Although they are committed to the social mission of the HUB, they have so far only requested report on financial performance. Structured reporting on social / mission related achievements is still pending.

Governance structure
HUB International
Initially, the HUB was established as an international foundation based in London. This structure did not work well for the individual HUBs, because the mandate of the foundation was not clear. Local HUBs were unwilling to either share information or pay annual membership fees. The year 2010 was a transition year for the HUB Foundation. Many changes were implemented in the governance of the HUB at international level. The changes also reflect a decentralisation of the organisation, as described in the management theory such as “The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations” (2006, Ori Brafman).

Currently, HUB International operates as an association based in Vienna. The association is governed by the General Assembly, which is currently composed of representatives of the 25 local HUBs. Just like a local HUB office floor, the General Assembly as well as its individual members can initiate for new activities and services. Every new HUB becomes
co-owner of the association, and pays an entry fee as well as an annual contribution of 2.5% of the turnover.

'HUB The Netherlands'
A HUB was established in the Netherlands as a Foundation, as well as a limited company under Dutch law. The Foundation safeguards the mission of the company, and holds a golden share in the HUB limited, meaning the Foundation is not a majority shareholder but does have the right to veto decisions on some levels. The board of the HUB limited is composed of five members, and meets four times per year. The shareholders of the company are represented in the Board, and safeguard the financial health of the HUB.

'HUB The Netherlands' also explored the possibility of having its members become HUB shareholders, but found that the members were not interested.

**LESSON: Tension between the core mission and the business mission**
The HUB, as a private enterprise, feels the tension between its core social mission and its business mission. The organisation needs to be financially sustainable, without losing sight of its social mission. This causes ‘internal conflicts of interest’, for example, when selecting new members (more members means more income, but an appropriate mix needs to safeguard the mission and quality of the HUB). This situation needs to be well managed, and requires a balanced management team and board, reflecting both values

**Staffing**
- **Key staff functions and competences**
The HUB employs a full time equivalent of 7 staff. The 3 founders of the HUB are employed on a 1 day per week basis. The remaining positions are HUB hosts, who ‘keep the soul of the HUB alive’. Although it is not a requirement, all hosts are academically schooled, and are thus relatively expensive staff. The HUB employs one full time host, and has contracted 3 members as part-time or freelance hosts. The hosts play a pivotal role in the community; they connect and facilitate exchange among members, are responsible for programming and for attracting and selecting new clients. The hosts are however also responsible for the day-to-day operations and troubleshooting, such as resolving office equipment problems (printers), providing a selection of refreshments and business resources and outsourcing the office up-keep. All these are needed in order to provide a sound and motivating working environment.

In addition to paid hosts, the HUB also mobilises voluntary hosts, who provide services on a voluntary basis 3-4 days per month.

- **Motivation model**
Members and employees are strongly motivated to work for and contribute to the development of the HUB, because of idealistic motives and a sense of belonging to the community. There are no financial incentives for staff.

Overall, it can be said that the HUB Amsterdam is an appealing organization, and has built up a brand identity, which makes it relatively easy to recruit volunteers, such as:

- Members who provide free services to the HUB
- External parties who provide free services to HUB members
2.4

SECTION 4: CLIENT PERSPECTIVE

Results
Inspiration through interaction with other members, and the pleasant, and professional office facilities are the most important factors contributing to membership satisfaction. In addition, 65% of the respondents say that Host Support and Collaboration (working with other members) served them as an entrepreneur.
When asked “Could you explain how the hosts have been useful”, members mainly state the following: 1) through connecting with other people based on similar or complementary content; 2) by solving practical issues like simple maintaining of office equipment, and 3) by providing information about interesting/useful upcoming events.

The impact of the HUB membership on the growth of the individual business is, in most cases, limited to soft indicators. Of the members that do business together, in some cases transactions and cooperation are non-financial (services are exchanged).

Out of 55% that says learning support helped them as an entrepreneur, the following 21% values their learning a lot, 43% enough and 36% a little.

Client responses to the HUB survey among all members which was implemented in 2009, revealed the following:
- 50% of members met someone in the Hub who was instrumental for their business development
- 50% of members collaborated on a project with another member
- 49% of members turned to the network for getting access to critical information
- 64% of members say that being here has a significant impact on their emotional well-being
- 74% of members have highly recommended the Hub to others
- 55% of members mentioned working from the Hub at an important meeting

Profile of incubates that can successfully use the service.
During the interviews, a number of entrepreneurs commented that the members who were involved in a good cause or non-profit activities were at some point overrepresented and made up over 40% of the membership base. This, according to these entrepreneurs, could be inspiring for some, but for them these contacts were not so business relevant.

- Benefit to the business enabling environment
The HUB objective is to bring together people and enable them to contribute to a better city of Amsterdam. Though the mission is well anchored in the organisation, it is difficult to assess how and to what degree the HUB and its members are achieving this mission. So far the HUB has no tools to assess its impact.
SECTION 5: LESSONS LEARNED AND APPLICABILITY

Summary of lessons learned

-> Keep stressing that “Members own the HUB”
The message that “the HUB is owned by its members” needs to be reiterated. Avoid a ‘client attitude’.

-> Actively safeguard the diversity of members
The diverse mix of members is very important for the HUB to remain attractive to new members, but more importantly to ensure that the members are of added value to each other.

-> The Host is the soul of the HUB
Hosting is a skill, even an art. A good host creates a positive working atmosphere, and brings members together who can create synergies.

-> Use social media to communicate
Social media are an effective tool for communication and contribute positively to the brand and identity of the organisation.

-> Tension between the core mission and business mission
The HUB as a private enterprise feels the tension between its core mission and its business mission. This situation needs to be well managed, and requires a balanced management team and board, reflecting both values.
ANNEXES

2.6.1 SOURCES
The section below provides a list of documents consulted and people interviewed for the preparation of this case study:
- Thomas Vaassen; Initiator and director of the HUB Amsterdam
- Marieke Pluk; Host of the HUB Amsterdam
- http://amsterdam.the-Hub.net/public/
- M&E data of the HUB Amsterdam (reports and case studies)
- HUB member survey data 2009 (raw data)

2.6.2 ENTREPRENEURS INTERVIEWED
The section below provides a profile of the HUB member entrepreneurs interviewed:

1. Namaste Foundation:
Hilde Bleijswijk
hilde@namastenepal.nl

Initiator of the Namaste Foundation won the Vodaphone World of Difference Award in 2009, which granted her with a one year salary to dedicate her time to her favourite charity organisation. She decided to establish her own foundation supporting orphaned children in Nepal. The ambition of the foundation is to remain a small-scale and personal contact based development charity, targeting children in the developing world.

Hilde Bleijswijk joined the HUB in 2010, as a temporary step in the development of the Foundation. The office facilities are most appreciated by her and the team of two staff, as well as the working atmosphere and facilities, which she has rented for fund-raising events.

2. Ethical Property Nederland:
Nick Paterson
Nick.Paterson@ethicalproperty.eu

Ethical Property Nederland, the Dutch branch of UK based company The Ethical Property Company, raises capital from Ethical Investors which is used to purchase buildings, undertake an ecological renovation and then rent them out to social change organisations who come together in one building.

Initiator and established Nick Paterson joined the HUB in 2009 when he had just established the company. Although he had little expectations, he feels the HUB provided him with a professional working space, inspiring contacts (although not all relevant to his business) and exposure as a speaker for the HUB.

He recently upgraded his membership from one day to two days per week. In addition to the HUB, his company is incubated in a municipality-supported business incubator.
3. VJ Movement (former member)
Arend-Jan van der Beld
ajvandenbeld@gmail.com

VJM Visual Intelligence is a young journalism company specialised in global analysis of video packages and editorial cartoons. The company produces independent journalism and counts with a network of video journalists and cartoonists covering more than 100 countries.

Founder of VJ Movements Arend-Jan van der Beld joined the HUB in 2008, because he was looking for a place to work from and felt he needed people around him that could help him to take his business idea to the next level. He is content with the facilities of the HUB, and also acknowledges the support provided by the HUB hosts to introduce the company to relevant other HUB members. This resulted in several business partnerships. The idea of recruiting new journalists and VJs through the international network of the HUB did not materialise.

After one year, a team of eight people was working for the company out of the HUB and it was time to move to a new office.

4. RMBLR (former member)
Carmen van der Vecht
carmen@rmblr.com

Rambler Social Venture is born from the idea of Carmen van der Vecht whilst performing a photo report about street teens. During this assignment she captured the identity of various teenagers at shelters in Accra (Ghana) and London (UK).

In 2007 she decided to start the Rambler project: designing a first collection of genuine streetwear with street teens in Amsterdam. In close collaboration with day care shelters, professionals and business organizer Tim Dekker, she started with design classes in Amsterdam, giving these raw talents a methodology to translate their creativity into fashion designs. Apart from learning the basics of design, the creative process gave the Rambler Designers the tools to increase their problem solving skills. This resulted in a better handling of their personal life, making the difficult decisions they face in education, work, care and housing easier.

In 2009 a second partime studio opened in São Paulo, Brazil, with the assistance of Femke Hoogkamer and Galeria Central, an art organization for street youth led by Danilo Blanco and Fernando Zelman. The studio in São Paulo has reached some of the most difficult groups in the São Paulo urban region and resulted in striking street shirts from Rambler Brazil.

June 2009 marked a turning point in the existence of Rambler Social Venture. With help of fashion designers Dirk Pieter Terpstra, Rima Freeman and Kirsty Nagel, Rambler presented their first collection at the Key in Berlin. Rambler found a financial partner in 2010 in the Doen Foundation in the Netherlands. This partnership has made it possible to start with the realization of her ambitions: “To create the best streetwear brand in the world with street children all over the world”. In 2010 Rambler left the HUB and opened its first fulltime studio on the Zeedijk in Amsterdam.
2.6.3

ADDITIONAL INFORMATION

I. Additional statistical information:
Revenue 2008-2009: €157,000 (95% in 2009)
Revenue per m²: €523/m².
Target: €1200/m² (including bookings)
Bottom line result: €150,000 loss
In line with projections? Yes
Projected result 2010: Break-even
On track? Yes
Operating expenses: €250,000/annum
Capital raised at outset: €247,000 (€203,000 in loans and €44,000 in equity)
Debt repayment target: From 2011 until 2014
# of Members: 238 (at May 1st 2010)

II. Scoring table in the application form.

Members are requested to share what they are looking for in the HUB, and also what they feel they can contribute.
III. HUB Membership fees and tariffs

Each membership has two tariffs, depending on whether the member in question is a start-up or an up-and-running business. The following membership categories are available:

<table>
<thead>
<tr>
<th>Membership</th>
<th>Start-up Tariff</th>
<th>Entrepreneur Tariff</th>
<th>Description</th>
</tr>
</thead>
</table>
| Hub Connection | €23 | €30 | • 5 hours/month working space  
 • Access to events and programming  
 • Discounted meeting room rates  
 • Access to worldwide network |
| Hub 25 | €93 | €120 | • 25 hours/month working space  
 • Hub Connection benefits, plus:  
 • Access to all other Hubs  
 • Use of business helpdesk  
 • Access to Hub communication channels |
| Hub 50 | €145 | €195 | • 50 hours/month working space  
 • Hub 25 benefits, plus:  
 • Keycard for 24/7 access  
 • Locker space for personal storage  
 • Post service for personal mail  
 • Facilitated brainstorm session |
| Hub 100 | €235 | €335 | • 100 hours/month working space  
 • Hub 50 benefits, plus:  
 • 2 hours of free meeting room  
 • One free day pass for a colleague or partner  
 • Personal host sparring partner |
| Hub Unlimited | €300 | €400 | • Unlimited hours/month working space  
 • Hub 50 benefits, plus:  
 • 3 hours of free meeting room  
 • 2 free day passes for a colleague or partner  
 • Personal host sparring partner |

All memberships include:
• Fresh coffee, tea & fruit  
• Hub hosts presence and support during office hours  
• Link to a global network of all Hubs around the world  
• Peace of mind that you don’t have to worry about building insurance, electricity, gas, water, garbage or the loneliness of working from home…
3.1 SECTION I: BASIC INFORMATION

Background
The 3IE International Institute of Innovation and Entrepreneurship of the Universidad Técnica Federico Santa María is based in Valparaíso, Chili; a region that is sometimes promoted as well on its way to becoming “the Silicon Valley of Latin America”. The 3IE institute was established by the Technical University in 2001, as a means for the university to establish stronger linkages with the regional private sector. In 2003, 3IE started one of the first business incubators in the country. The initial selection process of the incubator was based on selecting the best business plans. Soon, however, 3IE realized that the technical university students had no entrepreneurial or business background, and therefore were not able to submit a quality business plan. The incubator at 3IE refocused its activities, starting with workshops and courses on entrepreneurship for technical students. These workshops later were mainstreamed into the university curriculum. After an adequate critical mass of potential entrepreneurs with quality business ideas was developed, students started approaching 3IE with business ideas. The incubator to date provides a range of support services to develop ideas into a business plan and further into a full-fledged business. In addition, 3IE channels government grants for start-up seed funding.

The history of the CORFO (Chilean government) business incubator subsidy programme is important for understanding the background of 3IE. CORFO developed the incubator subsidy around 2001, as a means to promote the creation of new companies for economic development and job creation. In addition, CORFO developed direct subsidies as seed capital for start-ups. The seed capital funds are managed by incubators, who have to make sure that the money is well spent on key activities that promote the growth of new companies and which are legally liable to CORFO if these funds are misused. A 15% fee of the seed capital is given to the incubator for managing these funds and for providing support to entrepreneurs.
**Type of clients**
3ie targets high tech start-ups, mainly in ICT (computing, mobile phone and web applications and robotics);
- Over 50% of the incubatees are university students; the remainder is a (recent) graduate, or a starting entrepreneur who found the technology incubator to suit the business idea and need for support best.
- Typically, the incubatees are not represented by individual entrepreneurs, but of teams of two to five individuals;
- The majority (60%) of the clients reside outside the business incubator;

**Capacity**
According to the incubator management, with the current staffing, the maximum number of companies that can be supported per year is 70. Of these, 3ie has the capacity to support 50 projects per year (initiatives that are developing the business idea into a first prototype), and an approximate maximum of 20 start-ups (of which a maximum of 10 can be hosted inside-the-walls). Figure 3.1 provides more information on the growth stages of enterprises, as defined by 3ie.

**Achievements** (to December 2010)
- 3ie conducted 12 business contests, with a total of 1,500 participants.
- 3ie incubated a total of 93 entrepreneurs in pre-incubation and incubation.
- 51 companies were created
- Total sales of incubatees on average compute to about $470,000 annually.
- 12 Enterprises graduates (10/12 survived = 85%).
- 3ie administered and disbursed over $2.5 million of CORFO Seed Capital Financing, and mobilized $1.2 million in angel investment capital (for 3 companies). Another 2 companies have entered into negotiations with a venture capitalist.

**Future outlook**
Incubators in Chile receive an operational subsidy from CORFO, based on performance targets. Targets set by CORFO were initially based not on results but on quantitative outputs (i.e. the number of training workshops held, the number of companies under incubation). In 2011, CORFO effectuated a change in its funding structure, where incubators only received funding if their incubatees reached a predefined business target. From 2011 on, the CORFO subsidy varies between zero and $85,000, depending on the performance of the incubated businesses.

3ie is now an early-stage business incubator, thus investing its main resources in supporting product ideas to become a business start-up. In the future, 3ie feels that this service will become too expensive. It will need new, more cost-effective tools for supporting these projects and early-stage enterprises. Also, 3ie feels the incubation period may need to be shortened.

With the new, qualitative targets of CORFO, 3ie is becoming more result-oriented. This is also expressed in the terminology, where 3ie now refers to itself as a business accelerator, instead of a business incubator. The core objectives of the organization for the coming period are:
1. To reduce the incubation time
2. To improve sales and access to finance of incubatees.
The main challenges for 3ie in the coming years will be to communicate the value proposition of 3ie to the entrepreneurs, so that entrepreneurs will be willing to pay for the services. Also, the organisation will aim to secure other sources of funding to reduce dependency on CORFO subsidies.

3.2 SECTION 2: SERVICES

Main services
Support to entrepreneurs is structured around four stages of business development, defined by 3ie as 1) the Project stage; 2) the New-venture stage; 3) the Start-up phase; and 4) the Prime phase.

The required skills and deliverables for each phase are well defined in the 3ie ‘Operations manual’. “Graduating” from one phase to the next, the business has to present its achievements to a committee, composed of 3ie staff and externals. These members have sector-specific private sector expertise. The technical support is focusing on meeting these requirements, and considering the feedback of the committee.

The figure below provides further information on these four defined enterprise growth stages:

The main services of 3ie are:
1. Mentoring
2. Team coaching
3. Feedback from experts
4. Workshops

In each phase, the enterprise has its own ‘3ie executive’, who is the business mentor and incubator first point of contact.

3ie provides the same services to residential and off site clients. Off-site clients come to the incubator to attend meetings and events, and occasionally the 3ie executives visits the incubatee. The main services that 3ie provides to entrepreneurs are the following:

1. Mentoring
In each phase of business development, the entrepreneur is appointed to a 3ie ‘executive’, who is his/her contact person in the incubator. Together with the executive, the incubatee makes a development plan and defines the deliverables for the business to reach the next level. The executive monitors the progress and provides mentoring through bi-weekly meetings.
LESSON: Be demanding towards incubatees
3ie experienced that a number of incubatees did not make progress. An important lesson is that the executives need to be demanding and need to push the team to meet the agreed targets in a defined time frame. This insight led to a number of changes:

- The incubator now clearly defines deliverables for entrepreneurs, and has outlined the consequences if these deliverables are not met.
- The selection procedure was improved, focusing on the quality and not the quantity of entrants;
- An incubation contract was introduced, which formalized the relationship between 3ie and the incubatee. The official status proved to positively contribute to the motivation of the incubatees;
- The operational plan standardized the requirements for each stage of business development, and professionalized the scoring of the committee members.
- 3ie improved its administrative systems. Executives need to file reports on the progress made by the entrepreneurs. Action plans and reports are accessible to both 3ie management and the entrepreneur through a Google docs application;
- The frequency of meetings with the executive was increased to one meeting every two weeks;
- Staff is trained and coached by the new 3ie management in order to be more professional and demanding while interacting with incubatees.

2. Coaching of the team
Most businesses in the incubator are composed of 2-5 team members, of which some are shareholders in the company, and some are employees. An important service of the incubator is “team coaching”. In 3ies’ experience, conflicts arise, especially when the first sales are realized. Training and mentoring is needed to reduce the risk of team members leaving or the business being stopped due to internal conflicts. The focus is on making the organizational set-up complementary to the individual skills of the entrepreneurs.

3. Feedback from experts through “committee meetings”
3ie regards the feedback from experts, provided at the different growth stage committees, as being of a high value as they provide further support to the entrepreneurs. The sector-specific private sector experts participate in the committee on a voluntary basis.

4. Obligatory workshops, other presentations or events
3ie obliges the incubatees to participate in at least one training workshop per semester, for 3 hours. Students and other project owners from outside 3ie can also join. Topics vary, the incubator purposes a list of topics to entrepreneurs, who can then vote and select the appropriate ones. Usually, workshop topics include giving an elevator pitch, sales, and English for business. A new topic that was requested from incubatees and was very popular this year was the use of social media in business.

Online services
3ie in 2007 invested in an online platform to share work plans and targets with entrepreneurs, and were able to discuss and monitor their progress online. Today, this platform is no longer in use, as it did not meet the requirements of the incubatees, and better platforms are available online for free. Annex 2 of the main report provides an overview of the current most popular online tools.
LESSON: Use free tools that are available online. Do not develop your own.

3ie incubates ICT companies, and learned that their entrepreneurs have their own preferences (and also more expertise) regarding ICT tools. When the 3ie tool came online, entrepreneurs did not like it because it was not connected to Windows messenger. Entrepreneurs started their own online platforms, and used their own online tools such as Google docs, NING and similar platforms. Since “new free platforms and tools become available online ‘like daily bread’”, 3ie now makes sure that executives know how to use the most popular online free tools, and offer the entrepreneur the choice.

3.3 SECTION 3: ORGANISATIONAL SET-UP AND GOVERNANCE

Funding
- Sources of funding
Third party contributions are as follows:
  - The University contribution amounts to an estimated $300,000 per year, which was 30% of the incubator budget in 2010;
  - The incubator generates income by participating in international/donor projects, such as projects on entrepreneurship and SME development funded by the Chilean government, GIZ (German International Cooperation), or the European Union. In 2010, these projects made up 30% of the incubator budget;
  - By co-organising/facilitating (inter)national business plan competitions, 3ie generates funds for the institute as well as (in some cases) for entrepreneurs;
  - In addition to the above, 3ie receives direct subsidies for operations from the Economic Development Agency of Chile, CORFO, and indirect subsidies from CORFO (15% of seed capital raised successfully for entrepreneurs).

- Main cost items
Staff salaries are 3ie’s main operational expenses, accumulating to an average 65% of the annual operational budget. Renting the building and facilities account for approximately 15% of the costs.

- Revenue generation
Besides support from third parties such as the Government of Chile (CORFO), the University and international funds, 3ie also generates a regular income flow from its incubatees.
  1. Since 2007, 3ie incubatees sign an incubation contract, where they pledge to repay the value of business services received. For all incubatees, this is estimated at 800 man hours, which translates into approximately $40,000. In each phase, companies pay a monthly contribution of ($50/month for projects, $150/month for new ventures and $250/month for start-ups). These contributions generate an annual contribution to the operational costs of the incubator of around $25,000.
  2. In addition, the incubation contract obliges incubatees to transfer 2.5% of their gross sales to the incubator, until they reach the total amount indebted. Though it has been part of the contract since 2007, in practice it has not been implemented yet.
  3. When a company enters the prime phase and attracts an external investor, the incubator can exert its right to claim 5% of the shares of the company, and sell them to the incubatee at the value established by the investor. However, this has also not been implemented to date.

Incubatees pay:
1. Monthly contributions
2. 2.5% of gross sales
3. 5% of the shares
Funder requirements
The 3ie incubation process is well structured and the incubator is well documented and able to report on, for instance, sales realised by incubatees, or the number of jobs created. M&E data is mainly generated for CORFO, the Chilean government subsidy administrator.

Because of the CORFO subsidy scheme and quantitative rewarding system for business incubators, 3ie before was in an ambiguous position, on the one hand administrating the CORFO subsidy programme for entrepreneurs, while on the other hand serving as the service provider that is being paid by the same subsidy. As mentioned above, CORFO now redesigned its subsidy programme to become more result oriented.

Governance structure
Appointing an operational manager
3ie started as a sub-division of the Technical University of Santa María. The director of the 3ie institute is the vice-rector of the university, who reports to the rector. Because the vice-rector has limited time available, the first change to the governance structure was made in 2007, when a managing director was recruited to oversee the day-to-day operations of the incubator, and to develop strategies for new sources of funding.

Introducing a supervisory board
3ie is currently changing the structure of the institute. A Board will be established in which the University will be represented by 3 members, the local government with 1 member, and private sector members and founders of 3ie with 6 members. The new board, with broader stakeholder representation, should make the decision-making process more independent from the university. The expectation is that the new board will bring change and innovation, and better link the institute to the local government and private sector.

Staffing
Key staff functions and competences
3ie has 13 staff members, of which 7 work for the business incubator. Currently, 3ie is recruiting 2 new commercial assistants, who will assist incubatees in the marketing aspects. The main staff positions are:
- Director (vice rector of the University)
- Managing Director
- Operational manager
- Project stage executive
- New-venture stage executive
- Start-up phase executive
- Workshop coordinator
- Secretarial support
In 2010, a financial incentives scheme was introduced.

**Motivation model**

In 2007, staff incentive schemes were introduced, together with the new incubation contract. Enterprises in the new-venture stage have to pay 2.5% of their gross sales to the incubator. Out of this 2.5%, 1% is distributed amongst incubator staff as a bonus, while 1.5% goes into the general incubation budget.

A new scheme was introduced in 2011, whereby 7% of the margin will be used for incentives for incubator staff.

With the new subsidy model of CORFO, this new incentives scheme is intended to motivate staff to refocus their attention on increasing the turnover/accelerating the growth of the incubatees.

To date, the staff incentive schemes have not led to significant changes in staff attitude. It is unknown if these financial incentives will have any effect. The current team has been working for the incubator for many years, and is already highly motivated.

**SECTION 4: IMPACT ON CLIENTS**

**Results**

- **Top benefits:**
  1. Assistance in applying for subsidies
  2. Strengthen skills
  3. Publicity and incubator reputation
  4. Networking with other entrepreneurs

Business plan competitions distract from real sales

Value of mentoring and coaching of the team depend on the executive or trainer involved.

Incubator brand name opens doors

**Business plan competitions do not lead to sales**

Most incubatees have participated in (and in some cases won) several business plan competitions. One of the incubatees even won 7 business plan competitions. The prize money from 2010 accumulated to 40% of the turnover of the company, which had been in business since 2008. These competitions took up significant time from the founders, and distracted them from sales. This negatively affected the company.

Workshops were mentioned as being valuable because of the content as well as the networking opportunities they provide with other entrepreneurs. The following workshop topics were found to be particularly interesting: entrepreneurial skills, with role-plays and other forms of interactions. In later stages of enterprise development, the workshops became less interesting to some. Also, exchange with other incubatees became less important in later enterprise development stages. Mentoring and coaching of the team were mentioned to have been valuable, depending on the executive or trainer involved. Some staff was perceived as being more skilled than others.

The incubator and the university’s strong brand name and reputation were mentioned as a significant benefit. This reputation helped businesses to open doors to potential clients. The incubator generated significant publicity for its incubatees, where national and regional newspapers featured starting entrepreneurs of the incubator on more than one occasion.
**LESSON: Interaction between incubatees**

The difference between inside and outside-the-wall clients is limited, according to incubatees and 3ie staff. Entrepreneurs who are located inside the incubator have more frequent interactions with each other, nevertheless this interaction is limited due to different working hours, or simply due to the fact that they have not yet been introduced to each other.

On a less positive note, entrepreneurs mentioned that they would have preferred the incubator to be more demanding and challenging. The network of the incubator was regarded as being disappointing and also leveraging support from the university (such as research facilities).

Finally, entrepreneurs mentioned that the requirements and growth stages are well defined. Entrepreneurs know what they can expect and what they need to deliver during each phase. Some entrepreneurs, however, mentioned that the incubator was managed bureaucratically, with growth stages that need to be completed like a university curriculum. This hampered their growth, according to some entrepreneurs who did not agree with the incubation process and would have preferred to ‘graduate’ much sooner.

- **Benefit to the business enabling environment**

3ie has played an important role in bringing entrepreneurship education to the technical university. Through the international and government projects, in which it is a partner, it also provides services to promote wider SME development in the Valparaíso region.
3.5

LESSONS LEARNED AND APPLICABILITY

Summary of lessons learned

- **Keep the project phase limited to 3 months**
If the prototype is not finished within 3 months, the project should be turned down. Lengthy and protracted technical prototype development procedures lead to high incubation costs and a loss of motivation.

- **Joining in too many business plan competitions has a negative effect on business development**
Entrepreneurs are attracted to competitions by the prize money and the opportunities for travel that they promise. In an early stage of business development, the competition’s network and motivational effects help the starting entrepreneurs. However, joining in too many competitions causes a loss of focus on sales and business development. Business owners, at one point, need to decide to no longer take part in competitions and focus on business development and sales.

- **Challenge entrepreneurs and be demanding**
To motivate entrepreneurs, stimulate an entrepreneurial working atmosphere, and shorten the incubation process, 3ie learned that the incubator needs to be demanding and challenging. Clear deliverables and deadlines for delivery must be set, and if these are not met, then there needs to be some sort of consequence.

- **“Methodological business development” approach not suitable for all enterprises**
A number of entrepreneurs mentioned that the phased incubation process seemed a bureaucratic or academic process, thus the approach did not suit them.

Virtual business incubation lessons

- **Exchange between on-site entrepreneurs does not occur automatically**
Networking opportunities with other incubates are often mentioned to be the main advantages of ‘inside the walls’ incubation. In practice, the 3ie incubatees spent little time networking and learning from each other while working in the incubator. Lessons learned are that 1) exchange between incubatees is most valuable for entrepreneurs in early stages, and 2) the incubator needs to actively stimulate exchange between incubatees, through joint coaching sessions, workshops, introductions and networking events.

- **Do not develop your own online tools**
Use existing tools/tools available through the internet instead. A self-developed tool is costly, and likely to be out-dated by the time it is available.
3.6 ANNEXES

3.6.1 SOURCES

The section below provides a list of documents consulted and people interviewed for the preparation of this case study:

- Mr. Jaime Arnaiz; Managing Director of 3ie Institute
- Mr. Rene Villegas; 3ie trainer / Operations Manager
- Mrs Andrea Corvera, 3ie Coach -Trainer
- Mr. Miguel Rebolledo - Project Executive
- http://www.3ie.cl
- Josefa Villarroel Muñoz – CORFO
- Annual reports prepared for CORFO, the Chilean government institution administering the subsidies

3.6.2 ENTREPRENEURS INTERVIEWED

The section below provides a profile of the 3ie entrepreneurs interviewed:

1. mpHITs
   www.mphits.com
   Contact person: Paulo Ramos
   radio@mphits.com

   Further information on MPHITS
   Mphits is an ICT based company that developed a programme that allows its users to listen to online radio and download songs legally from the Internet. Mphits also can sync with mobile phones.

   Mphits initiator Paolo Ramos joined 3ie in 2009. He knew 3ie through word of mouth, and when he started the company he decided that the technical background of the incubator would be most suitable for his project. Initially the company was not based with 3ie, but the team worked from a cyber café. In 2010, he and his new business partner decided to relocate to the incubator premises, because it was less expensive.

   The company has in the past year developed a technical and a commercial prototype, and is now looking for sponsors and clients. A promising opportunity for a business partnership with Pepsi is now being negotiated.

   Looking back on the incubation process, Ramos feels the incubator has helped him with improving his business skills, and with obtaining the CORFO seed capital funding. Also, the prestige and reputation of the incubator, and the generated publicity, has helped to open doors with big companies to pitch the business idea. On a less positive note, he feels that the phased incubation process withheld them from approaching clients in an early stage. He feels he should have had discussions with potential clients in an earlier stage, to get a better feel for the market and start generating an income.

2. Mumiko
   Contact person: Rodrigo Stanger
   rstanger@gmail.com

   Further information on Mumiko
   Mumiko is a new musical instrument. It is a new kind of creative digital playing device that gives ‘non expert’ and disabled users the ability to play original music in an expressive and harmonious way without the long classical training processes.

   Rodrigo Stanger is a graduate of the academy of music. He joined 3ie in 2007, after having won a business plan competition that supported him to patent this product idea. He initially had joined another business incubator, but because he did not agree with the incubation methodology (he did not feel the emphasis on leadership and management
suited him), he switched to 3ie. He is based in Santiago, and communicates with 3ie per email and during monthly meetings.

He has been under incubation for almost four years. The development of the prototype is taking a long time. He is in negotiation with a venture capitalist and business partner from the USA who is interested in bringing the product to the market there. Once the product is ready, he thinks of joining a “plug and play” business incubator in the USA.

3. Lem System
www.lemystem.cl

Further information on Lem System

LemSense is a wireless monitoring soft and hardware, that provides real time data on crop performance and the state of agricultural environmental variables (such as humidity, soil quality) to farm managers off site. The system generates automatic warning signals in the case of unwanted events, and helps farmers to achieve more and better production quality, and optimization of energy consumption.

LEM System was established by a group of four students from the Technical University of Santa María. They first put their business idea on paper for a business plan competition sponsored by Microsoft. They won the competition, and used the price money to develop the technical prototype. In 2008, when the students were in their second year, they joined the 3ie business incubator. Since January 2011, they have rented their own business premises and have contracted three large clients.

The team values the coaching of the incubator, as well as the fact that being in the incubator boosted the reliability and reputation of their starting company; without the introduction and brand of the 3ie institute, they would not have been able to get appointments with the companies they are working with now. What they did not appreciate so much were the obligatory workshops. In very early stages of the company, the workshops were interesting, but later on the team was busy with the company and felt the workshops were not addressing their needs.

4. Pisani Restauraciones
www.pisani.cl
Contact person: Nicolás Orellana
n.orellana@pisani.cl

Further information on Pisani

Pisani is specialized in the restoration of national heritage buildings and historical monuments in Chile. It cooperates with construction companies to repair these buildings, making use of innovative plaster and moulds technologies.

Pisani was founded by two brothers, who at the time were recent graduates of another University. They joined 3ie because of the good reputation of the university and the business incubator. Because of the need for a production site, the company was never physically within the incubator.

The most valued support of 3ie is support in applying for the CORFO funding, and the support services. Also, 3ie provided support to them in joining business plan competitions, of which they have joined more than 10, and won 7. However, in 2011 Pisani decided to leave the incubator, because they felt they were not making use of the services and thus did no longer want to pay the monthly fee.
3.6.3 ADDITIONAL INFORMATION

Table annex 3.1: Number of applications, projects, companies started and companies stopped per year for the period 2007 – 2010.

<table>
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<th>2008</th>
<th>2009</th>
<th>2010</th>
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<td>Total applications</td>
<td>200</td>
<td>150</td>
<td>149</td>
<td>146</td>
<td>645</td>
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<td>Selected projects</td>
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<td>24</td>
<td>18</td>
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<td>58</td>
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<tr>
<td>Projects in incubation</td>
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<td>24</td>
<td>31</td>
<td>14</td>
<td>81</td>
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<td>Pre-incubation projects graduated to incubation</td>
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<td>10</td>
<td>15</td>
<td>12</td>
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<tr>
<td>Companies stopped</td>
<td>-</td>
<td>5</td>
<td>9</td>
<td>12</td>
<td>26</td>
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<tr>
<td>Graduated companies</td>
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<td>1</td>
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<td>5</td>
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<tr>
<td>Companies in post-incubation</td>
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<td>11</td>
<td>12</td>
<td>12</td>
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Table annex 3.2: Average sales per incubatee and per graduated company.

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<td>INCUBATEES</td>
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<tr>
<td>Companies started</td>
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<td>7</td>
<td>9</td>
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<td>Average sales per company</td>
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<td>$16,700</td>
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<td>Average Capital Raised per graduated company</td>
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<tr>
<td>Average sales per graduated company</td>
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<td>$860,500</td>
<td>$461,000</td>
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Table annex 3.3: Annual expenditures per category

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<td>Human resources</td>
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<td>296,459</td>
<td>283,136</td>
<td>318,000</td>
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<td>Building, facilities, operational costs</td>
<td>147,509</td>
<td>137,623</td>
<td>468,376</td>
<td>221,285</td>
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<td>CORFO subsidies for entrepreneurs (of which 15% is income for the incubator)</td>
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<td>730,867</td>
<td>504,155</td>
<td>403,500</td>
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<td>Total</td>
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CASE STUDY
ParqueTec, COSTA RICA

SECTION 1: BASIC INFORMATION

Background
ParqueTec is registered as a non-profit organisation in Costa Rica, and offers in-house and out-of-the-walls incubation services. It was established in 2004 as the first ICT incubator in Costa Rica. The incubator does not receive any operational grants. During its establishment it implemented a large project for the InterAmerican Development bank. ParqueTec offers incubation services as well as business finance for selected incubates. ParqueTec is convinced that innovators cannot be served with TA (Technical Assistance) only, they also need finance. “TA funds generally bring more benefits to consultants than to entrepreneurs”.

Apart from the core business incubator activities, ParqueTec also implements rural business incubation projects for various donors, and provides training and consultancy services related to business and entrepreneurship. The profits generated by these consulting services contribute to covering the costs or making new investments in the incubator.

Type of clients
ParqueTec clients in the incubator are:

- Innovative start-ups, who innovate by developing new systems or new ways to solve problems (not necessarily focusing on new technologies);
- Existing businesses with ambition to grow and an innovative approach to the market;

In addition to this, ParqueTec supports:

- “Special project” clients; ‘base of the pyramid’ entrepreneurs who receive support through donor projects implemented by ParqueTec.

Parque Tec in COSTA RICA
T: + (506) 2234-9670
E: incubadora@parquetec.org
I: www.parquetec.org
Contact person: Marcelo Lebendiker
Position: President of ParqueTec
ParqueTec needed to expand its target group, to improve revenues.

**LESSON: The incubator cannot focus on one sector**

To generate sufficient revenues from companies under incubation, ParqueTec needed to incubate companies from different sectors. The ICT sector proved to be too small. Also, ParqueTec abandoned the idea of incubating only start-ups, and invited a number of existing companies with ambition to grow.

**Capacity**

The capacity of the ParqueTec incubator in San Jose is limited to 40 companies. As an in- and out-of-the-walls incubator, the capacity is not limited by its available office space, but because the investment funds as well as available funds to provide services are limited. The business model of investments in/providing loans to incubatees based on personal relationships and trust is currently functioning well for ParqueTec. However, limiting factor is the time it takes before an incubatee starts to repay the loan, which is currently of over three years.

If the organisation would attract more capital, the lending model based on personal relationships and trust would need to be rethought, for the span of control of the director is limited.

**Achievements**

Currently, ParqueTec counts with:
- 11 incubatees in-house
- 39 incubatees outside the walls, of which 36 are ‘Base of the Pyramid’ entrepreneurs in rural regions
- ParqueTec does not ‘graduate’ incubatees. Over time, an estimated 20 have left the incubator of which 6 are still generating revenues for ParqueTec.

For the high potential incubatees; about 40% of incubatees are successful. The majority of entrepreneurs that leave the incubator opt for an employment, because of personal situations that require for them to have a reliable income.

In the larger pool of ‘base of the pyramid’ entrepreneurs, estimates are that 60% finish the training, and 10% are successful in translating the support they receive into improved businesses. Also for BoP entrepreneurs, personal and family circumstances play a role in weather or not training sessions schedule can be completed. In addition, ParqueTec has less influence on selecting the most eager entrepreneurs, since these are mostly identified by the donor.

**Future outlook**

ParqueTecs in the future aims to open offices in different rural regions, replicating the ParqueTec formula. It is seeking support from the government to finance the start-up of these rural branches, which over time should become self-sustaining. Rural representative offices are an important part of the ParqueTec’s strategy to bring its business incubation services into rural regions at reduced costs.

In addition, the ParqueTec team aims to continue with its consultancy and training services, both as an income generator as well as for the network building function that these assignments represent for ParqueTec.

Besides that, ParqueTec continues to actively lobby for improvements to the business enabling environment, and is now focussing on a lobby for a change in tendering policies to favour local Small and Medium -Sized Enterprises.
SECTION 2: SERVICES

**ParqueTec offers two incubation processes:**

1. Incubation for innovative start-ups and SMEs
2. Incubation/BDS services for rural “base of the pyramid” entrepreneurs

### 1. Incubation for innovating start-ups and SMEs

#### A. Application process

Three or four times a year, ParqueTec launches a campaign in the media calling for new, innovative and growth-oriented entrepreneurs. Entrepreneurs apply by submitting an application form, which is available online. Selected entrepreneurs are invited for an interview, during which the focus is on the personality and entrepreneurial mentality of the applicant, and not on the business model or business plan. After the interview, selected entrepreneurs can join the project-phase (pre-incubation phase). An average of 20 projects joins the incubator each year/phase.

#### B. Project phase

During the project-phase, ParqueTec’s weekly coaching process focuses on three themes:

- Human development;
- Innovation and strategy;
- Business operations.

Coaching is offered by consultants, during face-to-face meetings. The project phase generally takes 6-8 months, during which ParqueTec assesses whether the incubatee has the potential or not, and whether it is feasible to invest time, funds and energy on the part of the incubator.

#### C. Incubation - Finance

ParqueTec does not have a standardised package of financial support for entrepreneurs. Financial support is ‘needs-based’ and ‘tailor-made’; access to funding and the terms and conditions are negotiated on a case-by-case basis.

**LESSON: Entrepreneurs’ requests for business finance are not always realistic**

All entrepreneurs would state they need finance to start or grow their business. ParqueTec therefore stresses that finance is a means, not an end. In addition, not all understand the implications of external finance, such as no longer being the sole owner and key decision-maker in the company, or paying high interest rates. Once entrepreneurs understand the consequences of external financing, ParqueTec noticed that some preferred to explore other means to reach their objective, including cost savings, negotiating supplier credit and alternative growth strategies.

If external finance is needed, in consultation and negotiation with the incubatee, different options are explored.

- **Working capital loan**: For a select number of incubatees, ParqueTec offers credit for concrete business needs (mostly hardware), with a maximum limit of $ 8,000. This loan needs to be repaid within six months.

- **Finance on the basis of a purchase order**: In situations where ParqueTec incubatees have an order, but need cash flow to finance the production, ParqueTec can provide finance, based on a signed order.
Monthly ‘salaries’: ParqueTec has provided a selected number of entrepreneurs with a monthly income of $1000 to $1600, for a period of 6-8 months to allow the incubatee to resign from employment and dedicate all their attention to the development of the business.

All support and services from ParqueTec are repaid as a percentage of the sales revenues, during a period of two times the period the entrepreneur was in the programme.

With the support of the InterAmerican Development Bank, ParqueTec also established an angel investor’s network of 45 members. The network meets three times a year, yet despite a matching grant of the IADB, only six investments have been made since 2007.

**LESSON: Angel investors need robust businesses**

Angel investors in the network are not interested in project ideas, they have more confidence in a more robust and experienced business.

- Services
  
  During the incubation phase, training courses and workshops are organised for incubatees around different topics. These are usually held on a Saturday morning. In addition, mentoring provided in the project stage, is now tailor made and depending on the incubates need.

  Another incubation service provided by ParqueTec is the “Board of Directors simulation”. ParqueTec monitors each company under incubation by simulating quarterly Board of Directors meetings. The mentor/coaches and the directors of ParqueTec are represented on the simulated Board. The simulated Board Meetings are held to approve, postpone or reject new plans of the enterprises under incubation. The simulated Board has no legal position or responsibility; it is a formalised structure of advice. It is also a good tool to align the work of the coaches/mentors and to formalise the contact with the ParqueTec directors.

**Incubation for rural “base of the pyramid” entrepreneurs**

A. Application process.

Rural “base of the pyramid” entrepreneurs are supported by ParqueTec through donor projects. The donor has usually identified a specific target group, focussing for example on a specific sector (eg. artisanal products), or a specific target group (eg. female entrepreneurs).

**LESSON: ParqueTec needs strategic partners in the rural areas**

The partner (for example, the municipality) needs to introduce the incubator and provide support in selecting the entrepreneurs. This is important in order to build trust, and to understand the entrepreneurial conditions in the town or region, which can vary widely.

B. Incubation process

- Introduction workshop

  The rural project usually kicks off with an introductory workshop for rural entrepreneurs and project stakeholders. The objectives of the workshop are to:
  
  - Set the agenda: What are we going to do? How?;
  - Start working on a training plan with each entrepreneur by having them apply some self-assessment tools, the results of which are discussed in the group;
  - Create a common understanding of the terminology that is used, such as ‘business plan’, ‘cash flow’, ‘market’, ‘product’, etc.

Loan and equity finance can be considered out of ParqueTec's own funds. Conditions are flexible and negotiable.
- **Long distance mentoring combined with visits**

Currently, the mentor and the entrepreneur have bi-weekly meetings, of which the majority are conducted on the business premises of the entrepreneur. The meeting with the entrepreneur lasts for about two hours. Before each field visit, the consultant drafts a visit plan, which is discussed with the executive director of ParqueTec. The plan outlines the topics of discussion, and is used as a means for ParqueTec’s management to monitor progress and carry out a quality control check.

After the first months, the frequency of face-to-face meetings is reduced, and interaction is mostly through email, phone, SMS and Skype. The frequency and means of exchange vary from entrepreneur to entrepreneur, and from consultant to consultant, depending on their preferences.

Not all entrepreneurs are computer-savvy. For instance some needed computer training before they were able to use Skype. About 50% of the rural clients have access to a computer with internet. To be able to service entrepreneurs without internet access, the project set up a computer with an internet connection at the local municipalities. Rural entrepreneurs thus also have the option of coming to the municipality for Skype sessions.

- **Group coaching**

For coaching sessions on generic topics, such as market niches or strategic thinking, ParqueTec consultants organise their sessions around small groups of 3-5 rural entrepreneurs. For example, the entrepreneurs take turns to present their business strategy and ask for feedback; from the mentors as well as their peers. ParqueTec perceives that this peer-to-peer feedback is often of high value. However, not all mentoring topics can be discussed in group settings.

**LESSON: Trust needs to be established**

ParqueTec combines long distance coaching with face-to-face individual coaching and workshops for groups of entrepreneurs. Long distance ‘troubleshooting’, in particular providing an answer for a specific question, has worked well. Nonetheless, before entrepreneurs call or send an SMS about a specific issue, a trust relationship needs to be established first between the coach and the entrepreneur.

- **Workshops**

Rural based incubatees are also invited to workshops or company visits at the office of ParqueTec. Besides saving costs for ParqueTec, these workshops are an opportunity to the entrepreneur to be exposed to another business environment, and to meet other entrepreneurs from different backgrounds and regions. The workshop is often combined with a visit to a company with is considered to have an interesting business model for the participants.

- **Board of directors simulation**

ParqueTec offers a “Board of Directors simulation” service to rural BoP entrepreneurs. The incubatees learn to present their businesses and future strategies to the simulated Board. The directors of ParqueTec and the coach are represented in the simulated Board Meetings, and if possible also other members from the community of the entrepreneur are invited. These can be local municipality staff, local bank staff or others, as deemed relevant for the network of the entrepreneur.
SECTION 3: ORGANISATIONAL SET-UP AND GOVERNANCE

Funding
- Revenue generation
ParqueTec does not receive any operational grants. The Foundation has blended revenue sources. An estimated 40% of the annual budget is covered by income which is generated through the companies under incubation, who are not supported by a donor/government-funded project.
  - Project-stage entrepreneurs pay a $100 per month in membership fees
  - Companies under incubation contribute 1% (or in some cases a higher percentage) of the gross sales value. ParqueTec currently counts with 20 starting and established enterprises, of which 6 are generating revenues.
  - ParqueTec holds shares in three former incubatee enterprises, of which one is now negotiating with a venture capitalist. The intention is that a venture capitalist will replace ParqueTec shares.

ParqueTec experienced an 80% repay of their small seed capital finance of max $8,000. This high repayment rate may be related to 1) the screening of entrepreneurs in the project phase; 2) ParqueTec having a strong say in how the funds are put to use; 3) continued mentoring and monitoring through the Board of Directors simulation structure.

LESSON: Carefully consider equity
ParqueTec only takes equity in a few selected cases, because if difficulties arise in the relationship or in the company, it has proven difficult to separate. Equity is only considered in cases where 1) ParqueTec’s founder has a good relationship with the entrepreneur, 2) ParqueTec has clear added value and 3) the business proposition of the enterprise is promising.

Apart from the ‘commercial’ business incubator activities, ParqueTec also implements rural business incubation projects for various donors and provides training and consultancy services related to business and entrepreneurship. The profits generated by these consulting services contribute to covering the costs of, or making investments in, the incubator.

- Main cost items
ParqueTec’s main costs are the staffing costs. Transport costs (either travel costs of consultants to the rural regions, or bringing entrepreneurs to the capital) are also significant for the remote clients. The building and facilities form a mere 5% of the annual budget.

Governance structure
ParqueTec is a not-for-profit organization with a Board of 5 members. The Board of the Foundation is a legal requirement.

The founder and director of the incubator is the driver behind the organisation. ParqueTec builds on its network of donors and business relations, and it is responsible for the financial management, including loan and investment decisions. The Executive Director is responsible for operational issues and the implementation of projects.

Funder requirements
Reporting requirements are set, depending on the specific projects supported by donors. To date, these requirements have not lead to any significant changes in either the general incubation process or the monitoring and evaluation structure.
**Case Study Reports**

**Case study reports to InfoDev publication: “Lessons learned on virtual business incubation”**

**Staffing**

- **Type of staff**

ParqueTec’s full-time staff consists of two directors and 3 secretarial/support staff. The training and coaching services of ParqueTec are provided by freelance consultants. Most have been working for ParqueTec for a long time, and spend between 25% and 33% of their working time for the incubator.

Required skills of the consultants include:

- Possessing the required know-how and experience, not on an academic level but on hands-on level, in the field of business finance, strategy, HR.
- Being able to level with a wide range of entrepreneurs (from micro-enterprise to MBA level entrepreneurs)
- Being willing to travel

**LESSON: Levelling with rural entrepreneurs requires specific skills**

The mentors/coaches with many years of experience in incubating ParqueTec urban companies had a lot to learn before they could level with entrepreneurs in the coastal zone, in terms of:

- being less demanding/ work in a different rhythm
- working during different business hours
- understanding the cultural challenges at village level (often elated to relatives / other villagers being a stakeholder in the business)
- coaches needed to change their vocabulary

**- Motivation model**

There are no financial incentives for staff. Staff work out of a personal motivation to promote entrepreneurship and SME development in the country. Trainers and coaches, however, work on a freelance basis, and may drop the work in the incubator if more attractive assignments come up. Working with free-lance consultants offers a benefit to ParqueTec, as they have access to a pool of experts with a wide range or expertise, who can be contracted whenever needed (flexible costs). Working with freelancers however also implies that consultants may be busy on other assignments when needed at the incubator. This can affect the quality the incubator’s services negatively.

**LESSON: Need to better document the incubation process**

With the increasing number of part-time coaches, and intensity of face-to-face contact between ParqueTec directors and the coaches diminishing, ParqueTec needed to better systemize and document the incubation process. Coaches could become unavailable, and ParqueTec was not informed about the status of the entrepreneur. New structures were developed and are now in place to reduce dependency on individual consultants.
SECTION 4: CLIENT PERSPECTIVE

Results
- Benefit per company
ParqueTec’s support in business finance is seen as the most important support provided by the incubator. The flexible/negotiable conditions have suited the stages of the personal and business development very well. Especially ParqueTec’s ‘salary-financing’ for 6-12 months highly valued. Once able to work on business full-time, entrepreneurs felt that their business developed much faster and they could more effectively use the incubator support.

Entrepreneurs expressed that the incubator could be a stronger motivator and “push for results” instead of leaving the entrepreneurs to “find their own rhythm”. According to them, there is also a downside to ParqueTec’s flexibility and patience.

Many of the cubicles and offices are empty during the day, because the incubatee has a full time job elsewhere. As a result, entrepreneurs do not make progress, lose their motivation, synergies and exchange with other entrepreneurs is limited. Exchange does take place during the Saturday morning workshops, however the difference between full-timers and part-timers is very big.

With respect to the services received, points that were mentioned included:
- The ParqueTec Board of Director meetings resulted in veto’s on several occasions, which were accepted by the entrepreneurs. In retrospect, entrepreneurs appreciated the feedback, which helped them to set priorities in a professional setting and structure.
- One entrepreneur was linked to venture capitalists/angel investors. He was joined by ParqueTec’s Director at important meetings, which added credibility.
- Entrepreneurs value exposure in different newspapers and on TV;
- Entrepreneurs expressed that the quality of the coaching services very much depending on the coach itself. At one time ParqueTec changed a number of coaches, and the incubatees felt that the service improved.
- Feedback on the “entrepreneurial style” was not always appreciated. In some cases, conflicts arose with Human Development consultants, because entrepreneurs did not appreciate feedback on their personality.
- Some entrepreneurs felt that the incubator should have better connections in the business sector in which they are active.

- Benefit to the business enabling environment
ParqueTec aims to contribute to a more entrepreneurship-oriented culture, and a more favourable SME business climate. It has organised a number of events that train government staff or financial sector players on the importance of entrepreneurship and SME development. This has contributed to a number of governmental changes, one bank is sponsoring the business incubator and considering lending money to SMEs.
4.6

SECTION 5: LESSONS LEARNED AND APPLICABILITY

Summary of lessons learned

-> LESSON: Entrepreneurs’ requests for business finance are not always realistic
All entrepreneurs would state they need finance to start or grow their own business. However, not all entrepreneurs understand the implications of external finance (such as losing a mandate, or high interest rates). When entrepreneurs gained a firmer grasp of the consequences of external finance, some sought other means to reach their objective.

-> LESSON: Carefully consider equity
The incubator only takes equity into consideration in a few selected cases; because of this, difficulties arise in the relationship or in the company, it has proven to be difficult to separate ways. Equity finance is only considered in cases where 1) ParqueTec’s President has a good relationship with the entrepreneur, 2) ParqueTec has clear added value and 3) the business proposition of the enterprise is promising.

-> LESSON: Angel investors need robust businesses
Angel investors in the network are not interested in project ideas, they have more confidence in a more robust and experienced business.

-> LESSON: Repayment of loans is good, if the money is put to a well-considered use
ParqueTec noticed that their small seed capital finance of max $8,000 was repaid in 80% of the cases. This high repayment rate may be related to 1) the screening of entrepreneurs in the project phase; 2) ParqueTec having a strong say in how the funds are put to use; 3) continued mentoring and monitoring through the Board of Directors structure.

Virtual incubation lesson

-> LESSON: Trust needs to be established before long distance coaching is effective
ParqueTec combines long distance coaching with face-to-face individual coaching and workshops for groups of entrepreneurs. Especially long distance ‘troubleshooting’, that is; providing an answer for a specific question, has worked well. However, before entrepreneurs call or send an SMS about a specific issue, the coach and the entrepreneur need to have a relationship of trust, which takes time to develop.

-> LESSON: Levelling with rural entrepreneurs requires specific skills
The mentors/coaches with many years of experience of incubating with ParqueTec urban companies had a lot to learn before they could level with entrepreneurs in the coastal zone, in terms of:
- being less demanding/ work in a different rhythm
- working during different business hours
- understanding the cultural challenges at village level (often elated to relatives / other villagers being a stakeholder in the business)
- coaches needed to change their vocabulary
ANNEXES

4.7 SOURCES

The section below provides a list of documents consulted and people interviewed for the preparation of this case study:

- Mr. Marcelo Lebendiker; Founder and President of ParqueTec
- Mrs. Petra Petry; Executive Director
- Mr. Juan Carlos Torrealba; trainer / coach
- Mr. Carlos Salas León; trainer / coach
- http://www.parquetec.com

4.7.2 ENTREPRENEURS INTERVIEWED

The section below provides a profile of the ParqueTec entrepreneurs interviewed:

1. ADITI Multimedia
Mauricio Robles
www.aditimultimedia.com
info@aditimultimedia.com

*Further information on ADITI Multimedia*

ADITI Multimedia is an INCT based company, that is developing software to sell music and other digital products through interactive kiosks, that "dispense" the contents either in physical formats (burned onto CDs, DVDs or BDs) and in digital format (on USB sticks, SD cards or directly to devices such as iPods or smart phones). This solution allows anyone to have the opportunity to buy or rent within 5 minutes all types of digital content at affordable prices offered by the digital world, regardless of the type of players we have at home to enjoy them (DVDs, computers, video game consoles, etc), whether or not a they have access to broadband internet or a credit card that is accepted internationally.

Mauricio Robles is the founder of ADITI Multimedia, who realise that technology development takes a 2-3 year investment before it starts to generate cashflow. He joined ParqueTec, who he got to know during a ParqueTec lecture on entrepreneurship during his university education, because of the unique offer of combined business development services and financing. ADITI has been under incubation now for one and a half years, has secured its first contracts, and is currently negotiating with two venture capitalists.

2. SQL Consultores
Luis Ulloa Bonilla
www.sqlconsultores.com
lulloa@sqlconsultores.com

*Further information on SQL Consultores*

SQL Consultores offers administrative software and consulting solutions based on the specific demands of their clients, such as organizational structure, internal procedures, and information and security systems.

When Luis Ulloa joined ParqueTec in 2004, SQL Consultores already existed but was struggling to survive in an increasingly competitive market. ParqueTec provided technical and financial support, which assisted the company in developing a new strategy targeting niches in the market. The strategy and new partnerships proved their worth, and in 2008, SQL Consultants counted with 15 employees and an annual turnover of $ 500,000. However, in 2009, the company experienced misfortune as important customers continued to delay their payments and SQL had discontinue its projects. The company now counts
with 3.5 staff and is supported by ParqueTec to redefine its business model and seek ways to repay its debts.

3. Tech in Agro
Freddy Alvarez
www.techinagro.com
falvarez@techinagro.com

Further information on Tech Agro
Tech Agro is a software development and consulting company, specializing in software solutions and web based technology for agribusiness exports. The company developed a software package, called E-Agro, offering real-time information on the production status, packaging requirements, export logistics, tracking and billing of several commodities. The company has attracted several large clients, including Frutex, the apex agricultural export organisation of Costa Rica.

Tech in Agro joined ParqueTec in 2007, when the company was established. Its management made use of the ‘monthly salary’ option during 8 months, so that they could dedicate their full attention on the start-up of the company. In 2009, Tech in Agro established its own office, and renegotiated the contract with ParqueTec. The new contract no longer obliges Tech in Agro pay a percentage of the sales value to the business incubator. According to tech in Agro, this arrangement was not doing well for the business, because the narrow margins made on sales were needed to keep the business afloat. Tech in Agro has so far repaid the value of the services received from ParqueTec, and repayment of the loan is scheduled end of 2011.

4.7.3 ADDITIONAL INFORMATION

Budget
ParqueTec budget from 2006 – 2010:

<table>
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<th>Budget heading</th>
<th>Total $</th>
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<td>Building, facilities, support staff</td>
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<td>Training and mentoring services</td>
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<td>Seed capital fund</td>
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<tr>
<td>Special support to incubates</td>
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<tr>
<td>Administration</td>
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<td>External audit</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,382,000</strong></td>
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SECTION I: BASIC INFORMATION

Background
Since 2001, Villgro Innovation Foundation has focused on innovations with a social impact on low-income markets (the “base of the pyramid”) in India. Villgro empowers rural development by identifying and incubating innovations that can be translated into market-based models and impact thousands of rural households. Villgro considers itself an “angel incubator”, meaning a hybrid of an angel investor and a business incubator for innovative social enterprises with an impact on rural communities in India. It offers funding and (virtual) incubation services to its incubatees, who are located in Chennai, like Villgro, or in other towns and areas across India. Although the funding is managed as an investment, it is in fact a grant because by Indian law, an NGO is not allowed to participate in companies or provide loans. Villgro’s main donor has been supported by the Lemelson Foundation from the USA, who have supported them for over a decade.

In order to impact rural life, Villgro actively promotes social entrepreneurship and works with different stakeholders to create and support an eco-system that empowers social entrepreneurship by means of seed funding, mentoring, networking and recognition.
**Type of clients**

Originally, Villgro worked mostly with micro entrepreneurs and what it calls “grass-roots innovators”, mainly based in rural areas. However, Villgro experienced that these micro enterprises often missed the ambition, assets and skills required to up-scale their business and impact. Also, the grass roots innovators were often unable to commercialise innovation. As a result, in 2008 Villgro redefined its strategy and turned to more business-minded (and more urban-based) entrepreneurs who commercialise inventions or innovations that are socially relevant to the rural target group.

Villgro scouts for enterprises in the “early-late” state of development; enterprises that have already been operating for a short while and have passed a number of basic hurdles, although are not able to promote/market their business to banks or investors. The main aim is to support incubatees through this second stage of development, until the point where the businesses can attract finance themselves.

Villgro incubatees are all social enterprises, which in Villgro’s definition are viable enterprises that produce goods and services that improve the livelihoods of the rural poor; or involve and employ the rural poor.

**Capacity**

Typically, Villgro incubates 10-15 companies at any one time. The capacity is limited by the funding that is available (around EUR 300,000 in 2010). Depending on the needs for funding of the current incubatees the number can increase. Another limiting factor is the stringent constraints of Villgro’s mission: finding companies that satisfy all conditions, even in a country as large as India. Villgro has capacity to offer its non-financial services to other enterprises, yet does not elect to do so, believing that business incubation without funding makes no sense for innovators.

**Achievements**

Overall, in its ten years of existence, Villgro has identified and activated more than 2000 social innovators and incubated over 43 innovations (companies). Before the current approach was adopted in 2009, the foundation focussed more on micro enterprises and offered mostly services to support social innovation.

Villgro estimates that in general 40% of incubatees fail, 20% result in a stable, but not growing company, and 40% result in a successful and growing company. Considering the 43 so far, this results in about 26 successful businesses created.

Villgro bases its social impact on the number of people that are reached through its supported or incubated enterprises, as consumers and as employees. In this way, Villgro estimates that it has had a social impact on 360,000 rural users.

**Future outlook**

In the future Villgro wants to engage with its incubatees as an equity investor, instead of offering soft loans or grants as it does and did in the past. To this end, it is in the process of converting the legal form of the foundation so that it is able to take on equity and provide loans. This will enable Villgro to recover some of the funding it provides to the most successful incubatees by selling its share via management buy-outs or to local operating commercial and angel investors. Also, by becoming an equity holding entity it can develop an investment fund, and attract funding from more sources than now.
5.2

The main services are:
- Selecting the appropriate mix of members
- Hosting the entrepreneurs
- Member-driven, HUB-branded entrepreneurial activities

SECTION 2: SERVICES

Main services
Villgro sees itself as an “angel incubator”, offering both funding and incubation services to its incubatees. The main services are:
- Funding
- Incubation services (mentoring, business support services, referrals, fellowships,
- Network access

- Funding
Since 2009, Villgro has focussed on existing start-ups that require finance and support to develop to a level where commercial financing (equity or debt finance) is available. Villgro bridges the gap between a small start-up and an operationally viable business that can grow further on its own.

Villgro strongly views funding as an essential tool for truly innovative enterprises; without being able to fund the incubatees, Villgro believes that it cannot offer either valuable business incubation services, nor can it exert sufficient steering to ensure that innovators stay the course they have chosen in their business plans. Villgro is represented on the board of each incubatee, and spends considerable resources on mentoring the management of the companies.

Currently, the typical investment per company is EUR 35,000-55,000, plus business incubation services, totalling around EUR 70,000 per incubatee.

LESSON: Innovation requires patient and risk-bearing equity finance or grants, above all other
Innovative start-ups, with a new product for which often a new market(ing channel) has to be developed, cannot be successful with debt finance, even if it was available. Cash flow problems would suffocate any innovative business which has – like Villgro’s incubatees – typically a gestation period of 5 years.

- Incubation Services
Villgro’s incubation service has four key elements:
  1. Scouting and selecting incubatees
  2. Mentoring
  3. Fellowship
  4. Support services

Step-1: Scouting:
Scouting for new investees/incubatees is Villgro’s main challenge: with a demanding mission (must be a committed, able entrepreneur, must be innovative, must have a social effect, and effect must be on rural people) the number of viable choices are limited, even in a large town as Chennai. Hence the search is done across India, and many incubatees are either based in a rural area, or in other towns like Mumbai.

Villgro identifies the inventors and entrepreneurs during the early, high-risk stages of developing, testing, and refining their ideas. Through various channels – like networks, referrals, ‘Wantrapreneur’ business plan competition, and other partner business plan competitions.

LESSON: Real innovation needs grants or patient venture capital for incubation
LESSON: **Selection is also about learning and changing the business concept**

**Step-2: Screening:**
The scouting team (primarily the portfolio managers) will study the application. During the process clarifications are asked and, based on that, the team will present the case to the screening committee which meets every week headed by the CTO (Chief technology officer). The screening committee decides if the application meets Villgro's criteria or not. The scouting team gets back to the entrepreneur if any clarification is required. Finally, the screening committee decides if the application can go to the next level or not.

**Step-3: Due-Diligence:**
Once the screening committee decides that the basic criteria have been met, the application is promoted to the due-diligence stage. The due-diligence process typically takes up to 3 months, and involves two committees.

The incubation team contacts the entrepreneur and performs a detailed study of the entrepreneur, the enterprise, the industry and the types of incubation support that may be required. This report and its recommendations will be presented to the incubation committee headed by the CEO.

The Incubation committee decides, based on criteria such as (1) scalability, (2) viability, (3) innovation component, (4) potential to create impact, (5) effect on rural people, which applications can be passed on to the investment committee.

**Step-4: Investment committee:**
The investment committee is an external body comprising of experts, and meets four times a year, once every quarter. This committee, which takes the final decision on an enterprise's eligibility for incubation at Villgro, invites the entrepreneur to present the enterprise and business plan. Prior to making the presentation, the entrepreneur is assisted in preparing an incubation plan detailing the service offerings provided by Villgro and financial utilization plan.

**LESSON: Villgro’s social mission restricts choices and increases cost, but is attractive to donors and social investors**

**LESSON: Long and stringent due diligence procedures are a key part of incubation**

The due diligence process not only helps to reduce the failure rate; it is primarily an exercise to confront the entrepreneur with his/her business idea and concept. In this process the candidate will learn, adapt, and change – at a stage when that is still relatively easy.

**LESSON: Personal networks are delivering the best candidates; BPCs deliver volumes, but less quality**

Villgro spends significant resources on business plan competitions (BPCs), conferences with awards, marketing campaigns and web searches to find new viable candidates. This does result in new incubatees, yet the majority of candidates still come through “referrals”, i.e. network contacts that have brought a new entrepreneur in touch with Villgro.
CASE STUDY REPORTS

Villgro challenges itself with the selection criteria it uses. Out of an annual 10,000 applications, only an average of 15 companies are found eligible for incubation. If it were to broaden its scope (like focussing on socially relevant innovation in general, not only rural) its choices would not only widen dramatically, but would make access to funds more difficult as social investors would request more commercial return on investment.

Incubation services go on for 2-3 years
Villgro’s goal is to see innovators’ ideas come to life. Once the business has a positive operational margin, the incubatee is stimulated to seek commercial funding with the help of Villgro, if needed. Once an investor is found, Villgro halts its incubation services (but may stay in the board).

Villgro withdraws, if an incubatee fails to reach expectations, exhibits a lack of transparency, indulges in unethical practices, or fails to repay loans as per the schedule. Before such a decision is made, it needs to be approved by Villgro’s Advisory Board. Two weeks’ notice will be provided to the incubatee, and the reason for the withdrawal will be documented. Finally, an exit interview will be organized which will be attended by the Villgro team as well as the team of incubatee(s).

Mentoring
Villgro places heavy emphasis on the mentoring part of incubation; all companies it invests in are put under its “review system”:

- After a business plan has been developed and agreed, milestones are defined and once every week a portfolio manager is contacting the company on the phone to discuss challenges and possible requests for support.
- Once a month, a “heavy talk” is done in the presence of Villgro’s director (who is on the board of the enterprise); here the performance and progress of the preceding month is reviewed critically and incubatees are encouraged to adapt, if needed.
- Finally, there is a quarterly meeting with the board of the enterprise, face-to-face and in the company’s location.

LESSON: Creating a board for an innovator company is crucial
Boards are not just for larger companies, they are vital for small innovative companies, which require more advice, steering and network access than conventional businesses. The board is also vital to attract commercial (or angel) investors later on — no investor steps into an enterprise without a reputable and active board.

Mentoring is more than the review process. Through its fellowship programme, Villgro identifies external mentors if needed, who can bring in day-to-day advice for practical challenges, referrals and offer networking access.

The Villgro Fellowship is a 1-year program that aims to cultivate a pipeline of future leaders, who have the social commitment, leadership and operational skills to bring about permanent change in rural India, using principles of social entrepreneurship, while filling a critical talent gap within Villgro’s incubatee companies.

Each incubatee has one fellow assigned, for 6-9 months, in each year of the incubation period. Fellows are recruited by a special team within Villgro, out of typically 250 applications, 10-15 are selected. The typical fellow is academically schooled, has some working experience and is entrepreneurial and committed to social enterprises. Villgro’s strong international reputation is a crucial factor for attracting applications from potential fellows. Fellows are receiving a small remuneration (app. EUR 350 per month) and are reimbursed for their travel costs.
Villgro believes that the fellows are the most important service it has to offer to the incubatees, after funding. A fellow should bring talent to an innovating enterprise that it can otherwise not afford at this stage of development. Also, fellows motivate and can develop systems or marketing channels as the starting enterprises lack time and resources. Fellows can also offer skills and market contacts, though it is their personality that mostly is the key value.

LESSON: Fellows cannot be used for long-distance control

LESSON: Fellows are working for the company not for the incubator
Initially, the fellows were also seen as Villgro’s “eyes and ears” in the company (that may be far away from Villgro’s base). However, this has put the fellows in a conflict of loyalty, and was abandoned: now fellows are there to struggle with the company; only if things are getting off the rails dramatically, fellows are part of an early warning system.

Support Services
Villgro does not place heavy emphasis on business education, trainings and consulting; if need be, it refers incubatees to appropriate service providers. It has developed a referral system for reputable consultants and other service providers. Most of the time, the staff is referring incubatees to support services, or helps to develop joint service delivery. Support services are funded by the incubatee, as part of their operational cost. In some cases, Villgro can fund the cost of the service, if it agrees that services are necessary.

More important are its practical business support services to incubatees, like HR services. The Villgro HR manager services several companies with recruiting, contracting, legal matters and the like, which helps to save money by economies of scale.

Network development and access
Villgro invests a significant amount of time and resources to develop its networks and reputation in the social enterprise sector as a leading player. This reputation is vital to attract venture capitalists and angel investors for the incubated companies. A strong brand or reputation also offers access to clients, partners and knowledge within the sector for the incubatees. For example, the annual events organised offer a chance for the newcomers to showcase their products and businesses. Special emphasis is placed on media presence, high profile individuals and attendance of investors.

Some examples of Villgro’s network events are:
- InnoHub - The Innovation Fair - INNOHUB is a trusted and transparent business platform conceived by Villgro, to facilitate business partnerships between Innovators & Entrepreneurs and other stakeholders such as Investors for commercialization and the up-scaling of products and technologies conceived for rural markets either as a Consumer or a Producer.
- Unconvention - where path- breakers meet path- makers; the event is organised once a year; and is specifically focused on catalyzing and celebrating socially useful breakthroughs and leveraging social entrepreneurship to change the lives of the Rural Poor
- Wantrapreneur - the Business Plan Competition for social entrepreneurs is an annual event hosted by Villgro. Identifying and recognizing innovative social enterprises that have the potential to transform rural lives in India

International network
Villgro has built a reputation and links with many international platforms and organisations with whom it shares its vision on social enterprise innovations and works with to promote the cause in India. It also has contacts with the business community in India and abroad, and connects with funders and internationally operating VC (value chain) funds.
CASE STUDY REPORTS

Business environment requirements

- As Villgro aims to bring pristine start-ups to the next level of funding, a vibrant network of private investors/venture capitalists interested in smaller tech-companies is required (which is not the case anywhere, but it does exist in India).
- Most of the innovations that Villgro incubates are knowledge-intensive, and originate from university-like environments; a supply of well-educated entrepreneurs and functioning research institutes are required to succeed in many cases.

5.3 SECTION 3: ORGANISATIONAL SET-UP AND GOVERNANCE

Funding

- Sources of funding

Villgro, as of now, is a NGO under Indian law. Villgro receives app. USD 1 million in funding each year, 80-90% coming from the Lemelson Foundation, a US-based fund with a (relatively) unique mission to improve lives through supporting innovation in businesses that have the potential to impact development and people living in poverty. Other (though minor) donors include the Rockefeller Foundation and the Dutch NGO Hivos.

- Main cost items

The main cost items are:

- Funding of incubatees (ca. 30%)
- Fellowship programme (ca. 10%)
- Staffing, overheads, administration, expansion plans etc. (ca. 35%)
- Networking, events, BPCs, marketing etc. (ca. 25%)

Although an angel investor plus incubator, the majority of the cost is not the funding of enterprises but the incubator itself and the services related to incubation. A significant proportion of the operational cost is not directly related to the incubatees but goes into “eco-system growing”: this is Villgro’s engagement to support the development of the social enterprise sector in general, though events, trainings and other awareness-like activities. This may consume around a third of the operational cost.

- Revenue generation

Villgro’s revenue generation model has changed over time. Initially, Villgro (under another name) provided only support services with little or no fees charged. After that, “soft loans” were given out, which in the Indian context (inflation) signified at least a 50% subsidy. Though no figures are available, the repayment performance was small, according to staff. In the current model, Villgro provides grant funding, hence nothing is recovered.

Funder requirements

The main funder, Lemelson Foundation is a “social investor” who care about the fulfillment of its mission, namely to “improve lives through inventions”. Villgro needs to show that it can create viable, up-scaleable and relevant businesses through its formula. It is accepted that many incubatees fail in the process, since the explicit aim is to fund truly innovative companies, which have a high-risk profile. Successful enterprises, and a contribution to the innovation network of social enterprises is what matters to Lemelson Foundation.
An advantage for Villgro is that it has one main funder that is loyal and has a long-term vision to support Villgro. This enables an easy alignment of the mission with the funder, and allows Villgro to stay focused on its core activities. At the same time, if this relatively unique source of funding is lost, Villgro may have difficulties to raise a similar amount from multiple donors, who may have differing views and requirements.

**Governance structure**
The central role in management is taken up by the founder and current CEO, Paul Basil. He is essentially a social entrepreneur who has developed the organisation, and receives funding from donors with a matching vision.

In line with what Villgro demands from its incubatees, a strong board has been established for Villgro, which contains a number of high-profile members from different segments of the social enterprise sector, including a CEO from a micro venture capitalist, HR specialists, senior executives from industry and board members with good links into funding agencies. The Indian Institute of Technology in Madras (where Villgro is located) is also represented on the board.

**Staffing**
- **Key staff functions and competences**

  Villgro employs a full time equivalent of 15 (salaried) staff, including the management. Next to that, around 10-15 fellows are working in the incubated companies. The staff in Villgro has the following functions:
  - One director
  - 3 portfolio managers, who are working directly with the incubated companies, and do much of the scouting for new candidates
  - 3 staff are working mainly on networking (-events) and fundraising, and offer referral services for (external) business support services and capacity development
  - 3 staff are working to organize the fellowship programme, including the application and selection process, the introduction trainings, and the support for the existing fellows
  - a further 5 staff are working in process administration

Most staff members are academically schooled, and the senior positions (e.g. portfolio management) are filled with staff with significant working experience. Overall, the organisation is still relatively “young”. The fellows are typically 30 years old, roughly 60% from US/Europe, 40% from India. All are graduates from universities, with some exposure to real entrepreneurship or relevant working experience (can also be obtained during studies).

For many services and activities Villgro contacts consultants and trainers, who are contracted on a need basis, or sometimes volunteer their services.

- **Motivation model**

  Villgro has a strong standing as an organization in the field of innovating social enterprises, and many staff members are (also) attracted to Villgro for the learning and networking possibilities the work can offer. Similarly, the large numbers of fellows are attracted by the learning opportunities and the strong brand name Villgro can offer, besides the idealistic motives to offer their support to the companies.

  Incubator staff and more so volunteering fellows are earning below market level and are motivated by their alignment with the mission of Villgro, namely to support the development of social enterprises to improve lives. There are no financial incentives for staff.
SECTION 4: CLIENT PERSPECTIVE

Results
- Benefit per company

Villgro is currently building a MIS database to consolidate the monthly reports sent by the companies; as of now a review of the current portfolio was not possible. The three interviewed incubatees all considered that the funding was strategically important to obtain in the stage of development they had reached. However, the more “high flying” the incubatee the less crucial the services of Villgro have been - strong and high potential start-ups have other options to seek funding and support services. However, as Villgro offers (in effect) grants, its funding is preferred in any case. Here, the commercial aim (to develop growing enterprises) and the social mission (which leads to donor funding) can be a conflict of interest: for a donor, investing into a company that is already likely to succeed is often seen as “not additional”, while it is a well-placed investment success for the investing incubator.

LESSON: Balancing the use of donor money and commercial objectives is precarious

It is a delicate balancing act between the interest to use donor money for purposes that otherwise would not have materialised, and the drive to invest in the best possible companies. However, shifting away from the mission is not an option for Villgro, and would lead into a whole new game.

Not all incubatees have the same profile and preferences regarding the other, non-financial services of Villgro: for some, the mentoring has been the ex post most important aspect of business development. Examples are tech start-ups that focus on technology and less on management, and have been through a tough learning process with Villgro’s review system. For others, the networking access is more important.

All agreed that the brand Villgro has helped them in many ways to improve their business: being incubated by Villgro is – within the social enterprise sector – a seal of quality and signals seriousness and potential. This offers new access roads to commercial investors, access to clients and motivates new staff.

LESSON: Building a brand name as incubator is an expensive but good investment

Villgro spends a lot on events, networking and reputation building in its sector, which is costly on the short term. On the longer term, however, this helps the incubator to be (and remain) attractive for funders, and offers a key (commercial) advantage for incubates, which improves results. Also, Villgro can find and select better candidates as well because it is well known and sought-after or referred to by start-ups.

Fellows were seen as a valuable addition by two of the three interviewed incubatees, and not used by one. Their value is considered by the incubatees is “the spirit” they bring in; many are from abroad, and offer a new (business-) cultural exposure and bring in new ideas, albeit be it that few are experts in the field the enterprise is working in.

Many valued the practical services the incubator has to offer, even though that is not the crucial aspect of the start-up challenge.

Profile of incubates that can successfully use the service.
The typical incubatee is a university-educated, young entrepreneur with a strong affiliation with social enterprises. Some are rural-based grass-roots entrepreneurs; the majority are urban-based.
Benefit to the business enabling environment

Villgro sees its mission in development of an innovating social enterprise sector; the fruits of the innovations incubated are the ability of the rural poor to make use of better products and services, or even earn a living through employment. Villgo’s companies reach to app. 360,000 rural people, according to Villgro.

SECTION 5: LESSONS LEARNED

Summary of lessons learned

- Scouting and selection are crucial
  As an investor and incubator, selecting the right incubatees is even more important than otherwise. Lengthy procedures scrutinising the incubatee is not a waste of time, but a learning process for the incubatee and the start of relationship building with the incubator. Also, it is crucial to invest in an application pipeline.

- Innovation needs grants or patient risk capital
  Real innovation (in a challenging sector) needs risk-bearing investment, not (access to) debt finance.

- Injecting talent through fellowships motivates and improves incubatees
  Fellows are a cost-efficient tool to invigorate a start-up, keeping motivation high and offer new perspectives from an outsider.

- Build a brand name for your incubator!
  Having a strong reputation and high brand name recognition in the sector is a crucial value for attracting funding, good incubatees and delivers better results for the incubatees.

Virtual incubation lessons

Villgro considers virtual as normal, and non-virtual as the exception; its enterprises are located either in the same building, the same city or far away in another town. This means its services are virtual, though in fact identical, irrespective of the location of the business.

Delivering services to incubatees “virtually” does not replace the need to have and build a direct personal relationship, both between the mentors and incubatee, and the service providers and incubatee.
ANNEX

The section below provides a list of documents consulted and people interviewed for the preparation of this case study:

Villgro Incubator staff interviewed:

- Mr. Paul Basil  
  Position: Founder and Chief Executive Officer  
  Email: paul@villgro.org
- Mr. Reihem Roy  
  Position: Portfolio Manager  
  Email: reihem@villgro.org
- Mr. James Rajanavagam  
  Position: Head-Process and RAMP Administration  
  Email: james@villgro.org
- Mr. Mayank Jaiswal  
  Position: Sr. Associate- Business Incubation  
  Email: mayank@villgro.org
- Mr. Ashutosh Kumar Sinha  
  Position: Co-founder & CEO, Villgro Innovation Marketing Pvt Ltd  
  Email: ashutosh@villgro.org
- Ms. Deepti Arya  
  Position: Associate-Capacity Building  
  Email: deepti@villgro.org

Villgro Incubatees interviewed:

1. DESICREW Pvt Ltd

   Ms. Saloni Malhotra  
   Position: Founder and Chief Executive Officer  
   Email: saloni@desicrew.in  
   Tel: +91 44 6515 6669

   About Desicrew:
   Desicrew develop BPOs (Business Process Outsourcing) in rural areas, in contrast to the thousands of BPO’s in urban areas. This way it offers employment to semi-skilled rural people, especially women, who wish to work in villages or are unable to relocate due to family commitments. The salary levels offered range from Rs. 3000-15000 per month depending on the education level and experience. This is substantially higher than the other sources of income that rural employees typically have. Further, they are treated as permanent employees, and get other benefits such as a provident fund or a medical insurance.

   DesiCrew has grown to a 100 plus member team in 6 offices offering seven different services. It delivers to over 20 clients, both domestic and international, on a monthly basis, and it the first BPO in India working in challenging rural conditions, successfully.

   Desicrew was first incubated with a university incubator and came to Villgro to finance its growth and further professionalise its organisation. It received a soft loan and support services from Villgro, and has now attracted a private investor to expand the business. It valued the funding that came at a time when there were no viable commercial options available, and the wide range of business support (like the shared HR services), the fellows, and advice and support through the board.

2. Arogyam Organics Pvt Ltd

   Mr. Arumugasamy
Position: Founder and Managing Director  
Email: arogyamorganics@gmail.com  
Tel: +91-9942796302

About Arogyam Organic Products Limited - AOPL has created a vertically integrated company that markets organic produce – branded Bhojanam, in tier 2 towns and at the same time sells certified organic seeds and inputs to the same farmers from whom they procure. Arogyam is the first company which is creating organic store franchise in Tier 1 and Tier 2 cities and thereby aiming to democratize organic consumption in India. Having a portfolio of two different but synergistic product lines can be a good strategy to bring down the supply chain cost. i.e. procurement channel of organic produces, Bhojanam can be leveraged as distribution channel of seeds and farm inputs.

AOPL procures at prices that are 10-30% higher than the government regulated price for conventional produce. This is an incentive for new farmers to go organic. Sorting, grading and packaging are currently done manually by women as these are not very physically challenging. At present AOPL has around 18 female employees at different levels starting from drying, sorting, grading and packaging farm products.

AOPL came to Villgro after several years in business, mainly in search for working capital to enlarge its procurement base and trading possibilities. It received a grant from Villgro and support services mainly to do with financial management. For AOPL the funding was crucial, as it was still not a bankable enterprise at the time. The consulting on financial management and business planning was also valuable for management focus.

3. UNIPHORE Software System
Mr. Ravi Saraogi  
Position: Co-Founder and COO  
Email: ravi@uniphore.com  
Tel: +91-9884611611

About UNIPHORE:
Uniphore took this a step forward by collaborating with clients such as RML to provide IVR-Integrated Voice Recognition services to farmers i.e. information on their mobiles through a voice call. Uniphore developed Voicenet that has the potential to reach millions of mobile phone subscribers through different services. IVR based speech recognition technology – VoiceNet that sends information in the form of voice messages or a short conversation that walks the farmers through a set of questions to arrive at the information the caller is seeking. Region specific speech recognition technology is used for 11 different languages in India and the technology also adapts to different dialects.

Uniphore was supported by Villgro with funding and management advice. Uniphore graduated before from the RTBA (university) business incubator and has also received funds from government sources and RTBA. It received an interest free loan to upgrade its financial base (representing about 25% of its capital), for expansion and project pre-financing.

It valued the funding (though not considered as crucial), and the network Villgro can offer in the social enterprise sector, where many of its customers are active in or affiliated with. Mentoring was valuable to bring the company to a new level of management quality, as was the fellowship support and “practical business advice” received.
Annex 6.1: Founders Institute
Annex 6.2: ENDEAVOR
Annex 6.3: Y-Combinator
Annex 6.4: Mobile Monday, Finland
Annex 6.5: West Midlands Collaborative Commerce Marketplace (WMCCM), UK
Annex 6.6: BusinessLink.gov.uk, UK
Annex 6.7: SoftStart BTI, South-Africa
Annex 6.8: MYC4, Denmark
### Table 9: Founders Institute

<table>
<thead>
<tr>
<th>Founders Institute</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mission &amp; Background</strong></td>
</tr>
<tr>
<td>Type: “Commercial”</td>
</tr>
<tr>
<td>The Founder Institute is a global network of start-ups and mentors that helps entrepreneurs launch meaningful and enduring technology companies. The Founder Institute's goal is to “globalize Silicon Valley” by launching 1,000 meaningful and enduring technology companies per year in 30 cities worldwide.</td>
</tr>
<tr>
<td><strong>Clients</strong></td>
</tr>
<tr>
<td>• Technology-start-ups</td>
</tr>
<tr>
<td>• Start-ups with high growth potential, quick acceleration potential</td>
</tr>
<tr>
<td>• Growth stages: after idea generation, accelerating towards large commercial funding</td>
</tr>
<tr>
<td><strong>Enterprise Ecosystem</strong></td>
</tr>
<tr>
<td>“Emerging” and “Advanced”; The Founder Institute works in 12 US and EU cities; next to that in Singapore, Santiago de Chile and Bogota.</td>
</tr>
<tr>
<td>The Founder Institute uses a so-called predictive admission test to select participants. Having a business plan or idea is not required. In each of its locations the Institute facilitates a four month training program with weekly sessions where experienced business people help the selected entrepreneurs develop and launch their new businesses. The curriculum covers all aspects of business from idea generation to revenue models. Mentoring is provided through a worldwide network of over 400 Mentors who are normally the CEO or founder of a successful start-up. The mentors are accessible both during the sessions and through email. Graduates can present their companies at so-called Founder Showcase Events in order to attract investors. Each Graduate contributes 3.5% of their company equity in warrants to a 10-year Bonus Pool with other peers from the current semester. The Pool returns are then distributed as follows:</td>
</tr>
<tr>
<td>• 40% goes to the Founder Institute, its Local Directors and Partners.</td>
</tr>
<tr>
<td>• 30% goes to the Mentors, and each Mentor's individual share is based solely on anonymous ratings received from the Graduates.</td>
</tr>
<tr>
<td>• 30% goes back to the Graduates themselves - allowing them to earn returns based on both their success, and the success of their peers.</td>
</tr>
<tr>
<td><strong>Virtual Services &amp; Tools</strong></td>
</tr>
<tr>
<td>• Sourcing of new incubatees is done through web-based application, with a face-to-face predictive admission test</td>
</tr>
<tr>
<td>• The four-month program with weekly company-building assignments guided by a worldwide network of over 400 Mentors that are founders themselves. The curriculum was initially crowdsourced by the 15,000+ CEO members of TheFunded.com, and has since been improved. The trainings are blended, given in person and with e-learning tools, organised by local branches of FI.</td>
</tr>
<tr>
<td>• FI recruits ca. 25 Mentors for a half-year period, who are normally the CEO or founder of a successful start-up. Mentors are accessible to incubatees in the program during the sessions and through email.</td>
</tr>
<tr>
<td>• Networking and brand-building is strongly relying on virtual tool</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
</tr>
<tr>
<td>In about three years of operation, the Founder Institute has helped launch over 275 technology companies in 17 cities worldwide. About 100 of these launches are considered successful.</td>
</tr>
<tr>
<td><strong>Governance structure</strong></td>
</tr>
<tr>
<td>Commercial Ltd., owned, managed by Mr. Adeo Ressi</td>
</tr>
<tr>
<td>The Founders Institute operates in various locations worldwide. Each chapter is headed by a leader (“franchising” system).</td>
</tr>
</tbody>
</table>
**Main Cost Items**
- Trainings
- Mentorships
- Selection
- Events

**Revenue generation**
FI is financially sustainable/profitable.
- All applicants: a € 0 - € 40,- application fee.
- All accepted course participants: a € 900 course fee.
- All course graduates: a contribution 3.5 % of company equity into a pool for the graduates, mentors and the institute.
- All successful companies: a tuition fee of $ 4,500.

**What’s cool?**
- Very lean organisation (“garage-operated”), and subsequently commercially self-sustaining.
- Highly focussed incubation: people, training, incentives; delivered in a short period (4-6 months), rather than a long effort.
- Admission technique has received praise, and been presented on CNN Money
- Bonus pool is unique construction that may not offer reliable income for FI, but serves also as a motivator to connect and cooperate with the other incubatees in the same “semester” (i.e. pool of incubatees accepted in one semester)

**More information**
http://www.founderinstitute.com/
Table 10: ENDEAVOR

<table>
<thead>
<tr>
<th>Endeavor</th>
<th>“Business Culture oriented”</th>
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<tbody>
<tr>
<td>Mission &amp; Background</td>
<td>Endeavor is a non-profit organisation which helps entrepreneurs in emerging markets overcome barriers to growth. Endeavor helps High-Impact Entrepreneurs unleash their potential by providing a network of seasoned business leaders, who provide the key ingredients to entrepreneurial success, being networks, strategic advice, inspiration and mentorship. Endeavor, headquartered in New York City, was founded in 1997 and currently operates in 11 countries. In each country a local chapter is set-up and operated by local business leaders, supported through Endeavor in NY.</td>
</tr>
</tbody>
</table>

| Clients | • High-impact emerging-market entrepreneurs  
• Entrepreneurs with potential to transform industries  
• Start-ups |

| Enterprise Ecosystem | “Emerging”: Endeavor works in emerging economies: Argentina, Brazil, Chile, Colombia, Egypt, Jordan, Lebanon, Mexico, South Africa, Turkey, and Uruguay |

| Service Package | **Launch**: Endeavor engages local business leaders to form a Board of Directors that will spearhead a country launch. They not only provide financial, strategic and networking support, but their buy-in is necessary to greenlight Endeavor’s entry.  
**Select**: Through a rigorous, multi-step selection process (12-18 months), candidates pass a series of local and regional interviews before presenting to panelists from our global business network to become an Endeavor entrepreneur.  
**Support**: Selected entrepreneurs are provided with customized services from a volunteer network of 1,000+ global and local business leaders (“VentureCorps”) who serve as mentors, advisors, connectors, investors, and role models. Key services are: mentorship; networks; strategic advice; talent; skills; access to smart capital; and inspiration.  
**Global Mentor**: ongoing, one-on-one support  
**Advisory panel**: Endeavor works with Entrepreneurs to build a team of 3-4 advisors from Endeavor’s active global network. The Advisory Panel serves as a “global board of directors,” meeting quarterly with the Entrepreneur to provide feedback on international challenges. This provides Entrepreneurs with critical input from experienced professionals.  
**eMBA Program**: Each year, Endeavor recruits MBA students from leading US business schools to spend 10 weeks during the summer working on-site with our entrepreneurs as “eMBAs.”  
**Mentor Capital Program**: Endeavor actively provides support and key introductions to the financial sector. Endeavor does not invest in or provide financial assistance to its entrepreneurs itself.  
**Give-Back**: Endeavor asks entrepreneurs to donate a portion of equity or incremental revenues to the organization in order to support the next generation of entrepreneurs |

| Virtual Services & Tools | • eMBA programme, recruiting US-based volunteers to serve in start-ups  
• Volunteer networks is operated virtually, with the aim to provide access to networks, capital and advice |

| Impact | Since 1997:  
• Screened over 28,000 candidates  
• Selected and supported 604 entrepreneurs from 385 companies  
• Endeavor Entrepreneurs have created 156,000 jobs and generated $4.5B in revenues in 2010. |
### Governance structure
Endeavour is headquartered in New York City, with 11 independently-run country affiliates in Latin America, the Middle East and South Africa. The board of Endeavor contains a number of high-profile US-based CEOs and entrepreneurs. CEO and co-founder: Linda Rottenberg.

### Main cost items
- Events; for launch, selection and networking (incl. fundraising)
- Mentorships
- Trainings

### Revenue generation
Endeavor is funded almost exclusively by donations from individual and institutional donors (app. 6 million USD/year)
Give-Back program generates a small proportion of income (app. USD 100,000 per annum)

### More information
http://www.endeavor.org/
Table 1: Y-Combinator

| Mission & Background | “Commercial”
Y-Combinator is a venture fund which focuses on seed investments and business consulting to start-up companies. It was founded in Boston in 2005 and currently operates from Silicon Valley. |
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Clients</td>
<td>• Young start-ups: company size of 2 – 4 persons, average age about 26</td>
</tr>
<tr>
<td></td>
<td>• Sector focus: software ventures (other sectors are also considered)</td>
</tr>
<tr>
<td></td>
<td>• Region: US-based start-up companies.</td>
</tr>
<tr>
<td>Enterprise Ecosystem Service Package</td>
<td>“Advanced”: US-based companies</td>
</tr>
<tr>
<td>Selection</td>
<td>Competitive application procedure (application form plus interviews). Twice a year Y-Combinator invests a relatively small amount of money (average $18,000) in a large number of start-ups.</td>
</tr>
<tr>
<td>Mentoring</td>
<td>Selected start-ups move to Silicon Valley for 3 months, during which they are mentored in order to get into good shape and to refine their pitch to investors. Incubatees are mentored by Y-Combinator partners and advisors and are introduced in a network of established businesses and potential investors. Mentoring takes place at Y-Combinator’s offices in Mountain View, California</td>
</tr>
<tr>
<td>Finance/match-making</td>
<td>Each cycle culminates in Demo Day, when the start-ups present to a large audience of investors. During the Winter 2011 cycle, all start-ups were offered a $150,000 loan through a venture capital fund.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Virtual Services &amp; Tools</th>
<th>• Recruiting of new incubatees/investees is virtual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact</td>
<td>Since 2005 Y-Combinator has funded over 300 startups. Since 2009, Y-Combinator raised over $10 million in capital from angel investors including Sequoia Capital.</td>
</tr>
<tr>
<td>Governance structure</td>
<td>Privately owned. Y-Combinator has four partners and works with six business advisors (including the four partners), a designer and a lawyer.</td>
</tr>
<tr>
<td>Main cost items:</td>
<td>Each year, Y-Combinator invests roughly $1 million in start-ups, by its own partners, and/or other VCs.</td>
</tr>
<tr>
<td>Revenue generation</td>
<td>Y-Combinator is financially sustainable/profitable</td>
</tr>
<tr>
<td></td>
<td>In return for its seed capital Y-Combinator requires a 2 – 10% stock (usually 6 or 7%) in the start-up.</td>
</tr>
<tr>
<td>More information</td>
<td><a href="http://www.ycombinator.com">www.ycombinator.com</a></td>
</tr>
</tbody>
</table>
Table 12: Mobile Monday, Finland

<table>
<thead>
<tr>
<th>Mobile Monday</th>
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<tbody>
<tr>
<td><strong>Mission &amp; Background</strong></td>
<td>“Commercial” MobileMonday™ (MoMo) is an open community platform of mobile industry visionaries, developers and influential individuals fostering brand neutral cooperation and cross-border P2P business opportunities through live networking events to demo products, share ideas and discuss trends from both local and global markets. Events are organized by some 300 volunteers from around the world. Local chapters have held events in over 100 cities worldwide. MobileMonday (MoMo) was founded in Helsinki, Finland in 2000 as an informal get-together for the Finnish mobile industry. Since then, many MobileMonday “chapters” have been founded over the world each organizing monthly events for the mobile industry.</td>
</tr>
</tbody>
</table>
| **Clients** | • Sector: Mobile industry.  
• No clients but members. Members are individuals with professional background in mobile phone technology  
• Individuals and young business owners, strongly focused on mobile app. industry |
| **Enterprise Ecosystem** | “Advanced (and Emerging)” MobileMonday has 115 active chapters worldwide, most in advanced countries, some in emerging markets like China, Indonesia or Russia. |
| **Service Package** | MoMo is a networking organisation. It has established a strong brand identity. The network is mainly used or peer-to-peer exchange and for forging business partnerships.  
**Online networking platforms:** An individual can become a member of MoMo online, and get in contact with other mobile experts around the globe. Members can create user profiles, add friends, create groups, exchange messages and participate in online forum discussions.  
**Networking events:** In addition, monthly events (i.e. on the first Monday of the month) are organised in over 100 cities. The meetings typically offer keynote speeches and networking opportunities. The presentations are normally distributed afterwards on the MobileMonday websites. |
| **Virtual Lessons Learned** | • Strong brand identity  
• Effective online database of members  
• Structure that mobilises members and involves many partners |
| **Impact** | The initiative aims to bring people together to share ideas, and develop new products and companies. MoMo measures its achievements in the number of active local chapters (115 now) and members (2,595 active members now.) |
| **Governance structure** | The MobileMonday operates an online network with network facilitators. The various MoMo chapters are run independently by groups of volunteers. In all around 30 volunteers are engaged in the local chapters. |
| **Main cost items** | Each chapter runs its own budget. For example, the 2010 annual budget of MoMo’s Switzerland chapter amounted to CHF 15,000 (approximately USD 19,000). |
| **Revenue generation** | The revenue generation model differs per chapter. Cost-covering revenues are generating by charging entry fees for events, and through sponsorships |
| **More information** | http://www.mobilemonday.net/ |
Table 13: West Midlands Collaborative Commerce Marketplace (WMCCM), UK

<table>
<thead>
<tr>
<th>WMCCM</th>
<th>“Sector Innovation” The WMCCM is an online collaboration tool for SMEs. The WMCCM-site was launched by the University of Warwick in 2004.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients</td>
<td>The WMCCM primarily targets small to medium-sized engineering enterprises in the West Midlands, UK.</td>
</tr>
<tr>
<td>Enterprise Ecosystem</td>
<td>“Advanced”, UK based.</td>
</tr>
</tbody>
</table>
| Service Package | The main services of the WMCCM are  
- Selection and approval of suitable SME participants  
- An online portal that provides information on tender market opportunities to the selected SMEs  
- Active matchmaking to forge business partnerships  
- Online collaboration space |
| Virtual Services & Tools | The WMCCM-site provides registered SMEs with details of EU and local government tenders. Furthermore, using competency profiling techniques, the site offers a matching tool which helps SMEs to form complementary partnerships online in order to jointly respond to tender opportunities. The process is as follows:  
- SMEs register online on the WMCC.  
- WMCC-staff physically visits the SMEs to complete and validate a competency profile based on the companies’ capacity, capabilities and skills. The profile captures both what a company does already and what it potentially could do in the future.  
- Whenever a new tender is published, the site automatically screens registered SMEs for their competencies vis-à-vis tender requirements.  
- Further, it proposes SMEs a list of companies with complementary competencies they could partner with in the bidding process.  
- SMEs can screen potential partners (also for other opportunities not related to published tenders) for a range of competences and other characteristics such as “location”, “experience, and “customers”. Partnering SMEs can make use of WMCCM’s secure online collaboration spaces to work on the project. |
| Impact |  
- Over 10,000 SMEs are registered on the platform  
- Competency profiles have been made for 450 SMEs.  
- Over 70,000 tender opportunities are published on the site each year.  
- In 2010, member companies won business worth over US$10 billion.  
- Profiled SMEs rank higher on Google queries. |
| Governance structure | Director: Dr. Jay Bal. The site runs under the ambit of the University of Warwick and relies on university resources. |
| Main cost items | - Well functioning online database  
- High quality competency profiles (intensive staff input to complete and validate competency profiles)  
- Mobilise SMEs to continue to update profiles |
| Revenue generation | The WMCCM does not generate revenues. Registration is free of charge. From the outset up to late 2008, the project was funded by the EU through its European Regional Development Fund (ERDF). Today, the site is running in an academic environment and that most processes are automatic annual costs are limited / not accounted for. |
| More information | http://www.wmccm.co.uk/ |
| **Mission & Background** | BusinessLink.gov.uk is the British government's overarching online resource for businesses. The site contains essential information, support and government services for businesses of all sizes. The Businesslink.gov.uk website was launched in 2004 in order to support Business Link's regional advisory services. The recent three years have seen the content of 175 government websites move to businesslink.gov.uk, adding over 100 interactive tools and 2,000 guides. As such, the site brings together the content and services for businesses from 95% of government websites. |
| **Clients** | All businesses, irrespective of size, stage of development or sector. |
| **Service Package** | **Information:** Businesslink.gov.uk is an information platform for guidance on regulations and to access government services. It contains online tools, calculators, and best practice case studies. It also provides access to funding options, as well as to wider support. Examples of recently added features include:  
  - Online VAT payments  
  - UK Welcomes, which makes it easier for EU businesses to work within the UK  
  - Advertising tender opportunities from government  

**Referral/Business Support Services:** Alongside businesslink.gov.uk, Business Link has delivered business support through both a network of advisers and a telephone helpline. At a local level, Business Link provides a range of business advice through face-to-face meetings with advisers and workshops. |
| **Virtual Services & Tools** |  
  - Online information provision and training  
  - Making training materials freely available online |
| **Impact** | During the year 2009 – 2010 the website received more than 19 million visits (approximately 50,000 a day). Businesses using the site reportedly save time and money (equating to savings of £298 million), which helps in delivering additional sales and profits (equating to £500 million). |
| **Governance structure** | Business Link is delivered under the Business.gov Programme and is overseen by a cross-government Programme Board. |
| **Main cost items** | The total funding for the businesslink.gov.uk programme up to 31 March, 2010 was £35 million. |
| **Revenue generation** | None, government funded. |
| **More information** | http://www.businesslink.gov.uk |
**Table 15: SoftStart BTI, South-Africa**

<table>
<thead>
<tr>
<th>SoftStart BTI</th>
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<tbody>
<tr>
<td><strong>Mission &amp; Background</strong></td>
<td>“Sector Innovation”&lt;br&gt;The Softstart Business and Technology Incubator (SBTI) is a multi-model (physical, virtual &amp; satellite) incubator operating in the ICT-sector in Gauteng, South Africa. In 2006, SBTI was borne out of the merger of Softstart, a real estate incubator founded in 2002 which assisted early-stage ICT entrepreneurs with mentoring and support, and Bodibeng Technology Incubator, a virtual incubator which supported high-tech entrepreneurs in starting and growing their businesses.&lt;br&gt;Its mission is to stimulate, and support the growth and launching of early-stage, technology-rich businesses.</td>
</tr>
<tr>
<td><strong>Clients</strong></td>
<td>SBTI focuses on incubating young IT graduates and professionals with early-stage, technology-rich businesses or business ideas. The incubator is particularly receptive to proposals from members of previously disadvantaged groups including black entrepreneurs, women, the disabled and students through satellite incubation.</td>
</tr>
<tr>
<td><strong>Enterprise Ecosystem</strong></td>
<td>“Emerging”, SA based.</td>
</tr>
<tr>
<td><strong>Service Package</strong></td>
<td><strong>Incubation services:</strong> The SBTI-model incorporates virtual incubation, early-start incubation and full tenancy. It attends entrepreneurs from concept phase, to development phase, and ultimately, commercial phase, where profitable market opportunities are exploited and the focus is on growing the depth and breadth of the venture. Key services include business and technology mentoring and coaching, furnished “plug and play” office space, shared resources such as reception and meeting facilities, internet access, access to professional service providers, networking opportunities and access to business and skills development interventions, such as training in functional business disciplines.</td>
</tr>
<tr>
<td><strong>Virtual Services &amp; Tools</strong></td>
<td>SBTI offers a virtual incubation facility through an internet domain.</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>During the financial year 2009-2010:&lt;br&gt;• 12 new ICT SMEs were established,&lt;br&gt;• 117 clients were supported (80% black owned, 16% female owned),&lt;br&gt;• 19 businesses successfully graduated,&lt;br&gt;• And more than 390 jobs were created.</td>
</tr>
<tr>
<td><strong>Governance structure</strong></td>
<td>CEO: Ms Leonie Greyling (since January 2009)&lt;br&gt;Board Chair: Mr Laurens Cloete</td>
</tr>
<tr>
<td><strong>Main cost items</strong></td>
<td>The incubator receives financial support from the Small Enterprise Development Agency (SEDA) of South Africa's Department of Trade and Industry, the GODISA Trust, and (in the past) the European Union.</td>
</tr>
<tr>
<td><strong>Revenue generation</strong></td>
<td>SBTI generates revenues through:&lt;br&gt;• Admission fees&lt;br&gt;• Incubation fees</td>
</tr>
<tr>
<td><strong>More information</strong></td>
<td><a href="http://www.softstartbti.co.za">www.softstartbti.co.za</a></td>
</tr>
</tbody>
</table>
Table 16: MYC4, Denmark

<table>
<thead>
<tr>
<th>MYC4</th>
<th>“Society orientation”</th>
<th>MYC4 is an online Peer-to-Peer platform which was established in 2007 in order to provide loans to micro- and small businesses in Africa and to provide returns to investors.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients</td>
<td>Micro- and small businesses in Africa.</td>
<td></td>
</tr>
<tr>
<td>Enterprise ecosystem</td>
<td>“Basic”, works across Africa.</td>
<td></td>
</tr>
<tr>
<td>Access to finance</td>
<td>MYC4 is an internet marketplace where investors from around the world can lend money directly to entrepreneurs who are doing business in Africa. The process is as follows:</td>
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<td>• An African entrepreneur presents his project to a local MYC4 partner.</td>
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<td></td>
<td>• The MYC4 partner evaluates the proposal.</td>
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<td>• Approved loan requests are uploaded to the MYC4 marketplace.</td>
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<td>• On the marketplace interested investors announce their loan offers.</td>
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<td></td>
<td>• Those investors offering the most favourable conditions lend money.</td>
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<td></td>
<td>• MYC4 transfers the funds to the local partner.</td>
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<td></td>
<td>• The entrepreneur receives his loan.</td>
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<td></td>
<td>• As the business grows, he starts paying back his loan with interest.</td>
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<tr>
<td>Virtual Services &amp; Tools</td>
<td>Online publishing of investment opportunities</td>
<td></td>
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<tr>
<td></td>
<td>Online investment process</td>
<td></td>
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<tr>
<td></td>
<td>Brand building and communicating with investors</td>
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<tr>
<td>Impact</td>
<td>By early August 2011, a total of 18,604 investors from 110 countries had lent €13,649,205 to 6,865 small businesses in seven African countries. During the year 2010, MYC4 funded a total of EUR 1.8m in loans for nearly 1,000 micro- and small businesses. MYC4 assumes that 18.9 people are directly or indirectly impacted by each business loan.</td>
<td></td>
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<tr>
<td>Governance structure</td>
<td>CEO and co-founder: Mads Kjær</td>
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<td></td>
<td>Chairman of the board: Niels Thuesen</td>
<td></td>
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<td></td>
<td>Staff-members: 7 (including the founders).</td>
<td></td>
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<tr>
<td>Main cost items</td>
<td>In 2010, MYC4’s operational expenses were DKK 9.6 million (approx. € 1.3 million) against revenues of DKK 351,587 (approx. € 50,000). These figures reflect a restructuring of operations as compared to 2009 (expenses DKK 21 million, revenues nearly DKK 1 million). The accumulated losses over the years are borne by MYC4’s shareholders Middelfart Sparekasse, SeiAr Invest ApS, DOEN Foundation, and d.o.b foundation.</td>
<td></td>
</tr>
<tr>
<td>Revenue generation</td>
<td>MYC4 generates revenues through:</td>
<td></td>
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<tr>
<td></td>
<td>• A 6% interest fee charged on the loan when being repaid by the entrepreneur to the investor.</td>
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<td></td>
<td>• A 2% closing fee on all new loans (as of February 1, 2011).</td>
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<td></td>
<td>• A fee on idle investor accounts.</td>
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<tr>
<td>More information</td>
<td>MYC4’s annual reports: <a href="http://www.myc4.com/About/PRESS">http://www.myc4.com/About/PRESS</a></td>
<td></td>
</tr>
</tbody>
</table>