

Business Innovation Lab Operational Manual – Draft

Project “Innovative Business Development for Local Sustainable Economic Growth” 2015 - 2017.

UNDP Moldova

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Acceleration Working Program	The working program defined by the BIL management team for mentoring the companies that embark on a collaborative project within the BIL and getting them ready for further investment or market.
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Accelerator Cycle	The process that innovative companies go through in the accelerator: awareness, application, program, Demo Day, post Demo Day, pilot and eventually up-scale.
Business Innovation Laboratory (BIL)	The intervention component of the Project “Innovative Business Development for Local Sustainable Economic Growth”, a business innovation facility which provides mentoring and services to innovative SME’s.
BIL Management Team	The professional team hired to run BIL.
Board of Mentors (BM)	The professional team of international/national consultants that would be hired by the Project to offer mentorship and coaching services to the companies in collaborative projects.
LED Project	UNDP Project “Innovative Business Development for Local Sustainable Economic Growth”.
Small and Medium Enterprise (SME)	A company under 250 employees and not more than 50 mil MDL yearly turnover, in more than 75% private ownership.

1 The Business Innovation Lab concept

The Business Innovations Lab (BIL) is a knowledge and collaborative facility managed by a multidisciplinary team of business experts, mentors and practitioners/businessmen from Moldova and abroad capable to provide consultative support and guide SMEs on their path to innovate and improve competitiveness. BIL will be coordinating and hosting exclusively collaborative projects initiated and run by Moldovan SMEs with at least 2 years of experience on the market and start-ups.

In essence, BIL is a business innovation accelerator with an open application process, nurturing groups of SMEs with new business ideas and supporting them in order to get ready for further investments or market. BIL is also a facility which implements the monitoring of the Innovation Grant Scheme.

BIL represents an environment where selected SME’s will have the possibility to obtain trainings and knowledge, to experiment and test their innovative solutions, up until the innovation is ready to be implemented in real businesses cases. BIL therefore creates a community where the diverse skills and backgrounds of the entrepreneurs, mentors, and the management staff are leveraged. It is supposed to encourage collaboration and establish community, and the sharing of experiences amongst stakeholder’s teams.

BIL is built on three premises: transparency, inclusiveness and innovation.

These premises highlight the fundamental idea behind the BIL: improvements in competitiveness do not necessary come from new research and technological breakthroughs, but also through incremental improvement and absorption of new ideas and approaches used in other contexts and sectors. As such the BIL adheres to innovations as defined by the OECD: substantial improvements towards products, processes and business conduct, i.e. something much broader than just technological improvements.

Considering the finding from the Baseline Study of the UNDP’s LED Project and the lack of instruments and infrastructure directed at supporting innovation in SME’s in Moldova, innovative SME’s have crosscutting constraints: **poor access to finance, lack of entrepreneurial skills by management and employees, and insufficient experience in business skills**. Therefore, the BIL is going to:

- i. *Support to strengthening innovation ecosystem in Moldova;*
- ii. *Providing direct financial matching and conditional support to the collaborative innovative projects initiated by groups of SMEs;*
- iii. *Enable higher visibility of Moldovan innovative and startup community in the international arena;*
- iv. *Secure area-specific knowledge via domestic and foreign experienced mentors;*
- v. *Further introduce Moldova to foreign investors and attracting further financing, including by using new to market instruments, including crowdfunding and similar;*
- vi. *Speed up technology transfer from research to industry through support to spinoffs;*
- vii. *Prepare of innovative companies for additional stages of financing.*

Considering current state of the innovation ecosystem in Moldova and intention of UNDP to set up a framework for sustainable future streamlining of innovative SME's, this intervention financed within this Project will not be required to focus on particular technology field or industry. It is more urgent to focus on speed of bringing established companies and start-ups with global potential closer to potential investment. In this sense BIL is required to have investor and mentor base that is at their disposal to cover different fields appropriately. To that end, BIL will be managing a Board of Mentors, a community of competitively selected international and national consultants that would provide timely and highly qualitative support towards the implementation of all stages of the Acceleration Cycle.

2 Main characteristics of the Business Innovation Lab

2.1 Main characteristics

Business Innovation Lab (BIL) is a pre-seed SME accelerator: a modern type of business innovation incubator, with an open application process, accepting groups of SME's with innovative business ideas coming from various sectors and supporting them with mentoring, training and preparing for investments for a short definite period.

BIL is complementary intervention from the UNDP's LED Project to Innovation Challenge Scheme ([MICS](#)) and it provides additional support and trainings to the Beneficiaries of the Grant Scheme.

BIL will connect to similar entities in the region, so that to ensure exchange of knowledge and technologies and promotion of various innovations. The future sustainability of BIL is based on generating venture-style returns, and not rent, or fees for services. BIL will provide its services free of charge to the SME's in the program. Some specific BIL services may be charged in the form of a direct contribution of the participant SMEs in covering part of project related costs, e.g. transportation for a study visit, etc.

The process that innovative companies go through in the accelerator (called Accelerator Cycle) can be separated into five distinct phases: awareness, application, program, demo day, post demo day.

1. **Awareness phase:** Social media, communities, universities.
2. **Application phase:** Web-based, quality of innovation and teams is main criteria.

3. **Program phase:** Mentoring, support, education and networking.
4. **Demo day phase:** Presentation (pitching) of the product/service.
5. **Post demo day phase:** Developing the innovation independently, collaborate in alumni network.

After the closure of the cycle, the groups of SMEs would end-up with pilots or prototypes. If successful, such projects will be further up-scaled either by companies themselves and/or by the BIL. Lessons learned in each of the accelerator cycle will stay within the BIL and will be further replicated.

Innovative SME's will benefit from the BIL program in that they gain training, access to future investors and business networks, since long-term funding is important to development of any innovative product. BIL will be ready to provide some matching financial and conditional support on a competitive basis, based on MICS practices.

As in all successful accelerators, because of the interest of innovative SME's in future capital, the potential investors should play a fundamental role in attracting companies to the BIL. Conversely, the role of the BIL is to present the investors with qualified investment suggestions.

Through the accelerator working program, the selected and qualified mentors provide the entrepreneurial expertise needed to make the innovative companies attractive to future capital. BIL is expected to fulfill certain goals in respect to investments attracted to startups one year after end of the working program.

2.2 Main objectives – what can BIL bring to groups of innovative SME's?

The BIL will have, apart from providing physical space, to provide key services to innovative companies in the form of:

- Predefined working program for the innovative companies and startups;
- Access to investors and financing opportunities;
- Mentorship by experts in different fields relevant to specific sectors.

The BIL is expected to build reputation and provide sufficient level of quality to achieve the following objectives:

- BIL will support startups and innovative SMEs to solve most pressing technological and non-technological challenges and problems by better understanding them, spotting, testing and scaling-up innovations and, if needed, connecting them to hands-on and international expertise.
- BIL brings new approaches to the ways the innovative entrepreneurs plan, manage their resources, and organize their activity - all to help them to overcome persisting business challenges and to increase their competitive edge.
- BIL is a highly competitive space with clear selection methodology based on the commitment to deliver results. It means that potential beneficiaries will be rigorously selected against motivation, capability to innovate and test innovative approaches, openness to share knowledge and disseminate results. This will permit to select the best innovative approaches and ultimately higher added-value for new participants.

- The primary value to the entrepreneur is access to top-level mentoring, connections, and the recognition of being chosen to be a part of the BIL.
- BIL is a platform where participants will have a chance to discuss innovations, share their experience and pilot their innovative ideas/visions.

2.3 The BIL Core Activities

The BIL team works with SME's to provide assistance in many ways:

- Provide permanent mentoring and consultation by its core team, taking the role of an engaged partner;
- Participate as advisors to companies to elaborate together business and product development strategies;
- Provide mentoring and consultation from a diverse pool of international business leaders and entrepreneurs of all levels;
- Provide tailored and regular trainings, based on an approved Training Programme;
- Offering access to a network, consisting of experts, tech vendors, successful entrepreneurs and investors; provide support in the organization of well-structured and result-oriented study visits in the region;
- Provide collaborative office space for some companies and events and gathering venue.

The specific tasks of the BIL concerning the synergy with the MICS component would be:

- Cooperating throughout whole evaluation and monitoring procedure of the MICS
- Provide tailored trainings to the MICS beneficiaries.

2.4 The BIL Team

The BIL Management Team is a key factor of successful implementation and must possess all technical and professional competences for performing all envisaged activities. The team should comprise a combination of competences and qualifications necessary for nurturing business innovation projects, in particular: entrepreneurial experience with start-ups, SME investment and business innovation; management of innovation programs, accelerators or/and VC funds, experience of managing projects and visibility through new media. The BIL team will be led by one **Coordinator** to ensure proper and efficient running of the BIL and reporting to the Project, based on a specific TOR.

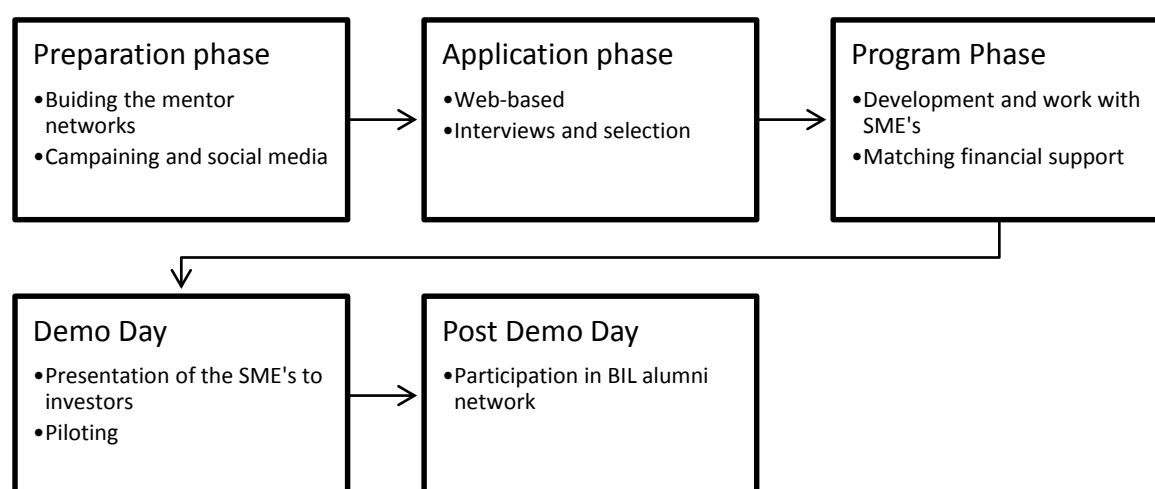
The BIL team, with support of the Project, will develop a detailed Annual Working Program of the BIL, to detail and plan all activities. The team will be constantly supported by the **Board of Mentors**, which is the core knowledge and expertise instrument of the BIL. The Board of Mentors would consist of international and national experts to include at least: one innovation general expert, one innovation marketing specialist, one innovation funding/financing expert, one M&E expert, one financial expert, and one communication specialist. Each members of the Board will be guided by the working plan of the BIL and might be 'activated' depending on the specific needs of the specific collaborative project or general BIL needs. Such members of the Board will be monthly or quarterly reporting on the progress and achieved results, against their specific Terms of references.

3 The Acceleration Working Program of the BIL

3.1 Acceleration cycle for innovative SME's

The BIL management team will develop the defined acceleration working program by which selected SME's will work within the BIL. The program will consist of several acceleration cycles, containing preparation phase, application phase, principal phase, demo day and post demo day. The duration of one complete cycle shall not exceed **12 months**. **The BIL will be supporting not more than 3 collaborative projects at a time**. Some companies can benefit from more than one cycle only with prior approval of the Project. However, the purpose of BIL is to speed up the process of getting to market and is expected to perform its activities in most effective manner.

During each cycle, the business models of the innovative SME's have to be further developed and tested.



3.1.1 The Preparation/Awareness

The Preparation Phase contains notification, meetings and marketing of the BIL. The purpose of the preparatory phase is to find the startups and established SMEs for initiating collaborative projects. The BIL might also propose specific challenges with high socio-economic impact that could be solved through innovative business solutions and market such challenges.

The BIL Management Team will launch the awareness campaign to the local SMEs and start-ups, using the best practices achieved under MICS. The www.inobiz.md platform shall be extensively used. The services offered by BIL will be communicated by targeted campaign through social media and events offered to specialized audiences: students, young entrepreneurs, innovators, among others.

3.1.2 Application of the SME's to BIL

In the **Application Phase** the BIL accepts applications from groups of innovative companies from Moldova. Each and every applicant groups shall consist of at least 2 companies coming from two different sectors and joining forces to solve a specific market challenge through an innovative solution.

The BIL shall select suitable startups and established businesses independently at its own risk; however, the selection panel shall include UNDP staff and at least one external independent.

Former MICS beneficiaries cannot benefit from the matching financial support of the BIL. They can only and exclusively receive tailored trainings.

The application processes to the accelerator program of the BIL will be a web-based process through which anybody can apply via the www.inobiz.md. The web-based form is focused on questions designed to reveal as much about the team behind an innovative groups of SMEs, as about the innovative idea itself. Applicants submit online their key challenges/problems and proposed innovative solutions for which they lack knowledge to test, pilot or implement. Online submissions are reviewed by the staff of BIL and external consultants, including members of the Board of Mentors, and selection of most innovative solutions is performed.

Following a first cut, applicants are invited to short interview before the Selection Committee consisting of the BIL staff, Project staff and members of the mentor's network. Admission criteria are highly selective, using expert judgement to choose the SME's, teams and ideas with the most potential. Key selection criteria for the collaborative projects are those applied in the MICS. The process of selection from the application deadline through to a decision should not last more than two months.

However, the BIL Management Team should invest considerable time in speaking and running events to reach potential applicants to maintain the quality of the applicants pool.

The application process is open to anyone, but highly competitive. Key selection criteria are:

- (a) The Applicant meets the qualification requirements (SME registered in Moldova, no public debts).
- (b) The proposed business challenge has high level of innovativeness and cross-cutting to a high degree.
- (c) Proposed solution has high market potential or high social or environmental value.
- (d) Testing and piloting of the idea could take an estimated maximum of 6 months.
- (d) The innovative idea and team is convincing and team is capable of successfully implementing the idea and presenting it to potential investors.

Assessment of these criteria is based on the experience and judgment of the BIL team, which assesses ideas and teams consulting the mentors' network.

3.1.3 The Program Phase

In the **Program Phase** of the acceleration cycle successful groups of innovative SMEs reside in the BIL and for them coaching, mentoring, trainings and advisory support is provided for not more than 6 months. This phase is conducted as a working part, in course of which the companies selected by the BIL shall work together on a daily basis in the BIL premises with their prototype and business model. They are advised by the mentors, involved pursuant to the needs of the companies. **Groups of selected SMEs can apply for the matching and conditional fund of the BIL to co-finance the development of the prototype. The amount of the financial support is negotiable and subject to the financial capacity and contribution level of the participating SMEs. SMEs are highly encouraged to use their own funds to pilot innovative solutions.**

The groups of SMEs will in this phase test (if possible) and pilot the innovative solution or approach and evaluate the impact, including immediate impact. Under this phase, SMEs will be encouraged, depending on the project, to work in small teams and share best practices. Progress in the implementation will be documented and lessons learned analyzed by BIL Team and mentors and shared with the applicants.

The envisaged activities include: the development of the business ideas, development of the prototypes of the product or services, client meetings and collection of feedback, polishing of the presentation skills, and development of the team and preparation of financial plans. This is done with intensive consultations of the mentors participating in the BIL. Frequent direct contact with experienced mentors, investors and other relevant professionals is a core aspect of this phase.

Successful SMEs will be having further support to up-scale their innovative projects and will also have to share their knowledge with incumbents in the same economic sector or other sectors, depending on the challenge/problem solved. BIL will be simultaneously working with limited number of SMEs, whereas the number of applicants in groups is not limited. So the companies have the possibility to apply with several mini-projects in trying to solve one sector or inter-sector challenge.

The BIL will organize trainings/best practices sharing for local SMEs on the innovative issues of primary interest and actuality.

3.1.4 Demo Day

At the Demo Day of the acceleration cycle all the companies that participated in the program shall present their business model to the investors and/or other participant companies and to the Project. If the group of SMEs accessed BIL funding, then the SMEs will be presenting to BIL and the Project the prototype and results of its piloting and lessons learned. In case of focus on external investments, the invited investors will have the opportunity to discuss with the SMEs their investment needs and in case of a suitable business model to invest in these startups. The BIL team shall invite external investors to the Demo Day, in order to provide them with high-quality investment opportunities.

Demo Day is the culmination of the program and the goal of intensive preparation. Demo day is designed for angel and venture capital investors to come and see what has been developed during the program. It can also give companies a chance to launch their product or service to the outside world by high media coverage. If BIL/Project funding is used, then the Demo Day is intended for the presentation of the innovative solution to the external world. This event give participant SMEs eventual access to a large and high quality group of investors in a way that would be very difficult to achieve without the BIL program.

3.1.5 Post Demo Day phase

The **post Demo Day** phase includes activities after the program completion. According to best practices, BIL will consider the follow-up activities after each cycle as a part of the BIL Working Program. The SMEs that have completed the Program will form the alumni of the BIL. To keep the alumni active, BIL must present the activities planned to be undertaken with the alumni after the stage. BIL will organize trainings/best practices sharing for local SMEs on the innovative issues of primary interest and actuality. BIL shall collect feedback from the SMEs, investors and mentors during and after the Accelerator cycle, before starting the next cycle. Principles and plan of collecting feedback is part of BIL Working Program.

3.2 The BIL Board of Mentors

The BIL Mentor Network and mentoring activities are one of key components of the Working Program. The BIL Management Team will have to ensure involvement of proper number of mentors in the Program from various relevant fields, who have a series of entrepreneurship experiences particularly in various technology areas, start-up management experience or investment experience and innovation promotion experience. **The minimum pool of mentors shall include: one BIL Coordinator of the team; one external innovation expert with at least 5 years of professional relevant experience in promoting innovation into SMEs through trainings and coaching; one external expert on marketing and sales with at least 5 years of relevant experience in the fields, preferably at regional level; one external expert in fundraising capable to connect investors in the region with at least 5 years of experience in fundraising for innovative solutions; one external consultant on financial planning with at least 5 years of experience at least on the national market; and one external communication consultant.**

The main tasks of the mentors are the following:

- Consult the SME's participating in each stage of the BIL Accelerator Program, mainly on-distance coaching and mentoring.
- Contribute to the development of Moldovan innovation ecosystems via trainings, seminars and participating and appearing in other events pursuant to the plan, elaborated by the BIL/Project Team in respect to sharing the mentors with ecosystem.
- Assist the innovative SME's in accessing BIL funding and finding the necessary client and investor contacts in their target markets.

The mentoring process can be pursued in a variety of forms, from introductions to thematic sessions where mentors present their ideas and experience and then spend time with teams on a one-to-one basis. The aim of this kind of mentoring is to challenge the SME and give them honest feedback on where they're going right or wrong and to give them a chance to create longer-term relationships with mentors who could take on the role as advisors later on.

3.3 Investor involvement

The BIL Management Team will ensure involvement of investors for the implementation of the Accelerator Working Program throughout the whole accelerator cycle, i. e. an investor network that is not a part of the BIL Managing Team. Investors may receive an equity share in the startup for their funding, according to negotiations with the companies and BIL rules and regulations on investments.

The BIL will define a maximum of percentage in equity of innovative SME that can be gained by investor during the program duration and a minimum funding rate in case of funding by investor. Upon agreement with the investors a minimum funding rate can be increased.

3.4 Visibility of BIL's undertakings

The BIL Management Team will ensure regular visibility events and weekly workshops to share knowledge and best practices, but also increase interaction between groups of participants and external counterparts, mentors and clients, following the key principles of BIL, i.e. transparency, innovation and inclusiveness.

Demo Day is to be organized as particularly visible event with high media coverage. BIL will be equipped with an online Forum to be used for sharing success stories, project ideas, company profiles and match best participants with potential investors from home and abroad. The visibility strategy of the BIL is part of the BIL Working Program prepared by the Management.

4 Operating costs

Within the scope of this program, the UNDP LED Project will cover 100% of the operating costs of the BIL for the period of up to two years. Within these two years, BIL will implement at least two Acceleration Working Programs.

These are considered to be all the current expenditures which are necessary for preparing and conducting the three cycles of Accelerator Working Programs, including salaries/remuneration of the BIL management team, travel and accommodation costs for mentors and investors and BIL promotion, event costs (for example Demo Day), marketing costs, indirect costs.

Based on above mentioned descriptions of the BIL Accelerator Program and costs that are expected to be covered, the forecasted budget of the operating costs of BIL is:

- Salaries and remuneration of the management team
- Costs of maintain the physical space
- Travel and accommodation costs of mentors and investors
- Marketing and visibility costs
- Other costs

5 Location of the BIL

The physical venue and location (premises) of the BIL must be in Moldova, where the majority of the innovative companies work in stages, preferably in Chisinau where the most of the innovative SME's reside. Companies, who come from provinces or from foreign countries, must have an accommodation arranged for in Moldova. The accommodation costs shall be covered partly by the SME's themselves (if they received grants) or from their own funding.

BIL space will be divided into a physical office for the core staff and for conducting various teambuilding and mentoring activities and into a co-working space available for companies to permanently work during the acceleration program based on the plan of activities of each specific collaborative project.

The BIL shall arrange its entire logistics (e.g., finding suitable premises for the activity and rent, solving possible accommodation problems of the teams...) independently.

The working language of the BIL shall be English, Romanian and Russian.

6 The BIL Management Team

The BIL team must have technical and professional competences for performing above described activities. The BIL will have a team with sufficient competence and qualification in particular: one lead coordinator who will coordinate the BIL team and Board of Mentors and connect various SMEs in

different projects, one permanent expert member of the Board of Mentors on mainstreaming innovations in business development and one assistant who will be dealing with logistics and generic communication tasks. All other staff in BIL will be hired based on the needs and specific projects. Mentors and practitioners will have voluntary unpaid participation.

The qualification of the team:

- **Local coordinator of BIL** – who has entrepreneurial experience with start-ups or with investment accelerator preferably including connecting with exits, fin
- **Leading Expert** - who has carried out at a number of accelerators or managed VC fund. Leading expert can be also a part time member of the team. His/her role is to bring in practical experience in all areas relevant to setting up and running of BIL.
- **Assistant** – who has the experience of managing projects, especially in charge of administration and logistics.

The BIL team should provide a consistent 2-years working plan of the BIL for the UNDP's LED Project as a part of hiring process, specifying all necessary resources, competencies and envisaged activities, events, and courses. They can define additional means of bringing in needed experiences and resources. Also the BIL Management Team will expand the international network of contacts of the startups and established SMEs and will provide them access to financial support.

The team will be selected based on UNDP rules and regulations guiding HR and procurement processes.

7 Monitoring and indicators

The BIL Management Team shall operate under the supervision of the Project Manager. It will monthly, quarterly and annually report on progress with the implementation of the activities envisaged by the Acceleration Working Program. The BIL shall have the following impact on the Moldovan innovative ecosystem:

- the visibility of Moldova on the global startup landscape will expand;
- area-specific knowledge will be brought to Moldovan SME's via foreign mentors;
- technology transfer from research to industry will be accelerated.

The BIL will be directly beneficial to innovative companies, who

- are supported for prototyping their ideas;
- are advised by experiences mentors;
- expand their international network of contacts of clients and investors.

The minimum level of efficiency of the accelerator stages must correspond to the measures bellow. The UNDP LED Project shall evaluate the results on the basis of submitted reporting, which has to be sent for the companies upon exiting the Accelerator Program and one year after the Accelerator Stage has been completed. The complete efficiency of the BIL shall be evaluated one year after conducting the complete Accelerator program.

The draft targets are presented below. Nevertheless, the Project/BIL team will establish more specific targets in 2016 and will report based on those targets. **On an annual basis, a minimum of 3 (three) collaborative projects shall be supported by the BIL and innovative solutions ready to be up-scaled.**

Output Indicator	Baseline	Output (cumulative)	
	2015	2016	2017
Number of SME's applying to the BIL acceleration program	0	30	60
Number of SME's entering the BIL acceleration program	0	9	9
Number of overall SME's benefiting from the BIL services (incl. MICS Beneficiaries, only and exclusively for the trainings program)	0	50	60

Outcome Indicator	Baseline	Outcome (cumulative)	
	2015	2016	2017
Number of SME's graduating from the BIL acceleration program (at Demo Day)	0	6	6
Total No. of employees employed in SME's entering the BIL program	Tbd	+60	+120