

Step by step Guide

for Creating Regional Incubators



Author: Lucia Usurelu
Communication consultancy: Fabrica de imagine
Design and Layout: Fabrica de imagine
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Acronyms and abbreviations

- BI** – Business Incubator
- ENTRANSE** – The project “ENTRANSE TO NEW MARKETS – Infrastructure of entrepreneurial and SME development in the Republic of Moldova”
- IAS** – Soroca Business Incubator
- InfoDev** – A global grant program managed by the World Bank to promote innovative projects on the use of information and communication technologies.
- MG** – General Manager
- ODIMM** – the Organization for Small and Medium Enterprise sector Development
- OECD** – the Organization for Economic Co-operation and Development
- FEED** – Forum on Entrepreneurship and Enterprise Development / OECD
- NIAA** – National Business Incubation Association
- ROI** – Return on Investment
- IMM** – Small and Medium Enterprises



The business incubator – a key tool for regional economy development

The role of small and medium size enterprises (SME's) is quite significant in developing the national economy of the Republic of Moldova.

It is generally accepted that SMEs, particularly micro and small enterprises, in developing countries lack the necessary resources to effectively scale up and grow their businesses. These companies offer great opportunities for innovation, employment and value creation in a low-growth economy. Hence, research has shown that business incubators could be an effective tool in supporting local innovation, business creation and could reduce substantially the SME's failure rates.

International business incubation is a well-tested, 50-year-old systematic and global approach primarily aimed at growth-oriented start-up enterprises with the potential to grow through the efficient use of business resources. The aim is to help create sustainable and competitive companies. Additionally, in recent years, Business Incubation has also begun to add value to more established enterprises that need to change.

The main reason to create business incubators is obviously an economic one. Business incubators are a new business development entity intended to increase the rate of new business formation, but also a survival probability for those new companies which graduate from them.

The purposes of some incubator sponsors may be altruistic – for example the improvement of regional unemployment – but it is more likely that donors expect an economic long term benefit for themselves, or for the community.



Business incubators should be designed and operated by experts.

To whom is useful the Step by Step Guide

The main Step by Step Guide objective is to introduce the readers to the best practices of establishment and development of successful and sustainable business incubators in the regions of Moldova.

The Guide is a comprehensive roadmap on planning, developing and running a business incubator. It targets four categories of beneficiaries:

- The one who needs practical understanding and knowledge of business incubators in their start up, implementation and evaluation phase;
- The one who needs an easy introduction and broad overview to the field of business incubators;
- The one who desire to fight with unemployment and support the development of viable small and medium enterprises by setting up business incubators;
- The one who would like to know about business incubation industry.

The Guide is designed in an “easy to read and understand” manner. The practical approach is combined with the analytical one and also contains references to current state of art and research. It is based on best practices

from the entire process of business incubator planning, establishment and development. In addition to current available and accepted best practices, the Guide contains practical aspects and conclusions drawn from the theories inquired and practices revisited. These aspects are hard to find in current literature and that is why we hope to catch the interest of the wider incubator industry.

We wanted this guide to be applicative and help readers avoid typical traps and misunderstandings, therefore we included:

- An analytical framework on incubator design complexity and launching;
- Practical preconditions to be fulfilled for development of business incubators;
- Description of phases of the incubator and tenants’ development, with recommendations for each phase;

- Each step in the business incubator development process is presented with specific attention to potential traps;
- A complete checklist for incubator implementation;
- Practical and operational suggestions for incubator management;
- Case studies about the process of implementation of Soroca Business Incubator;
- Recommendations.

The Guide is written by professionals with vast experience in SME sector, entrepreneurship, as well as incubator industry. The content is based upon experiences and lessons learned, especially from Soroca Business Incubator (IAS), established and developed under the ENTRANSE Program in the Republic of Moldova.



Incubator establishment may be more complicated than initially assumed.



The contribution of business incubators to the economic growth

Social, political and macroeconomic factors

OECD and World Bank InfoDev publications draw attention to industrialization as being essential for growth and prosperity in industrialized and developing countries, as well as for countries in transition.

I ncreased and improved productivity provides the base for higher living standards and consequently leads to the poverty reduction, economic development and job creation. Governments and policy makers all over the world have continuously deployed a variety of policies in order to promote and support the creation of successful companies and new ventures.

While many entrepreneurs and new ventures pursue prospective business opportunities, it is not easy to succeed in highly competitive and uncertain stages of business develop-

ment. Most problems that entrepreneurs come across in early stages of business development are lack of legitimacy, of tangible resources, and lack of knowledge, which are critical milestones for recognizing and grabbing a business opportunity. For entrepreneurs who have just started their own business, many difficulties need to be surpassed: business planning, securing an office, recruiting personnel with different areas of expertise, etc.

Thus, entrepreneurship is pointed out as a critical element in stimulating local, national and international market

economies. It is underlined that entrepreneurs, who started businesses and succeeded, are the generators of growth, capital investment, innovation and expertise. This is often measured in the number of new companies created in a given region or country.

In recent years, the SMEs sector has significantly contributed to the employment growth in OECD countries. Small businesses and entrepreneurs have participated in strengthening local communities and regional development. It is, however, recognized that the conditions for entrepreneurship and startup companies need



Business incubators are proved tools to foster regional development and job creation.

reorganization and modernization in order to improve their efficiency. This particularly relates to countries in transition. The specialized Agency of the United Nations aiming at improving conditions in developing countries and countries in transition supports private sector development, and sustainable industrial development has a special focus on SMEs promotion.

The importance of entrepreneur and of creation of new companies, mainly the small business, for economic and social development of country is pointed by European Commission like another reason that justifies an effort of investigation on the phenomenon.

The entrepreneurship contributes to:

- Creating jobs;
- Economic growth;
- Regional and local development;
- Social cohesion;
- Improved competitiveness;
- Individual potential's fulfillment;
- Explore the interest of society.

Entrepreneurship and a dynamic SME sector are generators of economic growth. Furthermore, it is widely acknowledged, that SME competitiveness would benefit from SME policies and their consistency with other national policies, as well as with the existing international programs.

In areas of low entrepreneurial environment incubators are especially important. In transition economies incubators have a great role in improving attitudes towards personal initiative, creativity, innovations, and business startups, hence contribute to the transition towards an entrepreneurial culture.

Business incubation can help establish and grow small companies by providing individuals willing to start and develop their own business a supportive learning environment, mentoring and other support services. It describes a range of business development process added value. It is less about the buildings that companies are located in, and much more about the process that takes place in these buildings through provision of a managed workspace with flexible leasing that could be an important step in the incubation procedure.

Note



Best Practices in the management of business incubators

Business incubators in SME Sector Development Sectorului IMM



According to the OECD and its Forum on Entrepreneurship and Enterprise Development (FEED), business incubators are defined as special areas for new and young developing businesses that provide premises, infrastructure, a comprehensive range of services and convenience that can improve their capacity to run the operation during the early developmental period. The companies remain in the business incubator 2.5 – 3 years in average, and are passing thoroughly the following phases:

- Pre-incubation period for company creation and registration;
- Incubation period for company's development and growth ;
- Post -incubation period for following up and supporting companies that left the incubator.

It is generally accepted that startup companies developed in the business incubators operate with a lower failure rate than independent enterprises.

Business incubators contribute to entrepreneurial spirit and cooperation amongst entrepreneurs within the same sector. They may also create specialized knowledge or production centers as a source of regional competitive advantage, attract additional investments and attention. Business incubators are often visible symbols of regional success, progress and commitment to entrepreneurship, which makes them politically attractive.

Guidelines and best practices on business incubators suggested by FEED and NBIA are summarized as follows:

- Recognize the role of business incubators in fostering entrepreneurship and realize their potential role to support regional/sectoral development;
- Obtain consensus on a mission that defines the incubator's role in the community and develop a strategic plan containing quantifiable objectives to achieve the program mission;
- Establish an effective board of directors committed to the incubator's mission and to maximizing management's role in developing successful companies;
- Seek support from national and international partners while focusing the activity of business incubator on local entrepreneurs and local needs;
- Choose the location and select the site carefully and secure that suitable infrastructure and facilities can be provided;
- Recruit good management and apply business-like operational practices so that a positive view of entrepreneurship can be fostered as well as helping to promote a new enterprise culture and networking;
- Make the business incubator operating conditions, services and charges/costs clear and transparent to companies;
- Learn from the extensive international experience with business incubators and communicate and distribute guidelines widely to ensure their implementation;

- Structure for financial sustainability by developing and implementing a realistic business plan;
- Prioritize management time to place the greatest emphasis on client assistance, including proactive advising and guidance that results in tenant company success and wealth creation;
- Develop stakeholder support, including a resource network, that helps the incubation program's client companies and supports the incubator's mission and operations;
- Maintain a management information system and collect statistics and other information necessary for ongoing program evaluation, thus improving a program's effectiveness and allowing it to evolve with the needs of the clients.
- Utilize a range of qualitative and quantitative measures to evaluate performance related to the incubator/s mission.

ENTRANSE business incubator is designed, established and developed based on this analytical framework. Practical experiences from this process will be forwarded and shared in the following chapters.

The Step by Step Guide builds upon the presented principles and best practice, using the ENTRANSE experience and lessons learnt from business incubators in growth.



The importance of Practical Business Incubator Design

Local environment, the partners and the game rules

A business incubator is considered to be an integral part of the local and national economic, political, and social community. That is why when starting an incubator you must consider factors beyond its internal life with tenants by supporting traditional business development. The following sections deal with external factors which may be critical in the incubator's development:

- During the establishment and development process, a participatory approach that involves stakeholders on local and national level should be applied.
- In case of local ownership there is a need to keep a balance between legal ownerships and defined project objectives. Therefore, the balance between local ownership and external donor / authority control has to be defined and respected.
- If the Program is supported by donor funds, it is important to secure financing at the national and local level as well. This will in return secure the financial sustainability but also increase the responsibility and the ownership of the project.
- Traceability and future need for re-examination should be secured. Proactive political attitude and legal agreement towards the incubator establishment is a necessity. If the

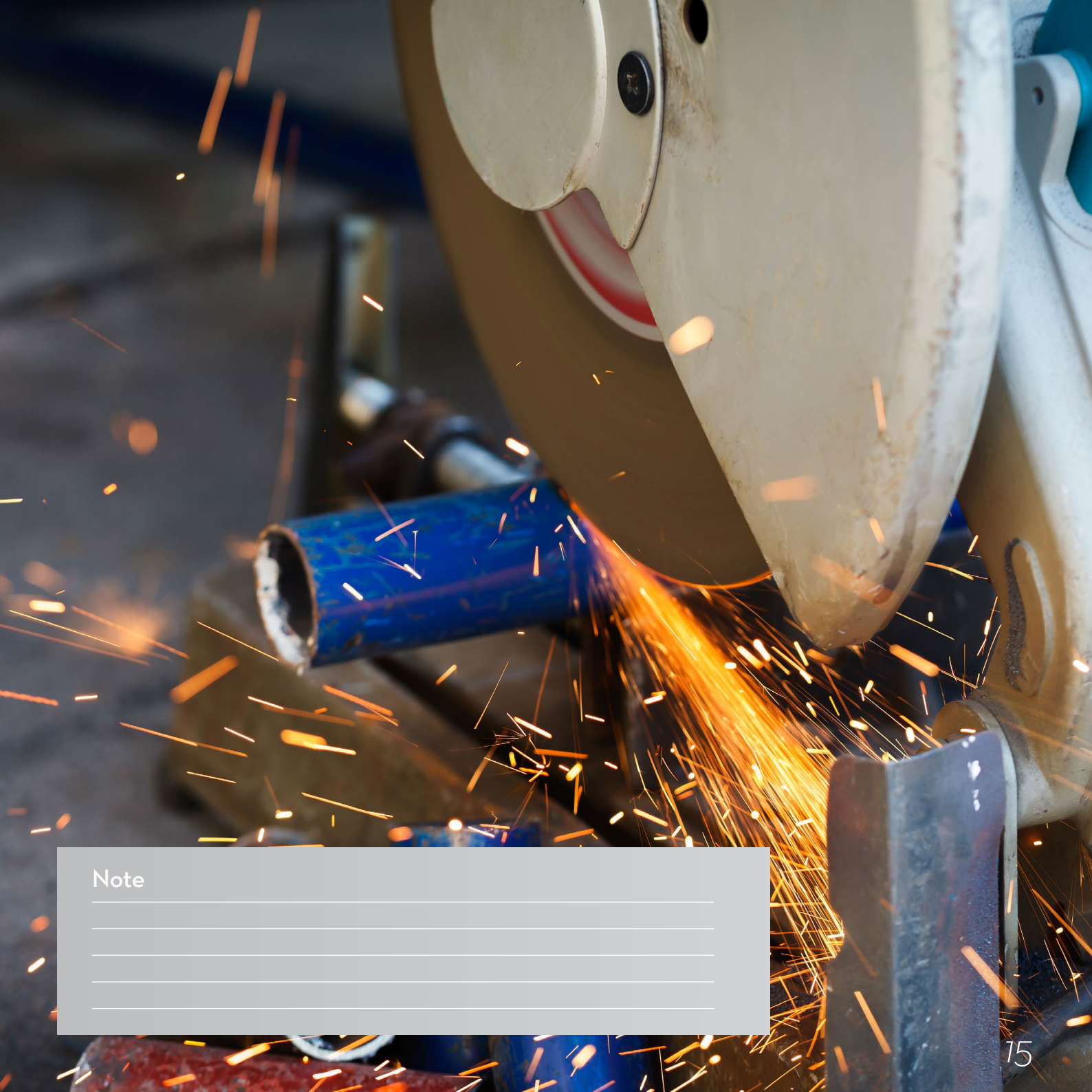
business incubator is going to be locally based, political and stakeholder support by strategic agreements and support on operational level is a precondition.

- From the very beginning, stakeholders' duties and responsibilities should be clearly defined in written form. This will prevent ad hoc problems that may appear. It should not be taken for granted that the parties involved have the same expectations regarding the product. Therefore, participants have to be engaged in the development process itself.
- Within these areas one should agree on boundaries or operating range in which the incubator operates as an independent unit in making decisions, and where it turns to for decisions outside its own mandate. This will allow donor policies to be executed. The donor should at an early point decide its degree of con-

trol with regards to the incubator and one should also formalize the control and reporting.

- The partners should agree on the measure development system, on the report format and on the person to report to periodical status. It is important to define a measurement system for business indicators. Experiences demonstrate that participation of important stakeholders in the process is important.

These mutual effects between the business incubator and its environment should be visualized through structured information and marketing of the incubator targeted towards existing and new stakeholders, the market and other groups of interest. The business incubator company should be highlighted with all its benefits and positive effects, and not be allowed to develop in manner of anonymity.



Note

Practical remarks. The experience of Soroca Business Incubator

The varieties of ways incubation programs operate and relate to their clients play an important role in incubation best practices.

Giving all considerations to the practical design, concept development and implementation of the ENTRANSE incubator in Soroca, Moldova, the following should be highlighted:

- Although the development is often donor based, the incubator type should be based on the local needs and start with local market analysis. After defining the market profile of the incubator, one should research the existence of valid entrepreneurial ideas. This analysis will give the possibility to select the type of incubator and to forecast its sustainability. Political support, ownership, infrastructure and location are secondarily related to the market analysis;
- The most time-consuming elements in the process are related to creation of the enabling environment, i.e. political issues, ownership issues and negotiations related to the building site. The building's restoration was a quite "smooth" process;
- Specific incubator issues, such as recruitment, defining and implementing tenant support structure, purchasing of tenant production equipment, establishing training concepts and employment of incubator employees requires time and resources;
- The business incubator has to define objectives and develop systems related to its operation, such as tenant performance indicators, sustainability planning, exit conditions and development plans. These are not available and will have to be developed internally;
- After the incubator tenants started production, the business incubator company must go through a period of stabilization. With new tenants, management, equipment, support systems, routines, and the incubator itself as a new business, one needs time on settling, adjusting, changing and developing;
- During the stabilization period the business incubator company is not yet readily developed and "smooth" running entity. It should be a management task to continuously remind the environment of this fact, avoiding too high or not realistic expectations from the external world. The business incubator must be given controlled time to develop. Learning by doing is probably the best guideline to follow;
- In spite of the daily development, changes and adjustment, special attention must be given to the incubator sustainability from the very beginning. How is the incubator going to generate income? What are action plans for the time when initial donor financing comes to an end? Which additional sources of revenues are available? When tenants leave the incubator, new tenants will require financing – how is this going to be tackled? Stakeholders and the incubator management should develop the strategy to tackling the above questions at a very early point in the project.



Note

CASE STUDY 1.

Soroca Business Incubator – first steps

Soroca Business Incubator has been implemented by Entranse Project, initiated in Moldova by the Government of Norway, in collaboration with the Ministry of Economy of Republic of Moldova and ODIMM.

The project's mission is to support the economic growth, to contribute to the emergence of new jobs and, thereby contribute to poverty reduction. To achieve these objectives, Entranse supports the small and medium enterprises sector.

The first tasks that appeared in the implementation process of a business incubator in Moldova were mainly related to designing the model of the future incubator.

The incubator's profile had to be adjusted to the local economy. The Norwegian donor was intending to create an incubator based on production and development of modern technologies. But, after consulting the representatives from Soroca regional authorities, and after the

meetings with potential businessmen, one decided that the incubator should have technical parameters for both, production sphere and service providing.

Along the way, political factors interfered. Factors that nobody could predict. For example, it happened that the president of the rayon with whom the collaboration started, wasn't able to perform his duties any more. Therefore, there were organized anticipated local elections. Until the new president has been appointed and began to get involved in the project, it took more than half a year.

In a project implemented for the first time in Moldova, there was need of experts in the key fields – construction, law, modern technologies. There were positions in which, by

the opening of the incubator, people were changed even 3 times. „We were looking for people that would have the knowledge, the attitude and the experience that we need” – Lucia Uşurelu, Deputy Director Entranse.

Soroca Business Incubator is located in the city center, the place where local public government and most private companies have their offices, close to the tourist attractions of national and local importance, with easy access to public transport and food services.

The official opening ceremony of Soroca Business Incubator was held in December, 2009, with the participation of donor representatives, rayon authorities, ODIMM, Ministry of Economy, incubator tenants and Entranse team.



From the first step of establishing an incubator until it's implemented, one should spend one third of the time pre-planning.

Project remarks

The lessons learnt from operational incubator project management:

- In most cases, activities take longer time than previously planned. Therefore, it is necessary to leave extra time for each project activity. This time should be reserved for solving the unforeseen problems and actions taken during the Program implementation;
- Project staff must be in the field or on site to monitor the objectives achievement;
- It is advisable to providing clients the access to individuals with experience in dealing with the creation and growth of a new venture;
- It is necessary to regularly distribute information, progress made, results achieved and problems faced to all stakeholders;
- It is important to hire incubator management that values client interaction and network and is capable of facilitating these processes;
- It is important to take time to reflect and to compare with the previously defined goals during the Program implementation.

General comment

Incubator's establishment is an interesting, complex, time consuming process and covers a wide range of activities. The easiest part is to implement planned actions. The most challenging and resource demanding task is to deal with unforeseen situations appearing in an uncontrolled manner.



Note

Incubation Process. Concepts

Business incubation programs are designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed or orchestrated by incubator management, and offered both in the incubator and through its network of contacts.

A business incubation program's main goal is to produce successful companies that will leave the program financially viable and freestanding. Critical to the definition of an incubator is the provision of management guidance, technical assistance, and consulting tailored to young, growing companies.

An incubator could be conceived as a business producing businesses. It has a mission, goals, objectives, strategies, payroll, staff, cash flow, and most other business characteristics. The incubator, therefore, is a business that helps to create and nurture new businesses.

The final incubator's products are sustainable enterprises. It starts with the recruitment of entrepreneurs, transforming entrepreneurs to tenants and developing these to economically healthy entities. This development chain is often termed as the incubation process. To make sure that the incubation process is designed to produce results and achieve objectives, the incubator should be based upon a concrete and tailor made incubator concept. The concept should consist of following

areas which are important for running the incubator:

Incubator type of; for example: services, high-tech or production;

- Ownership;
- Legal framework;
- Financing;
- Business incubator's idea;
- Incubation period, for example: pre-incubation, incubation and post-incubation, including the description of the periods;
- Exact facilities, services and support offered to the enterprises;
- Training and development;
- Management structure;
- Business plan content;
- Sustainability plan;
- Exit conditions;
- Board Structure and Members;
- External network, such as institutions or universities, political authorities;
- Measurement;
- Leadership and monitoring.

The concept describes business incubator specific parameters and areas. Its base is the development of entrepreneurs – and how this will be done. Furthermore, it provides direction for incubator's development and operation and represents a guiding frame for incubator management.

Business incubation is an important economic development tool that - when conducted in accordance with best practices and based on due diligence - can foster job creation, increase wealth creation, and serve as an important contributor to the national economy. As such, business incubation has played an important role in economic development.

Although incubator design should be based upon best practice, establishment is not a "copy-paste operation". Different incubators will face different markets, different entrepreneurs and different conditions, hence they must be tailor made to account for these differences. The consequence is that each incubator calls for a different and unique concept. It is stated that such a well-defined concept is a necessity for successful incubator operation.



Note

CASE STUDY 2.

The incubation model of Soroca Business Incubator

IAS is a mixed type incubator, meaning that it has both, production facilities and office spaces. The Incubator is a public institution created by the Rayon Council of Soroca. The building is managed by ODIMM, who has passed it to the incubator for the purpose of creating and functioning of IAS.

The main objectives of Soroca Business Incubator are: create a business environment favorable to development and growth of SMEs; facilitate the SME's access to financing sources, rising the number of economic competitive activities, strengthening the investment climate and reducing the unemployment rate in the region.

To facilitate the development of tenants, IAS provides preferential conditions for companies. During the first year, the tenants pay just 10% of the premises rent. The second year - 40%, and in the 3rd year - 80% of the price.

The tenants stay in the incubator during 3 years. They leave when their

companies achieve the performance indicators set at the beginning. However, companies may extend their incubation terms, if they manage to persuade the incubator management and the Council of administration members.

The exit from incubator is a matter discussed with each tenant individually. Some of the companies graduated the incubator even a half year before the set terms. Others stay to finish their production processes or important orders. At the 3rd anniversary from the IAS opening, 9 out of those 17 residents from the first generation, already had graduated the incubator.





“

Incubation is the process of producing businesses. Incubator's outputs are new businesses.

Training and Development. Key values in IAS

The incubator development and training concept is often regarded as essential in the incubator business idea or core. It should be based upon the fact that an incubator should be producing businesses; it is the basis for developing entrepreneurs. It should give the direction for incubator development and operation, as well as incubator management guidelines.

Soroca Business Incubator brings training, development, resources, and support to businesses throughout the all entrepreneurs of IAS.

The philosophy that drives the IAS tenants is:

Give a man a fish and he'll feed himself for a day. Teach a man to fish and he can feed himself for a lifetime.

Training Program has been stated that a substantial concept is necessary to run a successful incubator.

The ENTRANSE training concept is based upon creating and developing entrepreneurs and business ideas:

The figure 1 illustrates the two development routes to be followed by an entrepreneur who wants to achieve his/her goal, or hit the target:

- Develop entrepreneur's professional competences, experience and individual capabilities;
- Develop the business idea.

The reasoning behind is that one may have a good business idea, without having knowledge or experience to back the idea – or one may have good experience without a sufficiently good

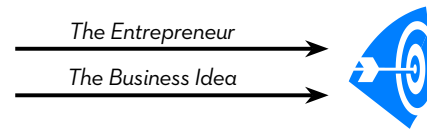


Figure 1. ENTRANSE Training

business idea. The training concept is designed to cater for both possibilities.

The training concept covers a new approach for private sector development by means of entrepreneurial training & development and structured business incubation. This is achieved by combining training & development of each entrepreneur with the development stage the company is at. One is securing the correct development by viewing the entrepreneur, the business idea and the development stage of the enterprise:

- Pre incubation phase - entrepreneurs and startups go through their early development;
- Incubation phase - startups are turned into growing companies through support and development;
- The post- incubation phase-successful companies have left the incubator, and are part of a network.

The three different phases are illustrated in figure 2.

At each level the entrepreneur will need different types of support and personal training and development;

At each level the market will demand different response from the enterprises;

This concept will combine the two above requirements, the entrepreneurial and the ones of the enterprise, thus taking care of the demands from the individual and from the market.

ENTRANSE training concept is operated with core values in its training of entrepreneurs and business development of enterprises. These "Core Values" are:

- **Timing** - to secure development and development of the enterprise in accordance with plans and in spite of challenges timing for launching a new product must be right. Timing for delivery to customers must be kept.

Timing in terms of payment has to be kept;

◦ **Relations** – to develop the relations needed for the enterprise to succeed. You need good relations to customers, suppliers, sources of finance and other stakeholders;

◦ **Perspective** – to develop a realistic and strategic perspective for the possibilities and pitfalls surrounding the enterprise. Strategy needs to be developing, long term, but realistic and practical;

◦ **Loyalty** – to build loyalty to the enterprise and its external and internal environment. Business must be trustworthy and reliable. Loyalty to yourself and your business idea is necessary;

◦ **Action** – to create and secure movements and results. The actions to run the business need to be realistic, understandable, target oriented and planned. They need to provide results.

All five core value categories contain a number of training packages. By defining which combination of core values the individual entrepreneur needs measured against required development, one is defining the specific and required training content.

Different ways of defining training needs could be used. Core Values is an alternative to secure individual development. Using one-to-one, entrepreneurs' and business owners' on-site training work together in areas include:

- Business planning;
- Marketing;
- Merchandising;
- Technology;
- Financial management;
- Human Recourses and Labor legislation;
- Accounting;
- Legislation and contracts;
- Taxation and financial statements;
- Customer service;
- Loan Applications;
- Best Management Practices;

The training concept will provide the entrepreneur practical and relevant training, based on well-known and accepted methods and theory. The training is directed towards the individual entrepreneur through coaching and consulting.

The sum of all activities and support schemes offered during the incubation period is terminology called Embedded Training in ENTRANSE, meaning training and development of entrepreneurs on-site.

Training, in addition to legal expertise, accounting, access to infrastructure, marketing and financial support is an essential part of the incubator concept.

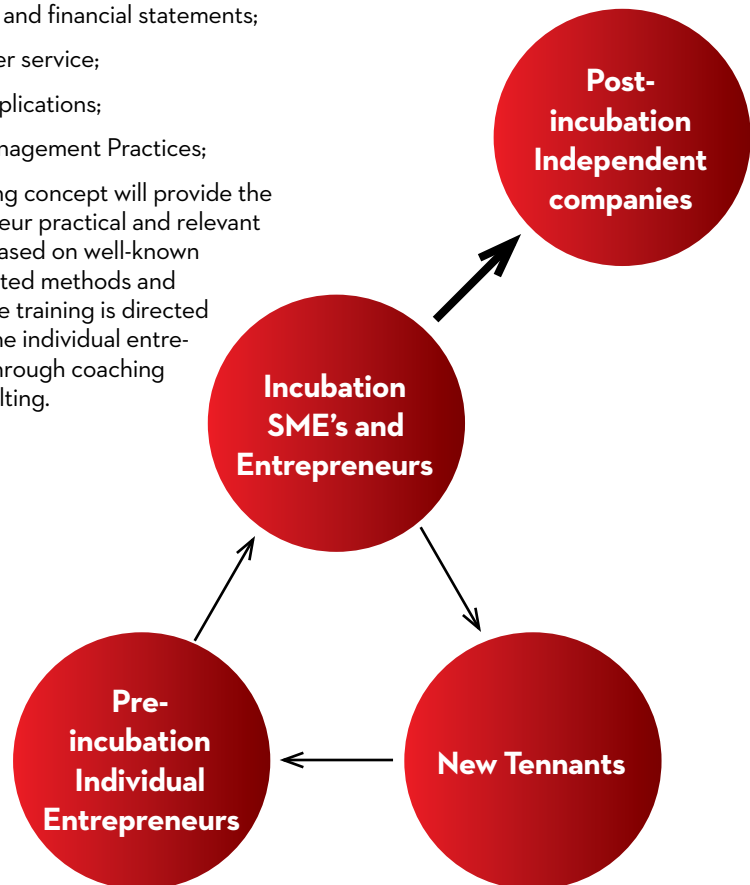


Figure 2. ENTRANSE Incubator Phases

CASE STUDY 3.

How do we select the teachers for the trainings in Soroca Business Incubator

The experience implementing Soroca Business Incubator has set a precedent in Moldova. The training system from Soroca is applied successfully in all other incubators. During the activity, the training program has been adjusted to the needs of residents, following their daily work.

„The most important quality of a good trainer is the ability to transmit the information needed, having good knowledge, both, practical and theoretical in their specialization field. To be able to explain, by giving examples to residents and to answer concrete questions from their experience, in an understandable language, appropriate for the type of activity of tenants, their age and knowledge” – Dumitru Ursu, training coordinator Entranse.

When selecting trainers, the most important are their professional qualities. To choose the most suitable specialists, Entranse team has taken advice from other assistance projects, partners, which facilitated the process of identifying potential trainers. However, the most important criteria

is the experience, reflected in CV-s.

Most trainers, in addition to theoretical knowledge, have also a good practical experience, being firm managers, consultants or employees in companies of the real sector of economy. This is an advantage in selecting the trainers. These professors are able not only to explain in an accessible way the theoretical matters, but also to come with real examples taken from Moldova business environment and from their personal experience in business.

In IAS the residents learn to elaborate a business-plan, to keep accountancy and make tax reports, what means marketing, what feasibility studies are good for, the art of communication and negotiation in

business, time management, how to get a loan and existing financing opportunities, issues concerning human resources management and labor legislation, sales and promotion, etc.

After all the training seminars organized by Entranse, participants fill in an evaluation questionnaire, in which they appreciate trainer's professional skills and how useful was the information. Analyzing these questionnaires, the project team, together with the trainer, is working on the improving of presented materials, addressing new aspects, closer to the residents' needs.



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Incubation model. Types of incubators

According to the demands of knowledge-based economy and of the success features of incubation programs, an incubation model should have three key stakeholders:

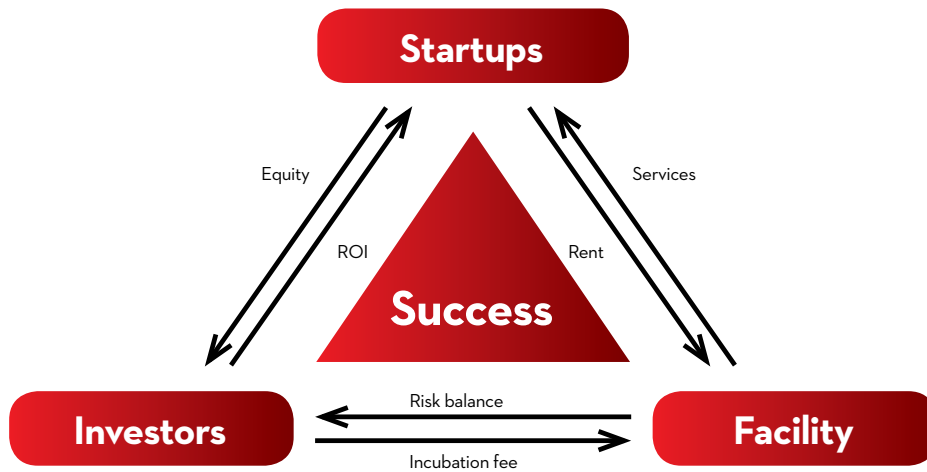


Figure 3. Business Incubator's Arrangement Concept of main key stakeholders

- Startups (knowledge-based companies)
- Facility, and
- Investors (Figure 3).

The incubator would exist in a far larger ecosystem in the regional economy; however, from the perspective of the key stakeholders, they are a group of three. There would be an incubation agreement drawn up

between the stakeholders, but the key element holding the stakeholders together is the success of the tenant company. Success is determined as profitability, funding, or acquisition. All of these success outcomes create wealth and value for the local regional development.

Business Incubators are dynamic instruments of Regional Economic Development. Every business incubator

is a unique entity. Hence a Regional Business incubator could create better conditions for entrepreneurs but one can't ignore that the incubation model requires investment.

All business incubation models require investment. The purpose of the investment is monetary gain, however, it is also much more than that. The intent of the model is to create long-term, sustainable jobs that create wealth and value for the local development economy, replace entrepreneurial initiative and markets.

To successfully facilitate the growth of companies through the business incubator it is extremely important that the incubator would be culturally aligned with the tenant companies. The model of incubation needs to be structured in such a way that the interests of the three key stakeholders (startups, investors, and facility) are aligned and incited toward sustainably growing the startup. The incubator itself must be lean, sustainable, based on value-derived funding, and culturally consistent with the tenant companies.

Business incubators architecture

While no two incubators are exactly alike it is possible to identify a range of similarities between incubator initiatives. The value added continuum set out in table 1 below helps to assemble incubators into a number of discreet groups. Incubators within these grouping are more likely to be similar with respect to their missions, policies, services and performance than incubator programs across different groups.

The value added continuum as anchored at either end by two important incubator elements. On one end, an incubator functions like a real estate development operation. On the other end, an incubator functions more like an enterprise development program. One can hypothesize that incubator at the right side are more likely to add economic value to the local economy, because they emphasize business development than incubators at the left side of continuum.

Four incubator types are represented in this table.

For-profit property development incubators seek to generate real estate profits as their primary goal.

Non-profit corporations focus on creating job.

University incubators seek to commercialize university technology while at the same time seeking to generate local economic development benefits.

Seed capital incubators co-locate to provide maximum attention to the investment portfolio.

Two other incubator types are also evident: hybrid incubators which are a combination of any of the stakeholders.

	Value added through			
	<----- Real estate	-----> Business Development		
	For-Profit Property Development Indicators	Non-Profit Development Corporations Incubators	Academic Incubators	For Profit Seed Capital Incubators
Primary Objective	Real estate appreciation; Sell property; Service to tenants;	Job creation; Positive statement of entrepreneurial Potential;	Faculty-industry collaboration; Commercialize University Research;	Capitalize investment; Rapid enterprise growth;
Secondary Objectives	Create opportunity for technology transfer; Create investment opportunity;	Generate sustainable income for organizations; Diversify economic base, support tax base; Complement existing programs and use vacant facilities;	Strengthen service and instructional mission; Capitalize investment opportunity; Create good relations between institution and community;	Self-sufficiency; Wealth creation;

Table 1. Types of Business Incubators

CASE STUDY 4.

How had the key stakeholders involved in establishing of Soroca Business Incubator

Within the project Entranse, as in many other foreign assistance projects, the involvement of beneficiaries is a must. This helps to ensure transparency when important decisions are made.

Soroca Rayon Council took active part at all the stages. They identified a list of potential buildings suitable for a business incubator. The project staff benefited from free consultancy given by rayon architects. It was about legal aspects relating to the concrete case of the selected building, redesigning and other technical aspects.

During the first stage, the Council members have actively contributed to identifying potential businessmen or young entrepreneurs who would be interested being tenants of the incubator.

Rayon administration also helped making the right decision about the profile of businesses who will enter the incubator. The foreign donor

wanted very much to base on IT related businesses, being a field required on the international market. Still, based on the results of the market analysis, the decision was to accept business ideas whose goods or services are required on the local market.

Along the way, there were involved also the Chamber of Commerce and Industry of Republic of Moldova and Rayon Economy Direction. Also, the future tenants, seeing that the building reconstruction takes more than previously planned, participated by monitoring the construction company and through persistence during all stages, both, before the incubator's opening and after.

Incubatorul
de afaceri Sorocea

ifas
INCUBATORUL DE AFACERI DIN SOROCEA
SOROCEA BUSINESS INCUBATOR

Potential pentru dezvoltarea antreprenoriatului

Noiembrie 2010

Lucia Usurelu

EN

CU NOI
ENTREPRE

Note

8 essential steps in creation and development of a business incubator

1. Entrepreneurial market research – decisive factor in selecting incubator's type

Market research

In order to achieve the above mentioned condition for increasing the success rate of entrepreneurs in the business incubator, it is very important to identify:

1. in which markets are established successful companies in the area;
2. what products of the location have competitive advantages on the market;
3. what is the number and dynamics of active SMEs and
4. what is the activity of the support scheme in the area (i.e. existing SME agencies, micro-credit funds, chambers of commerce, entrepreneurial or industrial association, unemployment reduction schemes).

Therefore, a range of market research related activities need to be conducted, such as:

- Identify the most successful companies in the area, products they produce and their destination markets;
- Identify the traditional successful industries in the area;
- Identify specific labor force skills in the area;
- Identify the local market needs and buying patterns;
- Identify the viable industrial sectors in the area;
- Study the local/regional economic growth strategy;
- Identify the successful activities of local SME support institutions;

- Identify available financial schemes for SMEs in the area;
- Identify the connections between local university or research centers with entrepreneurship (if any);
- Identify any eventual recent successful innovation in the area.



Determine the external factors surrounding your business incubators.



Note

CASE STUDY 5.

Soroca entrepreneurial market research

In order to determine if a potential incubator would be successful in Soroca, there was conducted a feasibility study. The study should give answers about the business environment in Soroca, business development opportunities in the region, what types of businesses could come in accordance with the project's and the donor's, etc.

The Study confirmed the region's capacity to generate ideas and businesses. During the research period, in Soroca, 93% of economic entities were small and medium enterprises, and the working population was 64%.

The Norwegian donor's intentions to open a business incubator benefited from support also through the Government strategy for development of SMEs. The Study revealed that business support infrastructure in the regions is not developed, and where it exists, the business is doing better. One more argument for supporting the project, was the fact that in the North and South-East regions of the country there are no incubators.

According to the feasibility study, the business incubator should provide a service that would help entrepre-

neurs from Soroca to initiate and to develop businesses. Given the above mentioned facts, the incubation process of businesses may be a success model.

The recommendation given by the authors of the research was to have in the incubator at least 60% of tenants oriented towards production, 30% - to technical assistance services, and the rest should provide services to the business: accounting, legal and other related fields.

Taking into account the feasibility study recommendations, there was made the decision to continue the project and to invest towards the implementation of a business incubator, namely in Soroca.

The Study also contains detailed information about the authorities'

willingness to engage, the possibility of collaboration with the NGO's from the rayon, universities, the appropriate ownership form, how to resolve conflict, forms of surveillance and control from the donor's part, legal aspects, etc.

Although the costs to conduct a feasibility study are very high, this is a sustainable investment. The research eliminates doubts regarding the probability of failure and gives a verdict, either positive or negative. The feasibility study indicates the strengths, weaknesses, identify development opportunities in the region and risks that may arise along the way. Thus, all parties involved have a clear and objective picture of the economic situation in the region and can use the study as a guide for future work.

Expected results

If the above mentioned research activities are conducted, it will be possible to summarize the results in a way that the competitive industries are identified and narrowed down to one or several activities that will determine the type of the incubator. Industrial focus enables synergies among the incubator tenants and consequently, enables them to be even more competitive.

The result of the Analysis of the

entrepreneurial market should be a brief document that clearly identifies the target market for the tenants, the competitive industries in which the future tenants will be engaged, the specific skills of the labor in the area, the available financial SME schemes and the list of active SME support institutions, universities and research centers that will be future partners in various phases of the project development.

Traps

- *While conducting research, it is important not to rely too much on the general statistical data, especially when the official data of the number of SMEs in the area and their business activities are concerned. In most of the countries in transition, e.g. official statistics trace that most SMEs have general trade as their activity but in fact, most of them are not functional.*
- *In some regions in the countries in transition, there is a local “industrial pride” connected with the old socialist, now almost bankrupt, gigantic companies that once “fed the region”.*
- *It is possible that a lot of regional institutions see the business incubator as a tool to “revive the giants” by offering jobs to the giant’s idle workers. The team that is creating the incubator should avoid this pitfall and stay firm on its determination to focus the business incubator on profitable and viable industries and to select tenants only according to the clearly defined selection criteria.*
- *Above mentioned, research has to measure various activities and results in a quantitative manner, regardless of possible disappointment of the local stake holders.*

Note



2. Financial Base, Ownership and Management

Activities

Step Two identifies the potential investment and running cost expenses for the business incubator and demonstrates them clearly to the prospective local business incubator owners. This exercise (that one might call “feasibility study”) should be performed jointly with the prospective owners.

The owners must understand that supporting the business incubator operation in the long run should also be their financial obligation, if necessary. In this step, the ownership and incorporation structure for the business incubator company should be agreed, the Managing Board and General Manager of the Business incubator company (GM) selected. The recommended activities are:

- Identify the local development team that will most probably become owners of the future business incubator company. Here one has to rely on experience, available recommendations and impressions from the local community and SME support managers. The team has to be operational, powerful, with honest and positive approach to the long-term sustainability of the business incubator company;
- As soon as the team is created, it is necessary to work on the business incubator investment and cost structure. Also, the team should identify the available local sources of financial support and secure additional financing;
- During the above mentioned process, the future business incubator company ownership structure should be clearly defined. In most cases, the team members with wrong motivation will withdraw from the team and the ones who remain are potential new owners of the business incubator company;
- According to the business incubator objectives and the above mentioned principles, the clear ownership structure should be defined and the incubator company incorporated accordingly;
- The incubator company Managing Board should be created. It is recommended that the eventual outside experts that work on creating business incubator become full members of the Managing Board, at least for the period before the graduation of the first generation of business incubator tenants. The other members should share the clear vision of owners and be able to practically contribute to the long term success of the business incubator;
- The Managing Board should run the selection process of the business incubator company GM.

Expected Results

By implementing the above mentioned activities, one should expect the following results:

- Business incubator investment and cost structure forecast will be prepared;
- Plans of the future owners how to support business incubator and the recommended plans for finding eventual additional financing from investors or donors will be defined;
- Eventual donors will sign the Memorandum of Understanding with the incubator company owners where their obligations will be clearly stated;
- The business incubator company will be incorporated and all related documents requested by the law produced;
- The Managing Board of the incubator company will be created;
- The GM of the incubator company will be selected and contracted.

Traps

- *Some local stakeholders might have different motivations regarding the business incubator project. It is important that either they clearly agree with the concept or they withdraw from the process as early as possible;*
- *The local business incubator development team might be formed in a way that its activities are far from the decision makers. This is a serious pitfall and should be avoided;*
- *The business incubator financial plan should be realistic in order to avoid any future negative reactions from any of the owners;*
- *The Managing Board must consist only of professionals with significant business experience;*
- *The GM of the incubator company should be a person that has strong business experience.*

Note



CASE STUDY 6.

Who is managing Soroca Business Incubator

Soroca Business Incubator has the status of a public institution. The institution's management is ensured by the Council of management or the Administration Committee.

The Council of management of IAS is composed of the following institutions: donor's representative, the president of Soroca rayon, general director of ODIMM, the director of the rayon office of the Chamber of Commerce and Industry and a representative of the residents.

The members of the Council are in charge of the financial and economic management of the incubator and of

deciding the development strategy of IAS. They also review and approve the organizational and managerial issues of the incubator.



“

One has to rely on experience, available recommendations and impressions from the local community and SME support managers.





Note

3. How do we select the tenants

Activities

The aim of this step is to produce a ranking list of potential business incubator tenants.

Certain number of the top listed should be invited to the incubator in a later stage, after the financial and physical capacities of the business incubator are identified. The best tenants need to be ranked accordingly since their success will influence the success rate of the business incubator. In fact, a “venture capitalist” approach should be exploited during this process. In order to achieve that aim, one should do the following activities:

- Select the team that will run the pre-selection of tenants procedure. The team should consist of 3-5 members with significant practical experience in evaluating business ideas and entrepreneurs (i.e. with the experiences in local banks or micro-credit or development funds);
- The substance of tenant’s market is more important than the entrepreneur. The tenant lives of the market that’s why the market comes first;
- The selection team needs to agree on selection criteria together with the management board of the business incubator. The criteria have to be based on the long-term objectives of the business incubator and should include the local particularities. However, the most important criteria should be the quality of a business idea and the business capabilities of an entrepreneur;
- The selection team should create the application and the evaluation form for the process. It should be designed in a very simple manner. Firstly, it will enable potential tenants to clearly express their business ideas and practical business capacities, among the other factors that will be evaluated by the selection team. Secondly, it will enable the evaluation team to clearly evaluate and rank the applicants;
- The selection team should run the



Figure 4. Selection of Tenants

public call for applications for potential business incubator tenants. The process should be visible and public in order to avoid potential speculations on the quality of the process;

- After the deadline, and having received the applications, the evaluation team should meet and evaluate each application. A short list of the top ranked should be invited for the second round which will include the interview with potential tenants;
- After the second round, the final ranking list should be published and eventual complaints should be dealt with. If the ranking procedure was transparent, fewer complaints will be received.

One of the main challenges faced by Incubation Program is to attract a

high-quality inflow of entrepreneurs. An organization receives 180-200 applications with business ideas annually. If one assumes that 30% of applications are selected for the business start-up phase and half of those succeed.

Entrepreneurs submit their application to the Selection Committee. The main areas of the applications are following:

- Description of project/idea;
- Description of the team;
- Progress made in project;
- What is needed to generate sales?;
- Required support from Program Incubation.

The selected teams agreeing with

terms and conditions of the Business Design phase and participate in the Mentoring and Training Program. The main selection criteria are the following:

- Ideas that have a sales potential of at least 100 000 dollars during their first year in the market (typically during the Acceleration phase) and growth rate of 20% subsequently;
- A highly innovative, technology, service or business model;
- To create employment and wealth;
- Business that is friendly with the environment;
- Ambitious entrepreneurial team, with a preference for those with previous business experience.

Expected Results

From the processes started in this step, the following results should be obtained:

- The tenant evaluation team should be selected;
- Tenants selection criteria should be clearly defined and agreed;
- The application form and the tenants evaluation form should be created;
- The public ads for calling potential tenants to participate should be created and placed with a clear cut off date for applications;
- The evaluation of the received applications should result in a shortened rank list of tenants that should be invited on the interviews;
- The evaluation team should conduct the interviews with the tenants and finalize the ranking list of tenants;

All participants should receive the official information of their ranking.

Traps

- *Production processes must be adaptable to the physical environment of the incubator;*
- *It is important that the tenants are selected on the basis of the objective criteria set up and that the selection process is not biased by alternative motives.*

CASE STUDY 7.

How were selected the tenants of IAS

Right from the beginning of collaboration with Soroca, there were organized a few introductive seminars with the members of the local business community. The project implementation team explained them the donor's intentions, the essence and the principles of functioning of a business incubator and how it can contribute to the development of their business. What are the requirements they need to accomplish in order to become tenants. At the end of the seminars, the participants have received a form in which they completed in brief what kind of business they would like to open with the project's support and what resources they would need.

Out of 220 seminar participants, 67 submitted business ideas. At the interview were invited only 46 of those who applied. There weren't selected business ideas for which the initial contribution exceeded the project's possibilities. Other ideas didn't pass because the investment recovery period exceeded the incubation period.

At the interview the candidates presented their vision over their business idea, the market, which would be the contribution required from the incubator – equipment and estimated space they'll need. At this stage were left out those who needed more space that the incubator could offer,

or those who were not ready to invest enough in their own business, but were counting very much on help from the donor.

For the next step there were selected 25 people. Succeeded those who worked more on their business plan, have better justified their expenses, have made more accurate estimations of the income, the market and the number of jobs they could create. Some of those who initially submitted application forms, gave up, others were disqualified, and some candidates were included in the waiting list.

In the end, there were selected 17 companies in the incubator – 7 being in the production sphere, and 10 – in

service providing. So, the first generation of tenants entered companies from the following fields: production of protection clothes, of uniforms, advertising services, photo and video services, an architecture bureau, decoration services, public alimentation, IT services, cutting glass and sanitation, banking services, manufacturing of wooden furniture and of PVC windows, production of animal feed, real estate services, typography and accounting.

faceri din Sero



Note

CASE STUDY 8.

Risks related to the selection of resident companies

As in other processes that take longer than planned, when implementing of a regional business incubator, in lack of good ideas, there is the risk to choose compromise options. Meaning business ideas with a high probability of failure or inappropriate for a business incubator.

In order to reduce the risk of failure of the incubator, the assessment team also accepted as tenants already launched companies. Small businesses that did not have sufficient capital, knowledge and experience needed to develop further. Some of these startup companies have become mentors and models to be followed.

A criteria for selecting residents was that they do not have identical or similar fields of activity, namely not being competitors. At the Soroca Business Incubator there are two textile manufacturers. Apparently, they could be fierce competitors. But after talking with the two directors, it became clear that while their businesses have a lot in common, the market niche in which they specialize is different. One company is sewing uniforms and the other - special protective clothing.

We are referring to the companies II Semion Tampov and SRL Bevera Nord. These two companies through cooperation with each other, managed to take a big order, at a national level - to sew clothes for the National Army.

There were a lot of ideas of providing services that could have been very popular in Soroca. But, there were many risks related to their presence in the incubator. Through these businesses, there were ideas of setting a car service center, but there was the risk that they would want too much space, in time. Another idea was the production of construction materials, but there was the risk that they would produce too much noise and the company would have needed large storage space.

There were many ideas in vegetable processing field. However, after other business ideas have been evaluated, experts have found that it is not advisable to have in the same building both, non-food spaces and food production ones together.

„It is important that if the choice is only made for the sake of the procedure itself, we may not select suitable contractors and then the whole project may fail. Now we notice that some beneficiaries, even if they already graduated from the incubator, continue their work. None of the residents did not fail. There are the ones who are stable and are not interested to expand, but they remain at a constant level, which brings them income and allows to ensure the production process „- Lucia Uşurelu, Deputy Director Entranse.



Note

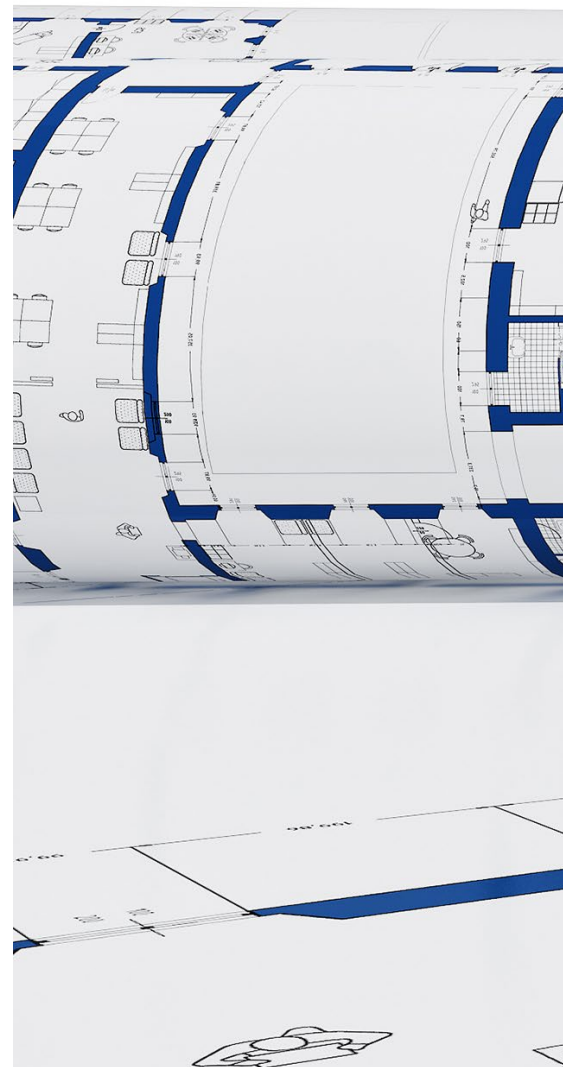
4. How do we choose the incubator's building

Activities

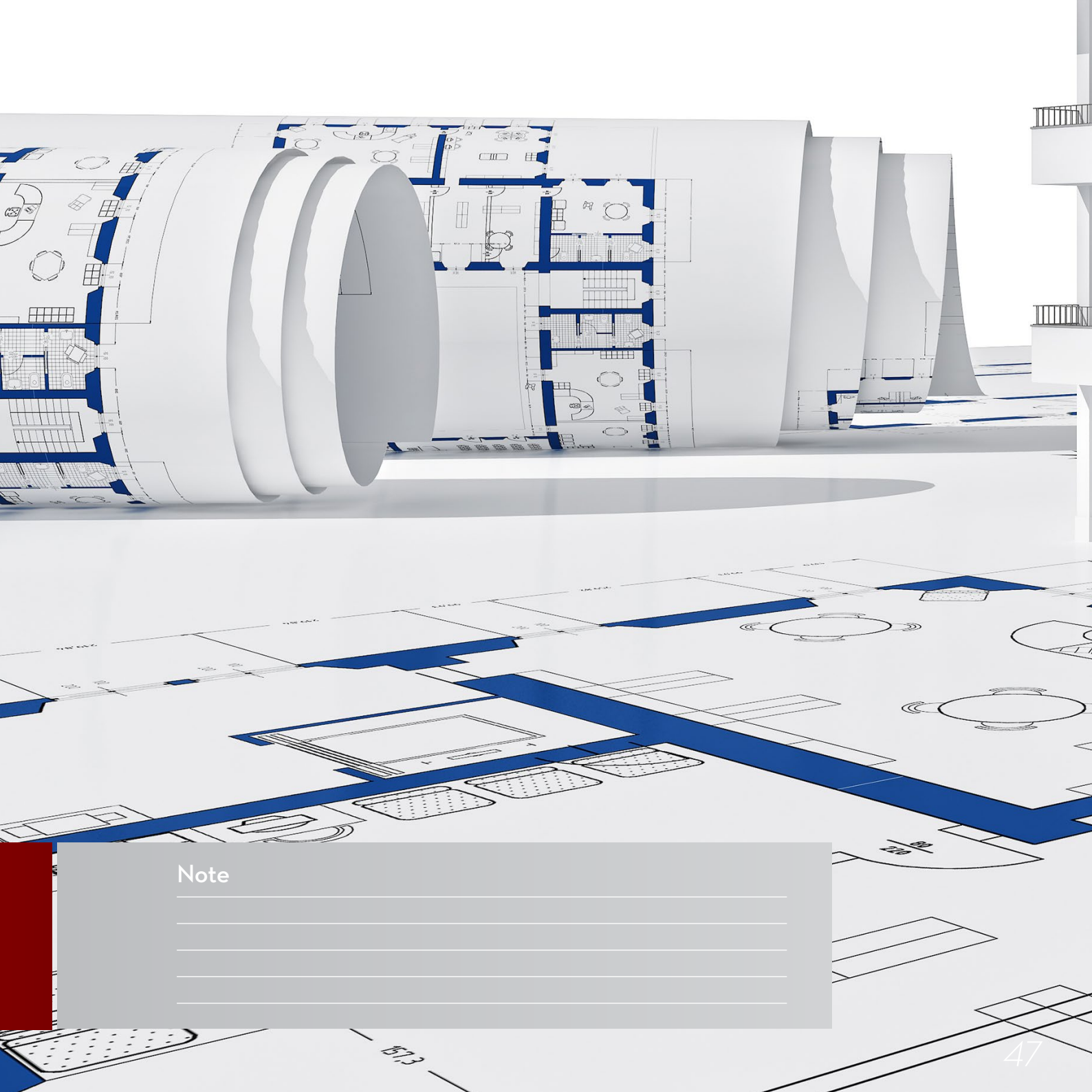
In most of the countries in transition, there are vacant industrial buildings that once have been either production facilities of a state-owned manufacturing company, military warehouse, general department store, etc. It usually turns out that such a building has not been used for years, waiting for an investor to buy it (i.e. privatization program). These buildings are usually useful for the business incubator premises;

The best option for the business incubator premises should be selected together with the local stakeholders and owners of the incubator company. The appropriate building for business incubator should have the following features:

- “Easy project” concerning legal and ownership aspects;
- Space used free of charge for the incubator company;
- Available for business incubator usage for at least 8-10 years;
- Has enough space to host 10 - 20 small industrial companies;
- When stakeholders agree on the appropriate building, renovation can start. The renovation project proposal should be the “turnkey” and it should take care of all necessary operations and costs of making the space functional enough for tenants to plug in their machines and start production;
- Implementation and payment of the renovation works;



The building renovation should be reasonably priced, efficient and productive process.



Note

CASE STUDY 9.

Soroca Business Incubator – selection and renovation of the building

Soroca rayon administration, at the request of ODIMM and the Norwegian project Entranse 2 Your Business, has proposed 12 buildings in the city for the future based business incubator. The selected building met most of the donor criteria.

The first challenge was that 25% of the building was owned by a company whose members were individuals. It took them a while to delegate one representative to negotiate with the donor, a process that took quite a long time, which was not originally planned.

Other 75% of the building was managed by the Ministry of Culture. One decided that it should be transferred into the management of the Ministry of Economy. Then, the building was given into management of ODIMM to be used as business incubator for a period of at least 10 years.

The experts have evaluated the building's condition. The renovation project was presented in 2 months, and the work has taken half a year.

The value of expenditures for repair and renovation, estimated by the constructions specialists, slightly exceeded just for the land planning, works that weren't initially intended.

For the beginning there was evacuated all the waste, old equipment and no longer used machinery. The building was connected to the gas network, the entire system of water supply and sewerage, because the existing one was old and unusable, the electricity system has been replaced.

“We have chosen the classic form of incubator. It is a building with business offices, halls and production spaces. they were designed to correspond to all the construction standards, to be environmentally friendly

and comply with health standards.”
Lucia Uşurelu, Deputy Director Entranse.

Soroca Business Incubator building has a total area of 1773m², on 3 floors, 996 m² of which are production spaces, and 204 m² – are for office spaces. The other 573m² are for administrative offices, sanitary, the conference room and common areas.

Expected results

- Documentation that proves the intended building has fulfilled the five above mentioned criteria for the business incubator should be completed;
- Detailed renovation project done by a professional company;
- The renovation works should be given to the professional company with the best offer. Contract which penalizes every day of construction works delay should be prepared. If local municipality is one of the stakeholders, use their expertise in making renovation contracts;
- Functional business incubator opened, ready to welcome the tenants.

Traps

- *The building renovation should be reasonably priced, efficient and productive process. Do not be too demanding, the objective is to create functional working environment for tenants/entrepreneurs as soon as possible*



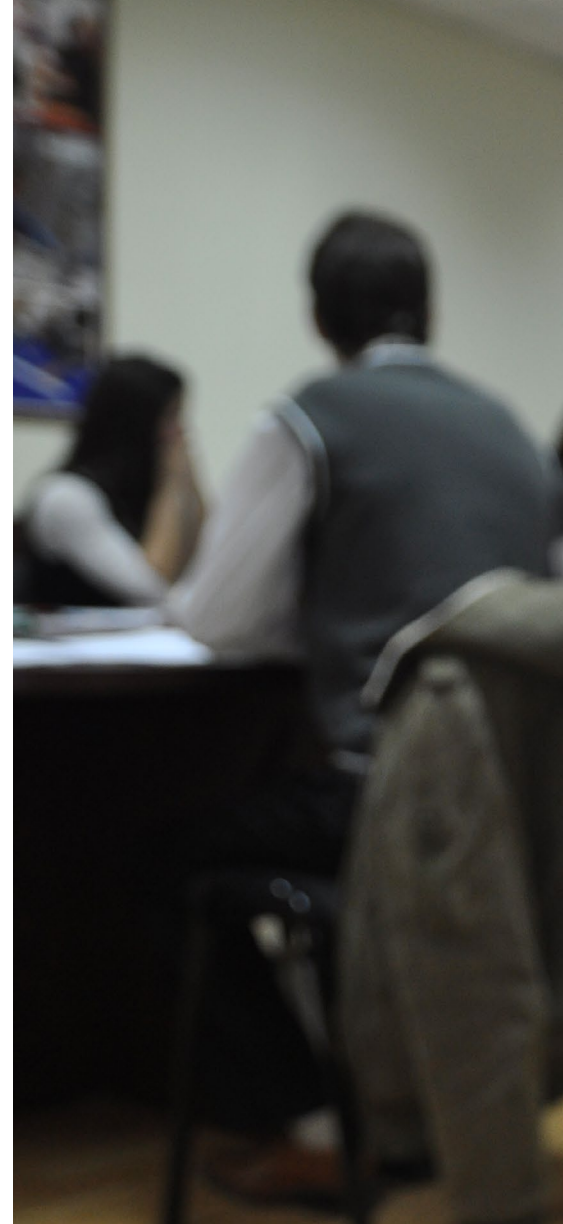
Note

5. Legal Framework

Contracts and agreements to sign

Some of the below mentioned activities, in fact, should be implemented at a very early stage of the project. The legal aspects will be continuously developed throughout the project. The following contracts have to be prepared and signed:

- Contract on establishing business incubator company, followed by official registration of business incubator as a company;
- Contract that regulates relations between the owner of the building and the business incubator company (previously the ownership and proprietary relations regarding building - business premises clarified, relevant documents provided);
- Contract that regulates relations between donor (or investor) and owners of the business incubator company;
- Contract that regulates relations between donor (or investor) and the business incubator company;
- Contract regulating relations between business incubator company and tenants;
- Contract that regulates purchasing of equipment for the business incubator or tenants - if the equipment is purchased by anyone else then tenant;
- Set of operational agreements that the business incubator company makes with its employees, contract that regulate security of the building, contracts on various operational services such as accounting and auditing, training of entrepreneurs,
- Corresponding internal company acts.



A too strict legal framework may restrict entrepreneurship and flexibility.



Note

CASE STUDY 10.

Rules of conduct in the Soroca Business Incubator

Besides legal documents, contracts and agreements, in Soroca Business Incubator is mandatory to respect the rules of conduct. This is about the behavior of the residents and the employees within the incubator.



The Regulation has a few general rules about parking, sanitation, maintaining the offices clean, equipment use, using of the conference room, etc. There are specific rules that describe some procedures. For example:

Visitors and guests - IAS tenants are required to notify IAS administration about visitors expected after official working hours established by IAS. Main hall on the 1st floor is considered to be Reception Room and a place of waiting for guests and business partners.

Another section describes how the utility expenditures' payment is done.

Obligations regarding utility expenditure

IAS Tenants will pay monthly payment based on accounts given by IAS for:

- a. Electricity consumed (measured by each tenants);
 - b. Consumed water and sewage (average by person);
 - c. Telephone communications (based on outgoing calls);
-
- a. IAS will cover the costs for the internet;
 - b. IAS will pay for the heating ;
 - c. IAS will pay for cleaning services in the common places.

Also, here we find the rules for equipment correct use

Rules for using transmitted equipment in the possession of tenants

The grant financed equipment belongs to IAS, unless agreed otherwise. The equipment is in the use of the tenant based upon specific preconditions and obligations stated in the General Tenancy Contract.

IAS Tenants are responsible for maintenance of equipment and will bear the risk of damage and destruction of property will support the costs for repairing and maintaining property.

Tenants are required to comply with IAS labour security rules, instructions for operating machinery and equipment, environmental and hygiene standards and cleaning standards established by IAS.

The tenants are not allowed to remove the equipment or use the equipment for other purposes then initially agreed.

Expected results

Awareness and clear understanding of mutual positions, operating requirements and responsibilities.

Traps

A too strict legal framework may restrict entrepreneurship and flexibility hence the entrepreneurs should be given certain room for maneuvering. On the other hand, it must be precise, provide balance and give enough guidelines to prevent misunderstanding, misuse and self-will imposing.

Note



6. Incubator's operational plan

Activities

Step six (the same applies for step five and seven) can be implemented in parallel with the renovation of the building and should be finalized before Step Eight starts. Following activities have to be performed:

- The incubator company should prepare its own operational plan. The particular focus should be on tenants and the support services for the tenants;
- The operational plan should clearly define relations between the incubator company and tenants, especially regarding measuring business performances of tenants, support to business development of each tenant, exit plan for every tenant and the reporting systems;
- The operational plan will cover the revenue generation areas for the business incubator in order that it becomes sustainable.

Expected results

The incubator company management should develop the operational plan as a 20-30 pages document in which objectives for the next year are presented together with detailed action plans. The objectives should be specific, measurable, achievable, relevant and time bound. They should be oriented towards the business development of tenants and sustainability of the business incubator company. The activities should in detail disclose all the support for the tenants by the business incubator company.

Traps

Business incubator company management should not have in the main focus any other activity than supporting tenants and their businesses.





Note

CASE STUDY 11.

How do we evaluate Soroca Business Incubator's success

There are multiple forms of evaluating the success at IAS. In general, if the tenants' businesses are sustainable and develop, this means that they are successful.

For the assessment of financial and economic indicators, one has decided that they will do and submit quarterly reports, similar to those they send to other institutions, for example, to the State Tax Service or National Bureau of Statistics and other financial institutions. The reports contain the most important information and data, which together create a general image on the made progress in the incubator.

Thus, in 2012, the number of jobs created in IAS reached up to 137. The turnover of resident companies was 7 million 856 thousand MDL and 1 million 810 thousand MDL were taxes paid to the state budget. All indicators are in positive dynamic.

Besides quantitative indicators, Soroca Business Incubator is assessing

the tenants' level of satisfaction. They are distributed questionnaires where they express their opinions, are offering solutions to problems that arise, and are writing constructive suggestions.

Together with the performance indicators, the incubator's management is also assessing the success rate of the companies. According to this parameter, if the business is profitable, it means that it is successful. If all the companies are sustainable and continue to improve their financial results, then, Soroca Business Incubator as an institution assisting them, is a successfully implemented project.



Note

7. Staff recruitment and final selection of tenants

Activities

In this stage, the building is renovated, the tenants are pre-selected, the legal infrastructure is finalized, and the operational plan completed. The next step is to proceed with the following activities:

- Recruit the staff for the business incubator company. The number of people depends on the work load and the number of tenant companies. In the business incubator that hosts 12-15 tenant companies, maximum of 2-3 employees should be employed, namely general manager, tenant relations expert (manager, technical manager, business development manager) and eventually, one administrative person. All employees should have proven career tracks in business sector;
- Since the number of workshops at the incubator building is avail-

able, the final selection of tenants should be completed. It means that the management of the incubator company should offer contracts to the top ranked entrepreneurs in the pre-selection process and invite them to the incubator.

Expected results

- Business incubator company staffed with capable and motivated employees;
- Top ranked entrepreneurs officially invited to the business incubator and signed tenant contracts with the business incubator company.

Traps

General Manager of the incubator company is the one who should select the members of his/her team. No personnel should be imposed by any of the stakeholders. This would create potential internal conflicts and will diminish GM's authority and leadership.





Note

CASE STUDY 12.

Staff recruitment at Soroca Business Incubator

Although it is a public institution, the business incubator should be managed as a business. Its goal is to grow towards obtaining long-term sustainability. That is why the first in the list of requirements for the IAS manager has been the management experience.

To select the manager of Soroca Business Incubator, it has been announced a public call for application. As a result, 6 application packages were submitted. The members of the selection committee of the IAS manager were the donor representatives, ODIMM and Soroca rayon council.

“I can say that anyone who would be part of the incubator’s team, they need to be competent specialists in

the field they are responsible for – accounting, legal, etc.” – Liliana Babără, Soroca Business Incubator manager.

Currently, the incubator staff consists of manager, accountant and a Peace Corps volunteer. The support is provided by the consultants from the project Entranse.



All employees should have proven career tracks in business sector.



Note

8. Launching of the Incubator

Activities

After signing the tenant contract with the business incubator company, the tenants need to move their business activities to their premises in the business incubator. This process should be accomplished as soon as possible; since it is important that the incubator starts working with full capacity and that the support services for all tenants start;

The management of the incubator company should schedule regular meetings both with all tenants and on individual basis. This is the best way to solve the operational problems and disturbances, know each other and resolve many organizational issues, i.e. common procedures in the building, environment, security, services, etc.;

The entrepreneurs need to organize

their production equipment. They might have their own equipment and a part of the production equipment might be donated from donor or investor. In that case, the incubator management should handle the production equipment purchasing, delivery and installation in an organized way and to enable the tenants to start production as soon as possible;

Since all tenants share the same building, it is very important that they take care of general environmental protection and do not disturb each other with their production cycles;

When most of the tenants have moved in, the entrepreneurial training process should start, according to the program and concept that is used. Management of the incubator company should be responsible for implementation of the training activities.

Expected Results

This step should have the following results:

Tenants should be checked in at the business incubator building, installed their production equipment and started production;

The support services that the incubator company provides tenants should start;

The regular meetings between the incubator company management and tenants should start;

The general environmental standards should be constantly monitored and preserved;

The training program should be implemented.

Traps

Installation of some equipment might be too complicated or some equipment even not suitable from the environmental point of view;

Tenants might be “too busy” to attend the training. In these situations, training sessions should be organized on Saturdays or Sundays.



The incubator paradox: it should be managed like a private business, but usually it is owned by LPA's. And there may be a conflict between two different cultures.



Note

CASE STUDY 13.

The role of training in the tenants' economic activity

The training is an important part of the incubation process. By participating at the trainings, the residents increase their knowledge about economic activity and can identify solutions to problems that arise.

There are frequent cases when, after participating at the trainings, the tenants change their vision over their businesses, discover marketing techniques, and some of them even change their lives.

One of the sewing companies at Soroca Business Incubator, after the trainings, extended its market and even started to sew under its own brand. The company ordered a feasibility study and started to follow its original business plan, even if at the beginning it used it just as a document good for finance applications and other application forms in projects.

Also, the manager of a company providing photo and video production services, changed some of his visions and habits after some training courses. Having the habit to gather the

information needed by himself, doing ground work, during the trainings, he learned that there are specialized institutions who prepare this type of data and that they are available.

After participating at a training program organized at the incubator with the support of a Peace Corps volunteer, a lady from Soroca basically changed her life. After 17 years of work in the sewing field, she had left without a job. The ideas and views from the training had given her the confidence to open her own business. After being accepted as a second generation resident of IAS, she started the economic activity. The company she leads, sews in lohn medical gowns for the Italian market. One year after the opening, the firm had 38 employees.



Note

Sustainability of the incubator and of its tenants

After establishing the business incubator with management, entrepreneurs, support and systems on site, the incubator as well as the tenants are further developing through stabilization, growth and commercialization.

The ownership of the incubator's spaces should be clearly defined for the entire operating period. It is important that by the incubator's launching its legal status should be determined. The business incubators are best managed independently from local public authorities, or by the public provider of financing, under private management.

Stabilization

Within this period, the incubator concept is fully implemented. Strategic plan should be developed and presented, emphasizing on establishing routines, monitoring of tenants, establishing training program. One will develop management, accounting and routines necessary for the company to be fully operational. Considering new tenants, new management, new systems, new markets, new products, new legal framework and so forth, it should be noted that this phase is time and resource de-

manding. Necessities such as financial systems, development tools and legal contracts are not readily available, and will have to be defined.

Business Incubator must operate on commercial principles and constantly monitor its financial performance. Customers' financial obligations should be quantified and accounted in order to minimize the risks. Bad debts shouldn't be accepted.

Growth

The enterprises will benefit from support, general training and individual coaching, as well as legal, economical and marketing support in order to secure growth. The tenants will also be supported by a below market rental rates, that will grow over time. They will be monitored and followed on a monthly basis related to budget and activity plans. Development plans for each tenant company are developed and followed. The incubator management is closely engaged in all aspects

of their tenant's progress. Tenants will be evaluated.

Basic verification on the nature of the businesses shall be monitored in time to indicate over properly planned businesses, achievements and potential for expansion or creation of new jobs.

"Graduated" tenants will be replaced with the new companies. Tenants that do not perform in accordance with agreement and (environmental) standards will be replaced. Exit criteria, plans and procedures are guiding tenants leaving the premises. Some of these tenants may be located in the incubators close periphery; drawing benefits some of the incubators services and supervision.

The business incubator company will develop, will learn by doing, elements like as management, concepts and systems. Promoting entrepreneurial culture is very important. That is why, the management of the

incubator should be oriented to the development of incubator's tenants' businesses. These will raise gradually and go through a higher phase of development. Tenants may be changed, strengthening the incubator, as well as changing its profile in a more suitable direction than originally planned.

Commercialization

The commercialization of tenants is related to successful enterprises exiting the incubator. The Business plan of the Incubator Company, as well as, business and development plans for each tenant should result in a successful exit from the incubator. Getting feedback on a regular basis, from customers, on the effectiveness of services provided by the incubator is a possibility to get performances

in services provided. The time inside the incubator was spent in developing their businesses. The success of former tenants is the best indicator of the actual success of the business incubator company. Although enterprises left the incubator premises, they remain part of business- and/or technology networks.

At this point in time the incubator company may want to expand in terms of further established network of incubator related enterprises outside its premises, or start the process of establishing itself as the seed in an industry- or science park. The latter a realistic alternative given the expertise and resources developed during the first complete incubation cycle.

Note



Sustainability – critical factor for the IAS continuity

Securing sustainability is one of the critical and most important factors of the incubator concept.

- Sustainability is not only the objective itself, but also a measure of how successful the incubator is in producing successful businesses of initial startups as well as its own stability. Sustainability can be considered at two levels:
- The tenants, through the business incubator commercialization and growth;
- The incubator through performance and stability.

Both, tenant and incubator levels depend on capable management, infrastructure, funding and policies.

Tenants will be the first affected by the incubator operation. Sustainability of tenants will to a large extent be affected by the following factors:

- Professional recruitment of entrepreneurs;
- Pre-incubator, incubator and post-incubator modeling;
- Incubator concept;
- Training plan and individual development process for Tenants;
- Direct assistance within defined and relevant business areas;

- Planned step by step decrease in financial support towards exit;
- Measuring and goal setting system for Tenants;
- Tools and system for planning, monitoring and developing the Tenants;
- Clear exit platform;
- External promotion, marketing and network assistance.

In considering the business incubator company the following factors are important:

- Establish income/revenue generation by letting out training facilities, canteen operation, excess space etc.;
- Eventual income from services supplied to tenants;
- Introduction of new revenue products or services;
- Elaborate the concept, develop and implement of the internationalization services, both for the business incubator and for its beneficiaries, through the support offered for the participation at the globalization process and attracting potential new partners;

- Introduce alternative or additional sources of financing - donor replacement program;
- Conduct business activities according to the law and the Establishing act;
- Act in accordance with over all incubator governing framework, concept, strategies, policies, standards and procedures;
- Act in accordance with local development strategies and policies;
- Operate in accordance with yearly Business and Action plan of strategic development and activities;
- Establish and implement long term sustainability and long / short term training plan for tenants.
- Develop the entrepreneurial culture and rise the participation rate of local entrepreneurs, including young people, women at the incubator's social life;
- Promote the regional development, through the decentralized economic activity and free circulation of businesses.



Note

CASE STUDY 14.

Communication and promotion of Soroca Business Incubator

During its development, Soroca Business Incubator has known 2 phases, from the communication point of view. The first was the lack of notoriety, when the population and the target group didn't know what a business incubator means. And the second phase - when the incubator exists, develops and already has a great potential of influencing the community's life, this is why it needs to extend the influence area and its notoriety.

At the beginning, during the first step of the project Entranse existence, the purpose of communication was, particularly, to inform. The target group were rayon decision makers, entrepreneurs and potential businessmen, local and regional community. After, when it was clear that IAS is a success story, the strategy was to spread this message to other communities, through the central authorities, but also to decision makers from other rayons.

The main message that Entranse and IAS are spreading in their communications, is that the business incubator is an efficient tool for economic growth and poverty reduction, and that IAS is a success story of supporting the development in Moldova.

Unlike other processes done step by step, the communication about the incubator is a continuous process. It starts from the announcing of first meetings with the businessmen and

accompanies all the next steps.

During the first phases of the incubator's implementation, the communication has the role to inform and to give credibility to the project and to the idea of incubator. The communication will explain the donor's intentions, will give examples of best and successful practices used in other incubators and will give as much details as it can about the implementation process. The communication at the local level should use all the mass-media available, to give legitimacy and support to the project.

There are 2 local newspapers in Soroca, a TV and a radio station. At the beginning, there were organized a few radio and TV talk shows with the project members and local public authorities. For the preliminary selection of the tenants there were used newspapers, where were being regularly published announcements that were telling readers about the possibility to become a tenant and

the requirements they have to meet.

In the following steps from the communication process there would be made continuous efforts to bring the subject of business incubators, of the SMEs, assistance projects, regional development, etc. into the mass-media agenda, through events, given interviews and written articles for the local, regional and national mass-media.

The business incubator has double status, which allows to promote itself in different ways. On one hand, IAS is a public institution, which, by definition, has notoriety and legitimacy, and on the other hand, it develops and acts like a business. This allows to use all the promotion tools available to the business. And the fact that IAS was implemented from the financial assistance and the support of a foreign donor, allows to promote itself not only at a national level, but also international, as a successful model in a developing country.



Note

How and when the tenants leave the incubator

Exit planning is closely related to sustainability of the tenants. It is aimed at buffering tenants leaving the incubator, securing a smooth and successful transition from the sheltered existence inside the incubator to the external world of business. Exit planning should cover tenants leaving at the expiring date of the incubation period, successful tenants leaving the incubator before the planned period, or tenants having to, or wanting to leave before the plan period.

Definition and implementation of the exit plan is the responsibility of the incubator management. Individual tenant related exit planning should be jointly performed by incubator and tenant management.

Entrepreneurs should be encouraged to leave the incubator when they developed, entered a market and have straighten their positions. The business incubator exit strategy should include the following:

- Define the maximum time limit concerning the period of incubation;
- Establish the rent rate after the end of the incubation process;
- Elimination of subsidies;
- Stimulating customers to leave the business incubator;
- Setting economic growth goals to be achieved.

Exit planning should start at the time the tenant enters the incubator – as a part of tenant development and

sustainability planning. The exit plan should be ready minimum one year before exit date, allowing time to prepare and activate actions for a business success.

The tenant exit plan should result in an action plan specifying the transition from the incubation to the post-incubation phase, containing the following:

- How to work with the customer base as an independent entity, will the transition represent changes?
- How to take care of the necessary network represented by the incubator?
- Which services and support supplied by the incubator will have to be replaced, how is this financed?
- Have necessary premises been located?
- How are essential monitoring and planning systems for budgeting, economy, customers and suppliers going to be replaced?

- How is equipment for operation, communication and administration going to be replaced?
- Has a secure financial platform been provided?
- Does the company have plans for competence development, replacing the training supplied by the incubator?
- Is the company going to continue marketing activities jointly with the incubator, or act separately?
- What kind of cooperation would the company like to have with the incubator?
- Do legal aspects have to be considered in relation to the enterprise leaving the incubator, if yes, how is this to be tackled?
- Has enterprise management worked out an overall plan for all items to be completed prior to moving out date? What should be taken care of well in advance?
- The practical removal will require a

set of actions, is a related action plan completed?

- Has tenant management made contingency plans in case the independent operation causes unexpected problems?

Exit conditions for tenants are also an area for management decisions. The incubator must clearly define the basis for tenants leaving the incubator. The main reasons for exit are basically:

- Incubation timeframe has come to an end, the tenant performs a planned exit;
- Tenant performs well and is reaching its conditions for exit earlier than planned;
- Tenant does not perform for a variety of reason and is asked to leave;
- The tenant changes its original strategic direction and does not any longer fit into the incubator profile;

The incubator management must formulate procedures for the above and related situations. A commonly used approach is for exited enterprises to move into a defined outer circle incubator network. This network implies

that the post incubator companies do not reside in the incubator itself, but draw certain benefits from the incubators services. These companies may, as a compensation, supply experience and competence to newcomers in the incubator.

Since the incubator company is an independent business unit, sustainability and exit conditions are strategic areas of importance. An incubator is by large initially funded by donors or other (public) sources of finance. It requires financial means for its operation and to support tenants with equipment, services and training. In case the initial supporter exits, the incubator may require replacement of financing. The following questions should be answered and actions included in the business plan for the incubator:

- Does the incubator have a long term support contract with its financial sources? What are its specific terms and conditions? What are the exit conditions?
- Does the incubator have financial replacement possibilities? What are plans for their future cooperation?

- Could changes in the shareholder and ownership structure contribute with financing?
- What are the incubators plans for self-generated income? Which products or services could the incubator offer the market?
- Does the incubator have an advertising plan reflecting its future support and existence?
- Could the incubator expand its operation to include other financially supported areas such as SME support, networking or similar activities?
- Could cooperation with other incubators, institutions or similar partners result in efficient operation and cost reduction?
- Could changes in service and support to tenants give cost reduction?
- Which possibilities exist in terms of support from local industry or authorities?
- Does the incubator have concrete action plans for the scenario for the exit of a major financial contributor?



An incubator establisher or manager will be measured upon how many start-ups where introduced to the incubator vs. how many succeeded. The management will be measured upon its input/output ratio.

CASE STUDY 15.

The tenants' exit planning at Soroca Business Incubator

Planning of the exit, somehow, starts right from the moment tenants are finally selected. One of the decisive criteria while selecting the tenants is that the businesses develop and become profitable in a quite short time. The conventional incubation time period is 3 years since entering the incubator.

„Each company is different in its own way. For some residents, those 3 years of incubation aren't enough, while others are ready to graduate the incubator even before the deadline. A company in the services sector (for example: accounting, architecture or cleaning services) grows and achieves its results faster and easier, while a production company needs more time. The production process is more complex, harder and takes more time compared to creation and providing of a service.” Liliana Babără, IAS manager.

One of the companies which successfully graduated the Soroca Business Incubator is a micro-financing company – Priminvestnord Ltd. After graduation it increased the number of jobs created from 3 to 8 employees and has an important increase in turnover.

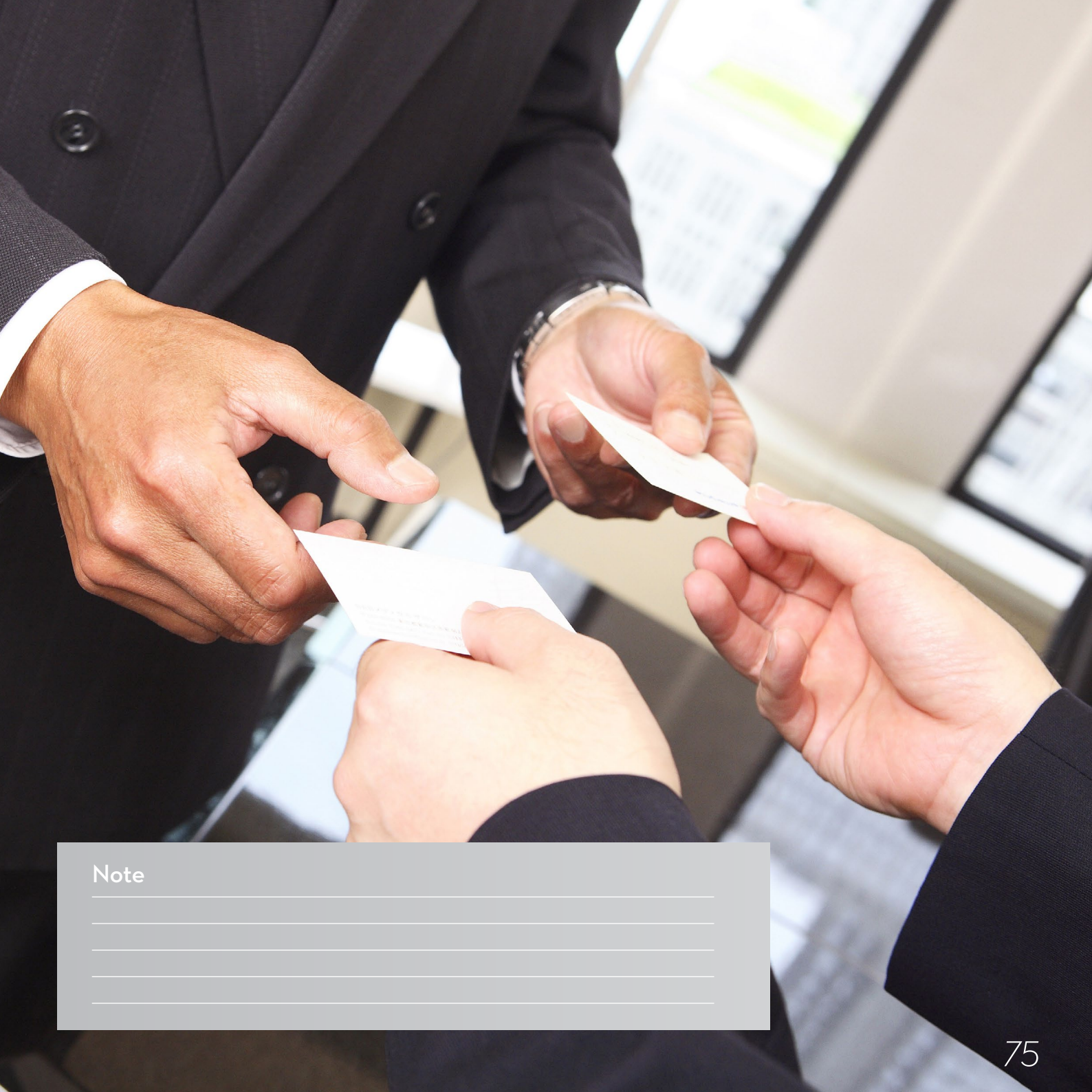
The company prepared for graduation during 6 months. The biggest problem was the need for space for serving the clients, premises that the incubator couldn't offer. Currently, the company has its own premises in the city center, which enables the company to achieve set goals.

Although the company graduated the incubator, it continues to benefit from the support from the IAS management, when needed, on different issues - financial, legal, access to extern sources of funding, trainings, etc.

Another company that successfully graduated from IAS, is II “Burlacu Vitalie” – specialized in producing glass furniture, services of creation and installation of glass showcases. The company has worked in the incubator for 2 and a half years. Being a tenant, the entrepreneur, aged under 30,

applied for National Youth Economic Empowerment Program (PNAET), and obtained a loan of 300 thousand MDL, which allowed him to improve the enterprise's material and technical base – glass production equipment for the PVC windows.

Currently, the company works in its own premises, bought and equipped while the company was in the incubator. II “Burlacu Vitalie” keeps in touch with the IAS resident companies, namely with those working in the field of production of furniture made of natural wood and from MDF.



Note

Check list of the activities

Business Incubator “Step by Step” Guide – Activity Check List

	ACTIVITY	WHO?	DONE?
Step One - Entrepreneurial Market Research			
1.1	Identify the most successful companies in the area, products that they produce and their destination markets	BI Developer	
	Identify the traditional successful industries in the area	BI Developer	
1.2	Identify specific labor force skills in the area	BI Developer	
1.3	Identify the local market needs and buying patterns	BI Developer	
1.4	Identify the viable industrial sectors in the area	BI Developer	
1.5	Study the local/regional economic growth strategy	BI Developer	
1.6	Identify the successful activities of local SME support institutions	BI Developer	
1.7	Identify available financial schemes for SMEs in the area	BI Developer	
1.8	Identify the connections between local university or research centers with entrepreneurship	BI Developer	
1.9	Identify any eventual recent successful innovation in the area	BI Developer	
Step Two - Financial Base, Ownership and Management			
2.1	Identify the local development team	BI Developer	
2.2	Work on the business incubator investment and cost structure	BI Developer, team	
2.3	Clarify the future business incubator ownership structure	BI Developer, team	
2.4	Incorporate the business incubator company	BI owners	
2.5	Create the Managing Board for the business incubator company	BI owners	
2.6	Select the General Manager for the business incubator company	BI owners, BI Developer	
Step Three - How do we select the tenants			
3.1	Select the team that will run the pre-selection of tenant's procedure	BI owners, BI Developer	
3.2	Agree upon the selection process criteria	BI owners, BI Developer	

	ACTIVITY	WHO?	DONE?
3.3	Create the application and evaluation form for the selection process	BI owners, BI developer, tenant selection team	
3.4	Run the public call for the applications	BI owners, BI developer, tenant selection team	
3.5	Evaluate each application received before the deadline	Tenant selection team	
3.6	Publish the ranking list and address eventual complaints	Tenant selection team	
Step Four - How do we choose the incubator's building			
4.1	Select the appropriate premises for business incubator	BI owners, BI GM	
4.2	Define the premises renovation project	BI owners, BI GM	
4.3	Secure financial and other resources for the renovation project	BI owners, BI GM	
4.4	Implement the renovation works	BI General Manager	
	Organize the business incubator opening ceremony	BI GM	
4.5	Organizarea deschiderii oficiale a incubatorului de afaceri	MG IA	
Step Five - Legal Framework			
5.1	Prepare and sign contract that regulates relations between the owner of the building and the business incubator company	BI Developer, BI GM	
5.2	Prepare and sign contract that regulates relations between donor (or investor) and owners of the business incubator company	BI Developer, BI GM	
5.3	Prepare and sign contract that regulates relations between donor (or investor) and the business incubator company	BI Developer, BI GM	
5.4	Prepare and sign contract that regulates relations between donor (or investor) and the general manager of the business incubator company	BI Developer, BI GM	
5.5	Prepare and sign contract that regulates relations between the business incubator company and every tenant	BI Developer, BI GM	
5.6	Prepare and sign contract that regulates purchasing of equipment for the business incubator or tenants	BI Developer, BI GM	

	ACTIVITY	WHO?	DONE?
5.7	Prepare and sign a set of operational agreements that the business incubator company makes with its employees, that regulate security of the building, various operational services such as accounting and auditing, training of entrepreneurs	BI GM	
Step Six - Incubator's operational Plan			
6.1	Prepare the operational plan	BI GM	
6.2	Define relations between the incubator company and tenants, especially regarding measuring business performances of tenants, support to business development of each tenant, exit plan for every tenant and the reporting systems	BI GM	
6.3	Cover the revenue generation areas for the business incubator company	BI GM	
Step Seven - Staff recruitment and final selection of tenants			
7.1	Recruit the staff for the business incubator company	BI GM	
7.2	Complete the final selection of tenants	Managing Board	
Step Eight - Incubator Launching			
8.1	Check in tenants	BI GM	
8.2	Organize logistics for the tenants	BI GM	
8.3	Schedule regular meetings with tenants	BI GM	
8.4	Organize the production equipment for tenants	BI GM	
8.5	Analyze the production equipment and processes in terms of environmental protection	BI GM	
8.6	Start the entrepreneurial training	BI GM	



Design and follow your checklist. A hole in your preparations sequence may hit you like a boomerang at a later stage.



Note

Incubator Steps Timeline

Steps in setting up an incubator	Start of planning <----- -----> Incubator start-up									
Entrepreneurial Market Research, Defining type of incubator										
Financial Base, Ownership and Management Conditions Including recruitment of GM										
Pre-selection of Tenants										
Location, Site and renovation										
Legal Framework										
Incubator's operational plan,										
Staff recruitment and final recruitment of tenants										
Launching of the Incubator										

Note



Monitoring and evaluating the performance of the Business Incubator

Incubator's evaluation system

Additional to sustainability is very vital to discuss the importance of evaluating an incubator's performance and monitoring system, how to do it and how to use the results. Evaluation and reporting is an important step as it can provide qualitative and quantitative information on incubator performance over a given period. Evaluation and reporting should consider cultural, economic, social and technological performance within the incubator's region of operation.

According to the European Commission's Final Report Benchmarking of Business Incubators (2002), "the performance of business incubators should be judged primarily in terms of the results achieved, i.e. the impact they have on businesses, wider economic development and other priorities. An important lesson to be learned is that an incubator can only be assessed by obtaining information from companies.

Feedback from companies is also important from a more practical point of view, i.e. client management and networking with graduates".

Key Issues

The key issue is development and adoption of an incubator performance evaluation system. A per-

formance evaluation system should also consider development of each economic segment of the incubator and any regional peculiarities. A performance evaluation system which collects and analyses quantitative and qualitative data is preferable. A system which considers only success/failure or negative/affirmative answers should be avoided.

A continuous performance evaluation system will allow weak points in the incubation process to be identified. This is an important benefit as identifying or foreseeing weaknesses in a timely manner can prevent possible losses.

Such a system must be useful for the program coordinator, managing entity and supporting bodies (partners).

Within an evaluation system, it is im-

portant to develop evaluation criteria. Structured criteria can assist agencies in allocating award incentives. Structured criteria can also assist non-government sponsors in evaluating the efficiency of financial support provided to business incubator(s). A lack of structured criteria may result in reduced award incentives and/or reduced non-government financial support.

A performance evaluation system should also include performance indicators. Performance indicators are tools for planning and control/decision making and therefore should be simple to apply.

By measuring the performance of incubator activities, an evaluation system can assist in decisions on the continuation, interruption or modification of incubator activities.

Generally, an evaluation system includes assessment of the basic steps to an incubator evaluation system are:

- Identify relevant incubator partners/stakeholders who want to be informed of evaluation results;
 - Identify major benefits expected by partners/stakeholders;
 - Define indicators that relate to benefits expected by partners/stakeholders;
 - Define indicators that relate to the needs of the incubator;
- establish and adopt indicators and their goals;
- Define a clear system for collecting data for the indicators;
 - Prepare a six monthly report documenting results;
 - Develop and implement an Improvement/Corrective Action Plan for the next period.

Note



Indicatorii de impact ai Incubatorului de Afaceri din Soroca 2010-2012

Business Indicators	unites	2010	2011	2012
<i>Indicators of the residence period</i>				
Total income from resident companies	THS MDL	4075	6808	7857
Average residence period	months	11,7	10,5	19,7
Number of employees	jobs	99	119	137
Quantity of skilled jobs generated	jobs	18	8	10
Number of products generated	units	23	24	28
Salaries paid	THS MDL	1558	2478	3269
Number of trainee periods	days	356	608	648
Tax generated	THS MDL	975	1372	1810
Index of operational costs covered by the companies	%	17,3	62,1	75
Growth rate of the companies	%		67	15,4
Percentage of occupation	%	73	86,7	95
Percentage of non-payments	%	50,1	92,5	94
<i>Indicators of the graduate companies</i>				
Total turnover	THS MDL			8750
Number of employees	Jobs		7	37
Number of skilled jobs	jobs		4	8
Number of products	units		2	9
Investments / number of companies	THS MDL		190	875
Modernization impact of the companies	THS MDL		81	650
<i>Indicators of the management of the incubator</i>				
Operational cost of the incubator/jobs and companies generated, etc.	Euro/job	717,73	540,91	282,60
Satisfaction of the incubator team		ok	ok	ok
% of the total costs covered by the incubator	%	82,7	37,9	31,5

The implementation of an incubator performance evaluation system should result in increased effectiveness in decision making and/or coordination by the incubator management. It should also assist in avoiding weaknesses and losses within the incubator and its various partners. The responsible party should be a professional or team with the capacity and autonomy to make strategic decisions based on the results of the evaluation system.

Reporting and contractual obligations

Even if the business incubator is locally owned and operated, the initial donor or initiator should have extensive possibilities to affect strategies, direction of operation and practical actions at Management Board Level or through the Managing Director.

Contractually, it should be clearly stated that the business incubator will be operated in accordance with program objectives and governing framework, standards and agreed procedures, and that the leadership is responsible to take all steps and permanently act on development towards the long term sustainable business incubator. For example, it could be specifically stated that the responsible leader is obliged to constantly work on development of the tenants through providing practical business support, closely defined in contracts concluded between the incubator company and the tenants.

From a practical and operational point of view incubator management should:

- Submit to the donor or initiator, for approval, the yearly Action plan of its activities and proposal of financial means - yearly budget, necessary for providing the conditions of its operations and successful realization;

- Six months after opening and starting its operations, submit to the donor or initiator for approval, the first detailed yearly business plan in order to achieve objectives;
- In order to monitor the startup phase during the first 6 months of operating submit written reports on its activities and the activities of the Tenant Companies, every two months. After the first 6 months, written reports will be submitted every three months;
- Report based upon donors request and based upon donors instructions
- To act and make decisions in order to enable each Tenant to conduct its own independent and self-supporting business and leave the incubator as soon as possible;
- For the acts of the incubators employees, in order to insure the observing of the incubator concept, the provisions of contract as well as the contracts between the incubator and the Tenants.

Note



Planning and Follow-up

Regular monthly meeting are suggested arranged with participation from incubator management and stake / shareholders. Matters in focus include:

- Results on monthly basis for the business incubator company;
- Actions - tenants - monthly performance;
- Training, development - tenants;
- Promotions.

Results and progress for each tenant should be reviewed on a three month basis. Matters being developed to be settled for the business incubator company in the startup phase include:

- Yearly Business and Action plan of the incubator's strategic development and activities;
- Proposal of financial means - yearly budget;

- Yearly Promotional Plan for the incubator;
- Long term sustainability and long / short-term training plan for incubators tenants;
- Internally developed tools and system for planning, monitoring and developing the tenants;
- Performance measuring system for incubators tenants;
- Exit and Development Plan of tenants, for reaching the objective of building the long term sustainable Incubator.

With the abovementioned – in an early point of time in the life of the incubator one has a good overview of how the incubator is to be managed

and monitored. Some of the monitoring systems will be in place; other will still have to be developed. It should be accepted by management and owners that although planning and systems are essential ingredients of progress, practical experience, and lessons learned, and learning by doing, may prove to be equally important.

An incubation program designed to improve the probability of success and increase the rate of growth of the startup is the next level of service. There are both informal and formal elements to the incubation program.

The informal aspects happen organically with facilitation from the staffs that manage the facility. There is a real benefit to having smart people in



Leadership and central development require planning — sequential implementation — follow-up — possible adjustments — reporting.

the same physical space and a natural outcome is that, by osmosis, good things are going to happen. If you add in the appropriate facilitation by staff, you can help to encourage the informal transfer of good practices.

The second element of the incubation program is a more formalized program to help transfer knowledge and good practices. This is a structured program with subject matter experts, trainers, and technology domain expertise. The structured incubation program is a topic in and of itself and needs to be tailored to the specific technology and market verticals that the tenant clients are targeting.

Another important ingredient is facilitation by incubator staff, which needs to cross both the formal and informal aspects of the incubation program. Community requires constant atten-

tion and facilitation to be maintained and encouraged. An important aspect of any people-based incubation program is the fostering of co-learning, co-entrepreneurship, and trust.

The access to national and international networks is one of the success factors of the management team, namely, the non-discriminatory access of all the clients to the external resources. The management team plays a vital role in filtering these sources and in their quality control.

The best incubation processes create for the potential clients possibilities to access funding sources, to enable them during the investment process.

The management of the incubator should act like a tool to access to new technologies, helping its own clients to become more innovative, to accelerate their own business' development.

Note

Expansion & Networking

Although a business incubator company is established as an independent unit, with its own business targets, the initiators may often have long terms objectives stretching far outside the initial premises and development plans for entrepreneurs. These objectives may include:

- The use of the initial business incubator as a prototype for establishing other incubators in selected areas. By establishing these in a network re-use of experience and knowledge may prove to be cost saving for later establishments;
- If the initial business incubator is designed with a suitable concept, this concept and best practices may be used as a base for establishing other types of incubators. It is possible to, as an example, to use the concept for a production incubator for high tech or service incubators to serve other markets and purposes;
- The incubator may not only be designed to enable startups, but tailor made for enterprises with export potential or import substitution. In these cases they will be serving national purposes and strategies;

- Regions may want to use the incubator for purposes of attracting further investments. In this case, they are dependent upon demonstrating growth and expansion of the incubator. This may result in expectations of the incubator increasing its operation to activities outside the initial premises including startups or entrepreneurs in an associated incubator network. These will receive various services and support;
- Business incubators can be used as a seed for additional services to the market, such as business information center, technology advice, market advice or even a Business Garden;
- Business Incubator Company may be used to expand into a larger unit such as an industrial or science park. In such a case the incubators infrastructure, competence, concept and

best practices will be used in scaling the incubator towards a larger system of operation;

- To be successful, the incubator must maintain a high-trust environment.

One expansion strategy for the incubator is to move management, systems and partially incubator administrative equipment to new premises for recruitment of new tenants. Existing tenants are left at the old location with their necessary equipment. This could prove to be a cost saving approach.

Note

Conclusions and Future Considerations

Experiences from the last 25 years suggest that business incubator industry has developed to become a small, but important contributor in national programs for stimulation of entrepreneurship and creation of small enterprises. It should, however, be noted that business incubator programs require governmental or centralized support in addition to regional strategic consensus. The success of the business incubator company depends on capable management and realistic expectations to goals, resources and challenges.

Market economies as well as economies in transition make use of traditional incubators as catalysts in processes of industrial stimulation.

It is hoped that new experiences will be shared by additional step by step guides or published best practices, allowing the success rate of the incubator industry to continue and improve.

Having specified the policy objectives of supporting business incubators it is critical that a good monitoring and assessment system is established to ensure that these relatively expensive facilities achieve results that justify their support in relation to alternative methods of SME development support. The systems should not only enable this cost-benefit analysis to take place, they should also enable best practice to be identified and disseminated within the business incubation network, and identify critical

unexpected barriers to be overcome to achieve success.

It can be seen that, even though the basic elements of incubation system are similar, there is a great difference in the modes in which the incubator sequences is implemented. This diversity is a result of the regional characteristics and the purposes of the incubator, among other factors.

Of the elements that have been discussed, the accompanying and coaching of the incubated companies are critical factors for their success, which depend to a great extent on the quality of this process. Even through the selection process (which is also very important) may not have been good, the constant coaching of the incubated companies allows the problems to be identified and solutions to be immediately proposed. Effective coaching additionally allows the incubator to identify more precisely

the services, which are required by the companies. From the result of the coaching, the incubator can plan the consultancy, training mentoring etc., which will be offered to the companies

It is important to emphasize that, analogically to the coaching the assessment of the performance of the incubator is a critical element for its success. With an effective appraisal system, the incubator may continually improve its process, attending and exceeding the expectancies of all the actors involved in the process.

Although the Step by Step Guide has been designed based upon practical work with business incubators, it is only reference document for checklists and best practices. The Guide can never replace the knowledge gained by daily participation in the design and implementation process.



When the incubator is up and going, what do you further want to do with it?

Annex 1.

Terms used in business incubator's activity

Term	Definition
<i>Administrative Offices</i>	Space in the incubator facility dedicated to offices and other amenities for the incubation program manager or professional staff. This space is not leasable to incubator clients.
<i>Advisory and/or Manager Board</i>	A dedicated group of business leaders, professionals, stakeholders, and/or specialists that provides competent advice and guidance for the incubation program management team on a regular basis. This group may also advise clients. If the board is a governing board, it has additional fiduciary responsibilities for the business incubation program.
<i>Angel Investors</i>	Groups of high-net-worth individuals who invest money in high-potential start-up businesses in return for an equity ownership position in the company. They often provide smaller investments and earlier-stage funding than do professional venture capitalists. Angel investors obtain a return on their investments when the companies in which they've invested experience a liquidity event; are acquired, merged, or have a successful IPO (initial public offering of stock); or are bought out by later-stage investors.
<i>Angel Networks</i>	Connected groups of high-net-worth individuals who are accredited angel investors. Sometimes these individuals join together to collectively invest in high-potential start-up businesses. Angel investments are generally smaller and earlier-stage than professional venture capital investments.
<i>Business Incubation Programs</i>	<p>Programs designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed or orchestrated by incubation program management, and offered both in the incubator and through its network of contacts. A business incubation program's main goal is to produce successful Companies that will leave the program financially viable and freestanding.</p> <p>Critical to the definition of an incubation program is the provision of management guidance, technical assistance, and consulting tailored to young growing companies. Incubators usually also provide clients access to appropriate rental space and flexible leases, shared basic business services and equipment, technology support services, and assistance in obtaining the financing necessary for company growth.</p>

Term	Definition
<i>Business Incubator Facility</i>	The space or building devoted to housing the business incubation program of services, incubator management, and resident and anchor client companies. "Business incubation program" and "business incubator" often are used synonymously. However, the research team for this project defined a business incubator as a multitenant facility with on-site management that directs a business incubation program, as defined above.
<i>Business Service Providers</i>	Professional business assistance consultants who augment the skills of incubation program staff. These individuals -with expertise in specific subject areas such as marketing, finance, business planning, procurement, and patent law -often provide their services on a no- or low-cost basis. Along with incubator staff, these individuals provide the value-added service that is the core of effective business incubation. These individuals may also be referred to as "outside service providers," denoting that they are professionals resourced by the incubation program but they are not paid staff.
<i>Client Companies</i>	Participants in incubation programs that receive incubation services from program staff and the program's network of service providers. There are resident clients and affiliate (non-resident) clients.
<i>Complementary Benefits</i>	Any benefits that accrue to an incubator sponsor or supporter including reuse of an abandoned facility, creation of student internships, access to SBA guaranteed loan programs, joint research opportunities, etc.
<i>Financially Sustainable</i>	Having a diversity of dependable income sources, such that if one source of funding fails, the incubation program still will be fully functional.
<i>Graduate Companies</i>	Clients that exit an incubation program after completing a set of benchmarks or goals. Exit criteria are often part of the client's lease or service agreement, and they apply to both resident and affiliate (non-resident) client companies. Companies that leave the incubator but do not meet the required benchmarks are not considered program graduates.
<i>Incubation Program Manager</i>	The executive who directs an incubation program's operations. Most managers report to either the chief executive officer of the program's sponsoring organization, a university president or dean, or a board of directors that governs the program. Some incubation program managers have alternative titles, such as president, CEO, or executive director.

Term	Definition
<i>Leasable Space</i>	Totalitatea spațiului din facilitatea incubatorului, care este prevăzută pentru arendă, atât pentru beneficiarii ancoră, cât și pentru clienții rezidenți (excluse birourile administrative și spațiul comun, de exemplu). Acest termen este uneori folosit cu același sens ca și termenul „spațiul net arendabil”.
<i>Mentors</i>	Experți din industrie și furnizori de servicii de afaceri care oferă consiliere clienților incubatorului. Un mentor asigură imperativul experienței pe termen lung, probabil prin dezvoltarea treptată, pe etape, a companiei.
<i>Total Cash Equity Investments</i>	Suma tuturor veniturilor în numerar a unei companii, provenită din oferirea de stoc, garanții, sau alte instrumente de proprietate. Capitalul propriu de numerar nu include dreptul de proprietate care este dependent de capitalul-sweat (lucrul în sau pentru o companie în schimbul unui interes de proprietate).
<i>Types of Incubators</i>	Specializarea industrială de ansamblu a unui program de incubare care indică aria de maxim interes a programului. În acest studiu, identificăm următoarele tipuri principale: de fabricație, de uz mixt, tehnologic și de servicii.
<i>Venture Capital Investors</i>	Persoane sau grupuri care oferă lichidități afacerilor noi cu potențial de creștere, în schimbul unor acțiuni în companie. Investitorii caută întotdeauna o strategie de ieșire prin care investitorul își recuperează investițiile inițiale, cum ar fi fuzionarea sau scoaterea stocului companiei la vânzare pe piețele bursiere publice. În general, investitorii cu capital de risc profesioniști gestionează și investesc sume mari, care nu le aparțin, printr-o entitate gestionată în mod profesionist, numită parteneriat cu răspundere limitată.
<i>Virtual Clients</i>	This term may be used interchangeably with "affiliate clients" for clients that are not in residence in an incubator. However, it also may be used to denote clients located at a distance from incubation program management when the program doesn't offer multi-tenant space, or denote clients primarily served via computer and Web-based programs that bring together networks of people and other resources for the purposes of serving client companies that are not housed in any central location.
<i>Volunteers</i>	Persons who accomplish work for the incubation program but are not paid staff. Anyone donating time or services without receiving monetary compensation is a volunteer.
<i>Without Graduating</i>	Clients that stopped participating in the incubation program without completing graduation criteria or without completing required business development milestones.

ENTRANSE

Chisinau, Republic of Moldova
180, Stefan cel Mare blvd, off. 907, 910
tel. +373 (0 22) 23-37-33 / 83-83-45
tel./fax: + 373 (0 22) 83-83-44
info@entranse.md
www.entranse.md/ro

Soroca Business Incubator
Soroca, Republic of Moldova
9, Mihail Kogălniceanu street.
tel./fax +373 (230) 20406
liliana@entranse.md



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