

Concept Paper

# Dreamicon Valley



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# Executive Summary

The EU has +500m people and fair access to education, providing a basis for great ideas and exceptional people but lagging many support structures for entrepreneurship. Traditional funding methods (loans, grants) have proved ineffective, and access to seed capital is difficult.

Dreamicon Valley empowers entrepreneurs in sharing, funding and realizing business projects, in the process inspiring others to reach for their ideas. Dream Academia provides the format for broadcasting these novel ideas and events globally. A group of competent and socially minded investors and innovative crowdfunding schemes provide a realistic chance for implementing the projects.

In this respect, Dreamicon Valley's competitive advantage lies in: a unique "Fair Enterprise" concept in combination with a strong international support network; philanthropic funding and a strong and competent investment board; an experienced management team with large network in industry, start-up and venture community; proven and scalable webcasting format to amplify, virtualize and connect internationally; and an expandable location with access to resources and infrastructure in the heart of Centrope.

The window of opportunity is presented by the aftermath of the financial crisis which causes an increasing demand for a return to value-based models of society and business. At the same time many young people dream of innovative ideas and amazing adventures instead of ordinary corporate life, while baby boomers see a future of stagnation and collapsing pension systems. Further, the Internet has become the game changer for seed funding, allowing for visibility and near instant global reach - in a flat world it will become ever easier to discover talent, build communities, recognize opportunities and inspire innovation.

Dreamicon Valley is a paradigm-shifting, unique vision of social entrepreneurship. It galvanizes the powers of innovation starting right in the heart of Europe, driven by an experienced and visionary management team. Its business model is profitable and globally scalable.

It requires seed funding amounting to €3.0m, with the proceeds being used for: organizational development, incl. recruiting of board members and investment board; continuous development of web platform, community, broadcasting and events; conception, registration and implementation of funding enterprise; funding and support of first projects; and recruiting of sponsors and partners.

We want to play a part in making the world a better place by inspiring, finding and developing talent, by driving technological innovation and by enabling dreams: Dreamicon Valley is fast becoming one of the best places for entrepreneurs to live, play and work in Europe - we want the best talent from all over Europe to be there. It is already happening.



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# Introduction

## Problem Statement

Europe significantly lags behind in entrepreneurship and innovation. The old continent suffers from a great many things at the moment – continuously falling levels of education, a shift in population demographics, pressure on social systems, unemployment, to name a few.

However, it is the lack of opportunities in sharing, funding and realizing their ideas that leaves a whole generation of high-potentials being stuck – neither finding a proper job, nor being able to create jobs through innovation and entrepreneurship. This is rooted deep in today's society, and can be attributed to: a culture of low-risk takers formed over decades by the comfort of a social welfare state; until recently existing barriers to establishing companies; and an unclear and ineffective funding market in most of mainland Europe. The latter being characterized by mainly public funding schemes - repayable loans or grants - provided through government organisations, financial regulation that fends off investor's appetite for providing risk capital, and difficult access to seed investors / business angels<sup>1</sup>.

Consequently, ideas and innovations are either muted at the earliest stage or innovators are forced to leave for good and see after their idea in countries with a more positive attitude towards risk sharing and entrepreneurship – such as the United States, for example. The US still attracts the largest share of innovators, and plenty of European citizens have realized their big dreams there to leave the world in awe with exceptional products: Skype and Jajah are just two examples in a long list of “not having been supported in Europe”.

## Solution

Europe needs a change in attitude towards entrepreneurship and risk culture as well as incentives for investors to provide risk capital.

On one hand, a number of pilot projects with a broad concept that enables people to organize this evolution provides a nourishing environment for entrepreneurs, where new talent can unfold and flourish. This “emancipation of the mind” means creating role models - for art, entrepreneurship, science, or any other field - and by doing so gaining self confidence, which in itself encourages creativity: thus, promoting innovation and entrepreneurship (J. Naisbitt, 2009).

On the other hand, a vibrant market for seed funding and access to business networks would help projects get through the first phase: a sufficiently large number of seed accelerators and incubators - who take care of expenses while people are getting started until they reach the point where they have developed something impressive enough to raise money on a larger scale – as well as venture capitalists, all paired with a transparent funding market enabling access for everyone is key to foster entrepreneurship and innovation, and thereby create jobs.

## Product

Dreamicon Valley is such a pilot project: an entrepreneur and innovation village - created by a community of interest focused on start-up success - that offers inspiration, a network of like-minded people, mentors, publicity and seed capital. It is anchored in the heart of Centrope in the Pannonia region at the border of Austria and Hungary:

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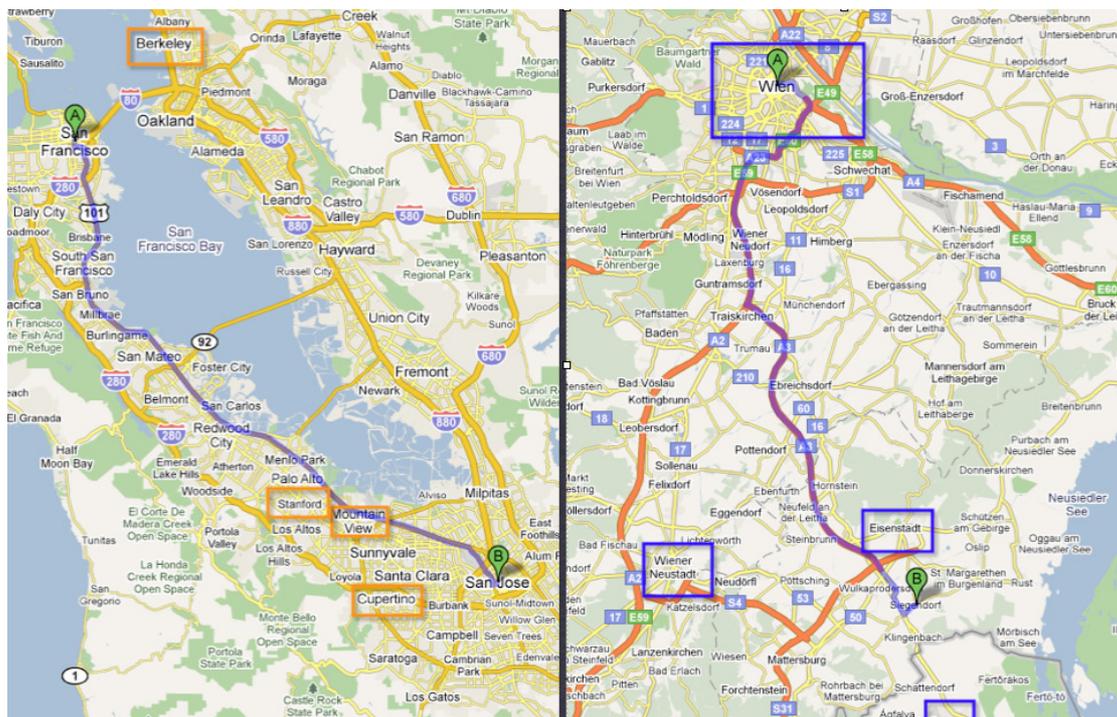
<sup>1</sup>This in particular does not apply to the UK, which offers a fairly efficient market for risk capital.





Picture: Dreamicon Valley in the heart of Centrope

Like the Silicon Valley in California, it is an area where two tectonic plates meet, where there is room for a scalable ecosystem for innovation and access to resources and infrastructure:



Picture: Analogy between Silicon Valley (left) and Dreamicon Valley (right)

A car ride from Vienna to Siegendorf, the centre of Dreamicon Valley, takes 45 minutes - precisely the same time one spends traveling from San Francisco to San Jose in California. Besides, for both areas it holds true that it is only a short hop to the next big international airport, major train station or ferry port, and that the local catchment area encompasses other large cities (also across the border and not



displayed in the right-hand picture above), universities, business clusters in science and technology, etc., embedded into an intact nature.<sup>2</sup>

Regardless of these analogies Dreamicon Valley is a unique formula for innovation, sustainability and profitability in Europe, with novel approaches including:

- a “fair enterprise”-model (that molds fairness and sustainability into the company’s “DNA”),
- the ability to support semi-commercial projects (with our unique social support network and crowdfunding),
- a partially virtualized support structure (with intense communication links and frequent visits between Silicon Valley and Dreamicon Valley),
- a strong group of angel investors (with both a social conscience and business acumen),
- a solid link with innovation centres worldwide (that brings along particularities from each of these countries and/or continents), and
- a location established in a special economic zone (with the potential of temporary tax benefits to start-ups and incentives for investors).<sup>3</sup>

The special economic zone, paired with the installation of an academia - a new, different type of digital university causing a paradigm-shift in education - acts as a magnet to attract the crowd: the starting point of a self-sustaining ecosystem that not only ensures sustainability and social entrepreneurship, but also feasibility of and broad support for the venture from multiple sources. It creates a win-win situation for the parties involved: e.g. because of the access to Silicon Valley, Dreamicon Valley is an internationalization of the latter, with Californian entrepreneurs and investors getting access to Europe’s talent and diversity, as well as the opportunity to enter the European market faster and more successfully. European entrepreneurs and investors can participate in the innovation culture of Silicon Valley and better cope with the often restrictive environment on the old continent. The solid link with innovation hubs enables talents to learn from the best - e.g. controlling from the Japanese, boldness from the Koreans, accuracy from the Germans, marketing strategies from the Americans, to name a few - and to form a whole out of seemingly incompatible parts.

Dreamicon Valley is fast becoming one of the best places for entrepreneurs to live, play and work in Europe - we want the best talent from all over Europe to be there.

## **How it works**

Dream Academia, an organisation headquartered in Siegendorf, Austria, has been established as the strategic body behind the vision of Dreamicon Valley - the management company, under which custody the development of this vision is encouraged aligned with strategic directives.

For this purpose it operates subsidiaries, serving start-ups, partners and community through:

- a media organisation that operates a web-TV channel, runs events and makes live broadcasts;
- an investment company that provides venture financing to selected people, start-ups and enterprises, and supplies a strong network of resources;
- a consulting business that offers coaching and mentoring to start-ups, as well as change management services to b2c- and b2b-clients;
- and a community that builds up one of the most important networks in the world.

Dream Academia operates a community based web-TV channel for people and organizations with extraordinary visions. It accompanies them from the very first pitch to the realization of their vision,

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<sup>2</sup>Examples of universities in the catchment area: University of Vienna, FH Wr. Neustadt, FH Graz, University of Bratislava, University of Sopron, to name a few.

<sup>3</sup>Optional: Economic free zone not established yet - needs impetus and political backing. Process not initiated to date.



and consists of a number of different formats - from company introductions through to mentoring shows and (live) event coverage.

Besides, we run a program of local, self-organized events and make live broadcasts from these and other events in our partner network (e.g. StartEurope, IncredibleEurope).

Ideas are crowd-sourced - any person can share his/her innovative idea or enterprise via a video elevator pitch, communicate some biographic details and/or post an executive summary. This we do by installing a prefabricated wall consisting of a camera and a flat screen connected to the Internet at target group-relevant places: e.g. at co-working spaces and event locations. Whenever someone thinks he/she has an idea or gets somebody with a great idea in mind, he/she can speak it into our camera and it will promptly be uploaded to our YouTube-channel - videos are private at that time, thus not open to the public. Alternatively, any person can record his/her idea offline at any time using a digital camera or phone and upload it later.

Next, the community peer reviews ideas / stories / pitches, votes on them and decides on next steps: e.g. production of a professional feature in TV quality or forwarding of the pitch to the investment committee, to name a few. The best stories of the month are compressed into a one-hour format that is distributed through our web platform, sold to TV stations or marketed on terminals, as well as on our mobile apps.

Investment decisions are made by the investment committee according to the set investment criteria for three different portfolios of European start-ups - the following lists the services provided by the organisation upon a positive decision by the committee:

- Pre-seed money investments (about €50.000) into a large number of ideas, combined with a 3 month mentoring & coaching program with the goal to develop projects, refine pitches, and link up the founders with investors - entering the start-up phase, in other words. During this period they receive support from mentors, connect with world wide innovation hubs and get access to a network of entrepreneurs, investors, service providers and start-up enthusiasts from around the world. At periodic events experts provide personal advice and share their experiences.
- Seed money investments (about €1.0-2.0m) in a number of existing start-ups, paired with an invitation to come to Dreamicon Valley. Depending on their particular situation they may want to move, however primarily they receive financial support and access to resources so that they are able to complete the start-up and/or ramp-up phase successfully.
- Investments in a limited number of talents and/or semi-commercial projects with a positive social impact for society - providing either funds for realization of projects or help in fund-raising, depending on their particular needs.

All projects are supported by the media organisation in terms of publicity and coverage through web TV and events. Office space is provided in Dreamicon Valley, if needed - this varies from start-up to start-up, and depends on their individual needs.

Also, they receive support from the consulting business and its partners - they offer the mentoring program mentioned before, as well as offer change management services with a focus on innovation, sustainability and social entrepreneurship to established organisations and start-ups.

Last but not least, the community offers a range of individual services available to anyone at Dreamicon Valley - most importantly access to networks in the world and personal advice.

## Goals

Guy Kawasaki, founder and Managing Director of Garage Technology Ventures, “believes that those companies who set out to make a positive change in the world are the companies that will ultimately be the most successful.” (G. Kawasaki, 2010).



Our goal is to enable talents to gain self-confidence, to learn from the best and to provide them with an environment for development of new ideas free of fearing risk and failure. We want them to develop their own strokes, to look at what someone else does better and support them in the process from formation through to realization.

Second to this, we install a digital university and promote start-ups by making a total of €100-150m in investments over a period of 10 years in the three different portfolios mentioned above - each venture must be judged as being of social or ecological benefit.

By doing all of the above, we create a forward-looking model of social entrepreneurship and sustainable development, with the possibility for replication on other continents, by:

- **Discovering** extra-ordinary people, experts or enterprises with a social consciousness and innovative approaches to create future solutions in technology, energy, education, social issues, arts and entertainment, and business,
- **Recognizing** unused potential, and selecting new talents by scanning and testing,
- **Establishing** winning strategies and backing these people and enterprises to become financially sustainable and scalable with risk capital financing and intensive support,
- **Accomplishing** the seemingly impossible and creating the standard for measuring the social and financial returns of these investments and establishing a position of thought leadership based on these successes, and
- **Multiplying** opened up possibilities by sharing them with like-minded people - building a global community capable of deploying financial, human and intellectual capital to solve some of the most acute problems of today in the areas specified.

Beyond this, we provide an annual list of all the investments the organisation has made - thus, investors can see exactly how their money is used.

## **USP**

Dreamicon Valley's USP is a unique forward-looking model for sustainable development in Europe, with the potential for replication on other continents, consisting of:

- a “fair enterprise”-model, combined with social entrepreneurship and certification of organisations similar to “B Corporations” with the goal to create economic freedom and to use the power of business for solving social and environmental problems,
- an innovative financial model with crowdfunding as alternative funding method and an investment committee with a social conscience and business acumen, perhaps supported by a special economic zone offering incentives to start-ups and investors,
- a location in the heart of the Centroe region characterized by an intact nature, high quality of life, security, and access to infrastructure and offices,
- a culture of openness, open to support social and commercial dreams, but also personal and general dreams, and
- a cooperative network with international support, access to Silicon Valley, publicity, (public) mentoring and an error culture.

## **Window of Opportunity**

The global financial crisis of 2008 has resulted in an immense destruction of value with millions of jobs lost around the world and imbalances between rich and poor widened. Consequently, an increasing demand for a return to value-based models of society and business, and sustainable development emerged in its aftermath. Parallel to this, and only in part attributable to the crisis, a split view of generations causes a very different but doom outlook for the future: whereas many young people dream of innovative ideas and amazing adventures rather than following ordinary corporate life, baby boomers see a future of stagnation and collapsing pension systems. This view has been



enlarged by the Internet, which has become the game changer for a whole lot of things, allowing for visibility and near instant global reach, but also for access to information regardless of gender, education and location.

The latter has also changed seed funding significantly, as in a flat world it becomes ever easier to discover talent, build communities, recognize opportunities and inspire innovation. To this end, crowdfunding is receiving renewed attention from both commercial and social entrepreneurs now that social media, online communities and micro-payment technology make it straightforward to engage and secure donations from a group of potentially interested supporters at very low cost. Even though crowdfunding sees strong growth globally, yet there are only a handful of European start-ups.

The Internet has also become the game changer in the way people work and perceive work: co-working spaces - providing open office space and -services in a collaborative, casual environment - are emerging globally as the place for knowledge workers and creative people, thus seeing strong growth. There is now at least one co-working space in most major cities in Europe.

Dreamicon Valley addresses each of the above findings, and also intends to offer crowdfunding - next to other methods of funding - as part of the service portfolio to talents. We identified a window of opportunity of up to 8 months from today before competition will become stronger.

We strongly believe in our team and the distinctive competences that each of us brings along to complete the tasks ahead successfully:

- an experienced management team with complementary skills and a large network in industry, start-up and venture community,
- a strong and competent network of partners, mentors and coaches,
- a proficient support organisation able to deliver,
- a large network of supporters and volunteers spanning the globe, with a local support organisation in Silicon Valley,
- a diverse set of sponsors in different industries.

## Benefit

“The Kauffman Foundation’s analysis of recent US Census Bureau data shows that companies less than five years old create nearly two thirds of net new jobs in America. In other words, if the US economy is going to have sustained recovery in jobs, it will be up to entrepreneurs to lead the way.” (D. Tapscott, 2010). This is also confirmed in a recent study of Germany’s Kreditanstalt für Wiederaufbau, who reported that German start-ups have created 560.000 jobs in 2009 alone - a significant increase from the year before. Also it reported the number of full time positions in these start-ups to have grown to 3.0 in 2009 from 2.3 in 2006. However, at the same time founders reported having been able to reinvest less money into the start-up in 2009 than in previous years - which they claimed as problems of funding, slowing down innovation (Spiegel, 2010).

Even though Europe’s economies are built on different foundations than the US, from the above it can be argued that the findings of the analyses also apply to Europe, especially concerning job recovery - in this respect the most obvious benefit created by Dreamicon Valley is encouraging entrepreneurship and innovation, thereby creating jobs. More importantly though, we incorporate a paradigm-shifting, unique vision of social entrepreneurship that marks a return to value-based models of society and business - through proper funding and reinvestment of profits we create a long-term outlook for a sustainable future and a better world.



# Background

## Explanation of Key Terms

### Crowdfunding

“*Crowd-funding* (sometimes called crowd financing or crowd sourced capital) describes the collective cooperation, attention and trust by people who network and pool their money and other resources together, usually via the Internet, to support efforts initiated by other people or organizations. Crowdfunding occurs for any variety of purposes, from disaster relief to citizen journalism to artists seeking support from fans, to political campaigns.” (Wikipedia, 2010).

Typically an entrepreneur seeking to use crowdfunding makes use of online communities to solicit pledges of small amounts of money from individuals who are typically not professional financiers. A range of variations exists: a solicitation to back an idea with no direct material return offered to those making a pledge; a display of sponsorship in return for the cash pledged; and some kind of quasi-equity investment. (Wikipedia, 2010).

### Crowdsourcing

“*Crowdsourcing* is the act of outsourcing tasks, traditionally performed by an employee or contractor, to a large group of people or community (a crowd), through an open call. For example, the public may be invited to develop a new technology, carry out a design task, refine or carry out the steps of an algorithm, or help capture, systematize or analyze large amounts of data.” (Wikipedia, 2010).

The term crowdsourcing was first coined by Jeff Howe in a June 2006 *Wired* magazine article in which he explains how technological advances in consumer electronics have allowed companies to take advantage of the talent of the public in solving tasks - a distributed problem-solving and production model, mainly applied nowadays in web-based crowdsourcing. (Wikipedia, 2010).

### Creative Commons

“*Creative Commons* (CC) is a non-profit organization headquartered in San Francisco, California, United States devoted to expanding the range of creative works available for others to build upon legally and to share. The organization has released several copyright-licenses known as Creative Commons licenses free of charge to the public. These licenses allow creators to communicate which rights they reserve, and which rights they waive for the benefit of recipients or other creators. An easy to understand one-page explanation of rights, with associated visual symbols, explains the specifics of each Creative Commons license. This simplicity distinguishes Creative Commons from an all-rights reserved copyright.” (Wikipedia, 2010).

### Fair Enterprise

The *fair enterprise model* is a term coined by Frank Stronach, an Austro-Canadian entrepreneur which represents “the path to uniting justice and economic freedom by reinforcing and complementing human rights- and business law constitution. For example, such an intensification of the latter would grant working people the right to participation in companies and profits, with the ultimate idea that a large part of these profits are reinvested on home ground. Companies that meet these requirements shall pay less taxes in order to create an incentive for others to follow suit. Eventually these organisations might become more competitive as employees who are owners usually have a higher motivation. Countries profit from companies that contribute from a more equal distribution of wealth. The social, political and economic stability of a country build a texture which tensile strength depends on the potency of individual fabrics. History has shown the importance of the economic fabric - companies are the weavers who process this fabric and strengthen the texture. This they do best if the three driving forces - management, employees, and capital - are in balance, which emerges if each of



these forces can participate in the success of a company. Fair enterprise is a model to make this balance durable.” (F. Stronach, 2010).

## **Incubator**

“*Incubators* are often found in and near universities. They usually provide inexpensive office space and mentorship to entrepreneurs and their companies. Just like seed accelerator programmes, incubators focus on companies in the earliest stages of development, and both models involve an application process for admission. [...] Business incubators generally do not take equity in their startups - they are typically run as non-profits and charge start-ups for rent and services.” (J. D. Christiansen, 2009).

## **Seed Accelerator**

“Seed accelerators are typically run as for-profit ventures and provide entrepreneurs with start-up funding” (J. D. Christiansen, 2009) and access to business networks (entrepreneurs, investors, business professionals). Just like business incubator programmes, they might provide facilities.

“A seed accelerator’s incentives are directly aligned with their start-ups; only when a start-up succeeds will an accelerator be financially viable. Also, they are less reliant on funding from government sources. [...]” (J. D. Christiansen, 2009).

## **Social Entrepreneurship**

“*Social entrepreneurship* is the work of a social entrepreneur. A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change (a social venture). Whereas a business entrepreneur typically measures performance in profit and return, a social entrepreneur focuses on creating social capital. Thus, the main aim of social entrepreneurship is to further social and environmental goals. However, whilst social entrepreneurs are most commonly associated with the voluntary and not-for-profit sectors, this need not necessarily be incompatible with making a profit.” (Wikipedia, 2010).

## **B Corporation**

“*B Corporation* is a certification offered by B Lab of Pennsylvania, designating a business as socially responsible. In addition to providing an independent assessment of a business's level of social responsibility, the certification process requires a business to rewrite its articles of incorporation to make it clear to investors that the business's managers are required to also consider the interests of societal stakeholders: such as employees, communities, and the environment.” (Wikipedia, 2010).

Amongst other benefits, certification as a B corporation results in promotion as a socially beneficial corporation and use of the Certified B Corporation brand, as well as the possibility for registration as B Corporation in accordance with official legislation of the state Maryland, USA.

To become certified as a B Corporation under the B Lab system, a corporation must achieve: a minimum score on B Lab’s rating system assessing a company's social and environmental performance; agree to make legal changes to its articles of incorporation to expand the responsibilities of the company to include consideration of stakeholder interests; and pay B Lab an annual licensing fee. Re-certification is required every two years. About 10% of companies are randomly audited every year to ensure continued accuracy of the business's B Rating score (Wikipedia, 2010).

## **Problem Analysis**

In a blog-post about “Why Start-Ups Condense in America” Paul Graham, a successful entrepreneur and co-founder of Y Combinator, identifies ten advantages start-ups get from being in America. The following is a non-comprehensive summary of these findings, highlighting some of the most important facts - for reference, the full article is available [here](#).



## **Culture, Legal Framework and Funding Landscape**

### **Europe**

The funding landscape in Continental Europe is mainly centred around government organisations and banks that provide either grants or repayable loans. Mostly used for research projects and with no clear business goal in mind, this creates an abundance of interesting and innovative projects, however very little new products or new services in the market place. Consequently, as not many corporations are founded, the money spent on these projects do not result in a great many jobs being created.

Contributing to this problem is that business angels or seed investors are a delicate, yet elusive society which most Europeans do not have access to. Instead, national funding bodies run incubators - such as technology centres - with moderate success: they provide office space, but no access to networks of business professionals and mentors, which is crucial for the survival of a start-up. Beyond that, financial regulation is counterproductive in attracting risk capital.

These problems are elaborated by Markus C. Müller, a German entrepreneur: “There where in Germany they now try to promote new businesses with government grants, I believe one should much more place incentives for to provide risk capital. For where no capital is available, no VC [venture capital] may invest. Where it is more profitable to invest in ‘safe’ real estate or blue-chip stocks, opportunities for venture are missing. In Germany we do not have a risk culture, instead strive above all for our safety. But by preserving the status-quo nothing new is created. 100% safe is not an investment - as always, risk and opportunity just keep the balance. Failed entrepreneurs are lepers in Germany - in the U.S. failure is seen as an experience, which allows the entrepreneur to improve. Such a culture encourages risk-taking - and the courage to tackle something new. Sure the state can only play a small part to help promote such a culture with investor incentives. But it could make a start in order to promote innovation and entrepreneurship, yet even demand it!” (M. C. Müller, 2010).

Contrary to this, the United Kingdom represents a different scene - even though national funding bodies provide grants and loans as well, a distinct and vibrant seed funding market exists. There is a large number of seed investors, business angels and venture capital organisations - all accessible via the web, or through non-exclusive clubs and directory services, which finds its roots in the regulatory / legal framework mentioned by M. C. Müller in the quote above.

It is well known thus that London has become a major hub for start-ups in the Internet area, mainly because of access to investors and mentors - however, also supported by a large community of like-minded people, which inspires others from all over Europe to come and to realize their idea there.

In regard to legal frameworks for setting up a company the introduction of a single European market has brought along a standardisation and simplification for company registration - however, even though large steps have been made in eliminating barriers to establishing a company for most Western European countries, significant obstacles still remain and differences vary country by country. These might eventually be removed in the coming years as the integration of the EU moves on, however for the time being on average it is more difficult to start a business in Europe than in the US.

Further, the EU is now a single, large market but the inhabitants speak many different languages. Even though, a trend towards a single European language - English - can be seen, but it is not yet comparable to America’s large domestic market. Consequently, an initial product might have to be marketed internationally from the start in Europe.

Above all however, Europe lacks examples - what holds back Europeans is simply that they don’t meet so many people who have done it - and venture funding (P. Graham, 2006).

### **United States of America**

The funding landscape in the US is entirely different from that of Europe, as it is the one market built on a culture of entrepreneurship. Consequently, with a large number of seed investors, business angels and venture capital organisations access to capital is comparatively easier than in Europe by an order of magnitude.



Entrepreneurship and a culture of failure is deeply rooted in the society - at least at East and West Coast, where the largest part of capital is located and where innovation hubs like Silicon Valley or Boston's Innovation District can be found. These centres are mostly directly linked to universities and technology parks, thus with access to capital and mentors innovation in the tech / web scene happens from out of campus.

Notably, grants and loans are provided by national funding bodies as well, however they are mostly used for pure research projects - a large part of it going to scientific research with no clear business outcome in sight. With most universities being private there is a large amount of competition between these institutions, attracting talent from abroad and causing start-ups to form around it - this is clearly not the case in Europe, where universities are mostly state-run.

Last but not least labor laws in the US are less rigid, allowing start-ups to fire people if they don't perform. This is a particular problem for start-ups because they have no redundancy - every person has to do their job well.

Elaborating the above further, a simple comparison shows that the total amount of seed money managed in the US is higher by a significant order of magnitude: e.g. whereas a German VC might collect €50-100m in funds, a US VC collects \$300-600m. In other words, the US is able to invest more money per start-up and thus better prepare it for the market when execution matters. Capital efficiency, as argued often in Europe, is not the most important when the time to market has arrived - rather, it is having capital available to push a product or service when the market is ready. This is a major advantage in the US, and it is in large part for this reason that Facebook, Google and Amazon all came out of the US and not Europe.

Additionally, the US gains a major advantage by having established innovation villages such as Silicon Valley - there, a concentration of all relevant players in software and web are located: from start-ups to established majors such as Google and Microsoft through to a whole range of business angles and VCs. Networking at its finest, and in a dimension not seen in Europe (M. C. Müller, 2010).

## **Solution Analysis**

Our solution analysis focuses on changing the mindset of Europeans towards entrepreneurship through providing targeted web TV formats and events, as well as playing our part in venture financing by contributing to a more transparent funding landscape.

### **Changing the Mindset**

Europe needs a change of mindset - amongst other things - if it wants to become an innovator again. It needs a change in attitude towards people who take risks, and much more towards people who fail.

### **Web TV**

With the arrival of broad-band Internet connectivity and market deregulation for television, most European countries have seen a significant growth in web TV-stations. Not only have the incumbent (national) TV-stations moved to provide their content on the web, but also a high number of local or regional web TV-stations has emerged - content is comparatively cheaper to produce, as quality so far was not the primary goal for the audience. Professional video makers and media agencies are strengthening the efforts to produce high-quality videos and TV on the go - e.g. Red Bull recently launched Red Bull Web TV, which is available on the web but also on their mobile phones.

Technology has enabled this transition, and web TV is now one of the sectors experiencing strong growth - yet it is a segmented market of niche players, as the incumbents haven't followed suit: only the BBC announced in a statement in November 2010 that it is working on making their content available world-wide via web TV.

At present in Austria and also Europe there is a number of players on a regional level and some larger incumbents in the web TV field - all of those mostly focus on regional topics, news or information clips, but none of them has taken up producing a format for or about entrepreneurs yet. We believe that by creating the right format that also appeals to ordinary people we have a small but distinct lever



to change Europeans attitudes - if marketed correctly and sold to major TV-stations, we might even have a bigger lever.

## **Events**

The uptake of local, self-organized events such as TED.com has shown that it is possible to use the web and the community to inspire people. Moreover, TED has received an enormous crowd following their events around the world - even from locations as remote as the slums of Nairobi, Kenya. Ideas got spread, change happened and attitudes changed.

Dream Academia has organized the first ever TEDx-conference in Austria - TEDx Pannonia - in September this year, which turned out a huge success. Two other event organizers have followed suit with their events - TEDx Salzburg and TEDx Vienna (which, at the time of writing was some 10 days away from happening). From what we learned at these events we believe that this is an excellent format with global reach to change the mindset of Europeans - as TEDx-conferences are now highly popular in Europe and there is more to come, this is a good and strong lever for change.

## **Venture Financing**

Even though the spectrum of venture financing involves a whole range of investment stages, the most notably missing stage in Europe is early-stage financing: a growing number of efficient and transparent solutions therein would allow Europeans to foster entrepreneurship, and thereby lay the foundations for creating jobs. After all however, this also needs a strong post-start-up financing market - which is provided in part sufficiently by the market.

## **Micro-Seed Funding**

There are typically six stages of financing offered in venture capital that correspond with different stages in a company's development: pre-seed money is used to prove a new idea, start-up covers expenses related to marketing and product development, first-round to fourth-round cover early sales to going public.

Micro-seed funding is associated with the pre-seed money stage. Today it generates a large interest for reasons of using small investments to support ideas, which makes this funding approach available to a larger group of people than for example traditional venture capital. Consequently, several sub-domains have emerged which are explained hereafter.

## **Start-Up Events**

These are events created largely by entrepreneurs and like-minded people with the idea of providing talents a first point of contact to the start-up scene. At such events people usually are introduced to pitching and working on their ideas with the help of mentors and even investors. In its current stage of development, these events mostly act as preparation for applying with seed accelerator programs.

There is a growing number of start-up events in Europe, though they yet haven't produced any success stories for being in very early stages and there aren't too many of them - players in the field are STARTEurope and IncredibleEurope of Austria, as well as on an international level BarCamp. Others exist, but are not mentioned herein.

## **Seed Accelerators**

Seed accelerators are the earliest stage of venture financing - they act even a stage before business angels / angel investors. The term has been coined by Y Combinator, a Mountain View, CA, based outlet that started a seed accelerator program some 5 years ago - since then the number of players in this field has increased significantly.

All of the programs available today have in common that they invest small amounts of money ranging from €15.000-€50.000 into a relatively large portfolio of start-ups in return for 5-10% of equity. Applicants are evaluated by some sort of competition / challenge or in a personal interview - if selected for funding the founders move to a specific location near a hub selected by the seed accelerator where they spend 3 months developing their idea(s). Over the course of the program the



founders are introduced to a pool of investors, entrepreneurs, and others, and receive support from partners. By the end of the program a demonstration of the product or service to a large group of investors lays the basis of foundation for a round A investment.

Y Combinator has been the first to create such a program and to date has invested into some 200 early stage start-ups, with great success. They operate two intakes per year per location - Mountain View and Boston, which are both known as web/tech hubs.

Techstars has been the first to copy Y Combinator. It is a mentorship-driven seed stage investment program that runs a three month long program in Boston, New York and Seattle once each year. They also have made a large number of seed investments in the web/tech scene with some fairly good success.

VenCorps is a Boston based seed accelerator that is enabled by a community of interest, embedded into the Boston Innovation District. They mainly provide similar services to the above and focus as well on the tech scene - no success stories known yet, as program has only been incorporated recently. Seedcamp has been the first European micro-seed fund to invest in start-up companies, mainly through their flagship event Seedcamp Week which takes place in September every year. They act more broad in terms of fields of interest and invest more money than US-programs - this seems natural, as they also look out for more mature companies than their US counterparts.

### **Crowdfunding**

The financial crisis of 2008 has seen a dramatic fall of venture capital invested, on some country basis by as large as 60%. At the same time a return to sustainability and social values has been echoed in the media - this has generated an immense uptake in crowdfunding, a recent phenomenon since its adaptation for business use.

Today there is yet a small number of fairly successful crowdfunding platforms available in the US, with numbers of new players strongly pointing upwards. The existing solutions have in common that they offer investments into projects without a return - no classical equity investment is done. At the outset a user enters his/her project details and sets the sum required to realize it - visitors can then pledge, and only if the project reaches the funding milestone within the time period set it gets funded; if not, visitors aren't charged. Players in this field are Kickstarter and Startnext.

However, in Europe there seems to be a new breed of solutions that argue for small equity investments into start-ups starting at €100 per person - though, it is yet unclear how this works. In most countries the regulatory requirements for such undertakings enforce a registration with a financial services authority. SeedMatch and SeedLounge act in this field.

### **Location and Other Benefits**

Location matters, especially to the community of entrepreneurs and investors: "In order to copy Silicon Valley one needs two groups: rich people and nerds. [...] One needs to attract a critical mass of nerds and investors to live somewhere, where life is good - what makes a place good to them is where they can find other nerds: smart people will go where other smart people are. [...] For example, they like well-preserved old neighborhoods instead of cookie-cutter suburbs, and locally-owned shops and restaurants instead of national chains. Like the rest of the creative class, they want to live somewhere with personality. Where people walk around smiling. [...] For all its power, Silicon Valley has a great weakness: the paradise Shockley found in 1956 is now one giant parking lot. All a city needs is to be the kind of place the next traitorous eight look at and say "I want to stay here", and that would be enough to get the chain reaction started. Not technology parks - the key stage is when there are three guys operating out of an apartment." (P. Graham, 2006).

Our location in the heart of the Centrope region is a perfect place for the community that provides a high quality of life, and as a hub with Vienna and Bratislava in close vicinity is more attractive to people from the East than for example London. Also, the twin-city pair provides co-working spaces which by its very nature already attract the crowd of creative people and people with ideas.

Installing a special economic zone (with some temporary benefits for start-ups and incentives for investors) allows for an ever greater attractiveness amongst the community: "It doesn't seem critical to



have the lowest *income* taxes, because to take advantage of those, people have to move. But if capital gains rates vary, you move assets, not yourself, so changes are reflected at market speeds. The lower the rate, the cheaper it is to buy stock in growing companies as opposed to real estate, or bonds, or stocks bought for the dividends they pay. So if you want to encourage start-ups you should have a low rate on capital gains. Politicians are caught between a rock and a hard place here, however: make the capital gains rate low and be accused of creating "tax breaks for the rich," or make it high and starve growing companies of investment capital." (P. Graham, 2006). Our intention is to find the right balance between both, and make sure it fulfils a temporary support role for start-ups in the first years after incorporation only.

## Competence Analysis

Dream Academia consists of 5 people in the core team, but is supported by a much larger team of supporters from various disciplines - for reasons of keeping this document concise, the latter are only listed briefly here.

Harald Katzenschläger, General Manager of Dream Academia, is an expert in coaching and business development. He brings together significant experience in international business, with practical experience in building and managing cross-cultural teams. He has coached at different organizational levels of blue-chip companies and SMEs, and worked with talents from various backgrounds to realize their dreams. He also worked with a number of non-profit and activist organizations.

Hermann Gams, Talent Scout & Media Relations, is an expert in scouting and media management. He brings along significant experience in both disciplines, running his own scouting company and having partnered up with large organisations such as Austria's ÖFB.

Manuel Gruber, Creative Director & Media Production, is an expert in Web 2.0 / social media. He runs a web agency that focuses on social media development, and recently launched a viral video portal - besides, he has been very active in the web TV scene and brings along valuable connections.

Sascha Mundstein, Funding, is an experienced entrepreneur and serious investor. He has a business background from INSEAD and Harvard, and has worked as consultant with SME 500 blue-chip companies around the globe. He also spent years in venture capital, where he was responsible for managing a large fund in the US - ever since, he has become an investor and currently holds shares in a number of start-ups.

Roland Trimmel, Funding and Project Management, is an experienced strategy/management consultant with a business background from a European business school. He has worked with a diverse set of global players in different industries in Europe and Africa, and recently established a track record in supporting start-ups in the early development stages in the US.

The support team and partners consists of people with a background in TV production, venture capital, consulting, mentoring, and others - we believe by spreading our message we will attract many more to join us and make this vision a reality. It is happening already.



# Action Plan and Requirements

## Objectives

Dreamicon Valley wants to become the entrepreneur and innovation village of choice for Europeans, where a self-sustaining chain reaction for start-up development takes place. In order to accomplish this plan, our objectives have been narrowed down into three broad phases.

In the *short-term* our primary objective is to have a bunch of extra-ordinary people (“nerds”) within new energy - Internet and clean tech - come together at Dreamicon Valley and have them develop their projects there. Their experiences are shared via web TV and events with the community - global and local, so as to not only share, but also attract other people to come and do the same.

This process is supported by a new, unique digital university which causes a paradigm-shift in education and thereby acts like a magnet for other nerds, which - together with a venture capital organisation - shall be established in the *mid-term*. The former attracts the crowd, whereas the latter - through pre-seed stage- and seed stage investments - creates an investment portfolio with different cycle times: early stage projects tend to mature in +5 years, whereas later stage projects have an earlier exit. Successful entrepreneurs become investors and mentors, causing a growth of the ecosystem and providing value to everyone in the community.

In parallel to this, establishment of a consulting business enables scaling of innovation and sustainability through providing change management services to established and new organisations - they get advice on how to foster change, innovation, social consciousness and sustainability, either from the very start of an organisation’s life or thereafter.

In the *long-term*, Dreamicon Valley wants to attract more nerds and projects from Europe, enlarging the ecosystem: e.g. supporting at least one project from each of the twenty-seven member countries of the EU by providing publicity, funding, mentoring and access to resources. This shall also be empowered by the installation of a special economic zone.

## Action Plan

The following is a non-comprehensive list of high-level action items - no further detail is provided, as it is out of scope of this document:

When?	What?	Who?
from Q4/2010	Lobbying of first project to be established in Dreamicon Valley	Harald
from Q4/2010	Implementation of Web TV channel, distribution of content and monetization	Manuel
from Q4/2010	Lobbying for establishment of a special economic zone	Harald, Hermann, Roland
Q1-2/2011	Establishment of venture capital organization, and start of fund-raising process	Sascha, Roland
Q1-2/2011	Establishment of consulting business and coaching / mentoring program	Partner network
Q2/2011	Establishment of a digital university in Dreamicon Valley	Harald



Ongoing	Organization of events	Harald, Hermann
Ongoing	Press/media relations, talent scouting	Hermann
Ongoing	IT	Partner network
Ongoing	Project Management	Roland
Ongoing	Administration	All

## Requirements

The most obvious requirement for implementation of this plan is start-up capital. However, there is much more to it - the following is a list of the things that matter most:

- Support for the project from the EU and the Centroe-member countries in terms of press/media work, promotion, financial regulation and fund-raising,
- Strong partner network consisting of entrepreneurs, angel investors, institutional investors, and business professionals,
- Installation of a special economic zone (with temporary tax benefits for start-ups and incentives for investors),
- Establishment of digital university,
- Long-term lease on facilities and surrounding infrastructure,
- Investors' money for investment fund,
- Seed money for Dream Academia

For a start, the already existing network of supporters and partners help us delivering the critical components necessary in the early life of a start-up: mentors and access to resources that support start-ups in solving problems big and small. The installation of a digital university (and perhaps a special economic zone) are somewhat crucial in developing a self-sustaining ecosystem of start-ups.

## Cost/Benefit Analysis

For the implementation of Dreamicon Valley €3.0m in seed-money is needed, which is distributed amongst subsidiaries of Dream Academia.

At this moment the expected return of this endeavour cannot be measured as the impact is more of a social return and because of the uniqueness of it no adequate measures exist yet - rather, they will be defined in the process of the project's development. At present only the return on investment for each subsidiary - when looked at as a stand-alone organisation - could be calculated, however this misses the point as only the whole together forms Dream Academia.

On a side-note it shall be mentioned tough that even if revenues do not recoup initial costs a large enough return for society is created by kick-starting the cultural change in mindset through our activities, and through this leaving a priceless long-term return in Europe.

## Benefits

Dreamicon Valley is already happening - even though we have yet only accomplished to make the first steps with events and web TV, we have already gathered a large crowd of volunteers and supporters that all help in making this vision a reality. They are convinced that we can do it, and we are convinced that because of them we are able to do it and will provide an ecosystem that is tailor-made



for the needs of these extra-ordinary people - giving them the room they need to develop their ideas, to fail and to start over again.

We want to make innovation happen in Europe again - this is what drives us. The benefit for each of us as individuals is simple: finding a place in this ecosystem where we can do what we really like to do - work with amazing people on even more amazing projects, and support them in turning their ideas into reality and a success eventually.

We love competition, and we like people. We attract talent because we respect them, their values and their individual needs - where others focus on numbers first, we focus on the person in front of us. Social entrepreneurship means understanding the needs of people first, and incorporating these into the projects undertaken or about to be undertaken - without these basic understanding it is just a game of numbers, which mutes the process of innovation at the very start.

Dreamicon Valley is the best approach to help solving the problem of a lack of innovation and entrepreneurship in Europe because we look at it from the eyes of someone who has dreams and wants to make these a reality - we are human first, and inspire people through our events and web TV formats second. No one else does this yet.



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