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WHAT IS GOING ON AT THE GARAJ?

AN OVERVIEW AT THE END OF THE FIRST SEMESTER

The first Demo Day of the GARAJ Entrepreneurship Center, which was opened in January 2013 on the campus TOBB University of Economics and Technology at the ground floor of the TEPAV Building, was held on Thursday, June 20. The Demo Day is kind of a graduation ceremony for entrepreneurs. Just as a university student finishes his or her courses and projects and graduates, entrepreneurs at the GARAJ Accelerator Program graduate when their products are ready to be introduced to the market. Different than a classical graduation ceremony, entrepreneurs at the Demo Day present their products to potential investors. The aim is to get an investment to cover initial expenses such as marketing and human resources and attain high rates of fast business growth.

The objective of the GARAJ is to connect all players in the field of entrepreneurship in Ankara to each other. At the heart of the system is the entrepreneur, but other pillars that support entrepreneur are also of critical importance. Chief among these are universities. Although GARAJ is founded on the campus of the TOBB University of Economics and Technology (TOBB-ETÜ), it is open to entrepreneurs from other universities as well. Indeed, two thirds of the entrepreneurs currently working at the GARAJ are of other universities. Second pillar consists of relevant public institutions. As will be explained later, the GARAJ was founded directly within the context of government's policies to support entrepreneurship. The third pillar is composed of investors and mentors. The GARAJ has carried out activities to develop local investor and mentor networks in Ankara and expand investment and mentorship connections in Istanbul. The prime duty of the GARAJ is to provide a platform that will bring together entrepreneurs and all other parties related with entrepreneurship.

In Turkey, a new body of angel investors is unveiling thanks to the new individual investor regulation by the Undersecretariat of Treasury. The GARAJ Demo Day was attended by 50 individual investors, 15 from Istanbul. All startup venture capital companies and representatives from prominent angel investor networks of Turkey were present at the GARAJ Demo Day. Now we are expecting investments to some of the 11 teams of entrepreneurs that pitched their products on the GARAJ Demo Day.

Having completed the sixth month of the GARAJ Entrepreneurship Center and had the first cohort of graduates, it is time to look back and assess how GARAJ evolved and how it can progress. With this note, we first explain the process so far, with the emergence of the GARAJ idea and its development. Then we introduce the projects of the first cohort of graduates to let everyone know what is going on at the GARAJ and set an example for others. Finally we present our plans for the future. We would love to get feedback from all parties related with entrepreneurship on our prospective ideas.

How did the idea emerge?

On 3-5 December 2011, the 2nd Global Entrepreneurship Summit convened in Istanbul hosted by Prime Minister Tayyip Erdogan. The Summit was organized by the Public Diplomacy Coordinator's office at the Prime Ministry in collaboration with TOBB. The Summit which was inaugurated by the Speaker of the Turkish Grand National Assembly brought together leading people who contributed to the development of entrepreneurship from all over the world, in particular from the Middle East. The Summit inspired us for being a manifestation of the fact that Turkey is a shining economic power in its region together with its entrepreneurial strength.

What do you think is an entrepreneur's biggest need? Most people, including entrepreneurs, would say capital. They would most certainly add, "Alike, entrepreneurship cannot advance outside the Silicon Valley; that's where all venture funds and angel investors are located." The Global Entrepreneurship Summit organized by the Prime Ministry of Turkey showed us that entrepreneurship can blossom where you least expect. During the Summit, we met not only David Monkman, the President of the National Business Incubation Association – the union of the American GARAJs – but also people like Usama Fayyad, the founder of accelerator program Oasis 500 based in

Amman, Jordan or Ahmad Alfi, the founder of accelerator program Flat 6 based in Cairo, Egypt.



Minister of Development Cevdet Yılmaz, TEPAV Director Güven Sak, Babson College Rector Leonard Schlesinger, Dogus Holding CEO Ferit Şahenk, and Abraaj Capital Director Arif Naqvi at the Global Entrepreneurship Summit (Istanbul, 3 December 2011)

Accelerator programs start off the philosophy that the biggest need of an entrepreneur is not “capital” but network consisting of mentors and interactions for establishing customer and investor relations. Accelerator programs admit entrepreneurs with an idea and help them introduce their product to the market at the end of the program. These programs generally last from three months to a year. During the program, entrepreneurs receive intensive mentorship services and have the chance to regularly meet relevant customers and investors. Hence, a business idea, taking shape in line with the demands of the market, rapidly turns into a product¹.

Having witnessed that the successes of America's first accelerator programs Y-Combinator² and Techstars³ were repeated in Amman and Cairo, we decided to do the same in Ankara and that's how the idea of GARAJ emerged. GARAJ is an attempt to boost the entrepreneurship ecosystem of Ankara which hosts Turkey's prominent universities, strong defense industry, and health technology clusters, and receives half of the public grants on entrepreneurship.

The GARAJ and public policies on entrepreneurship

Entrepreneurs are obviously the essential resource of an accelerator program. Encouraging entrepreneurship across qualified human resources is a prerequisite for

¹ For the lean startup methodology which constitutes the basis of accelerator programs, please see Steve Blank ve Bob Dorf. *The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company*. 2012.

² For the success story of Y-Combinator, please see Randall Stross. *The Launch Pad: Inside Y Combinator, Silicon Valley's Most Exclusive School for Startups*. 2012.

³ For the success story of TechStars please see Brad Feld ve David Cohen. *Do More Faster: TechStars Lessons to Accelerate Your Startup*. 2010.

fostering successful ventures. This requires mechanisms to discover qualified entrepreneurs-to-be. That's why we have channeled our energy to activities to unravel Turkey's best of best entrepreneurs and organized the Business Plan Competition in 2012. The competition was joined by entrepreneurs who were selected among finalists of more than 20 business plan competitions previously held in Turkey: 16 early-stage (no turnover) and 16 growth-stage companies (has turnover, no profit). The competition jury was composed of 16 American and 8 Turkish investors.

It is among the priorities of the government to boost entrepreneurship in Turkey. For well-designed public policies in support of entrepreneurship, demands of entrepreneurs and investors have to be conveyed to the public authorities via appropriate channels. The Young Entrepreneurs Board and the Venture Capital Industry Council functioning under the roof of TOBB have undertaken key role in this process. The "Individual Participation Capital" regulation was the product of the dialogue between these and the Undersecretariat of Treasury. The regulation that allows angel investors to deduct their investment to new enterprises from their taxable income was announced by the Vice Prime Minister Ali Babacan at the "Turkey's Best of Best Entrepreneurs Competition" in award ceremony, which was held in Istanbul on 30 May 2012 and hosted 400 guests.



Vice Prime Minister Ali Babacan with the jury members and winner entrepreneurs at the award ceremony of the "Turkey's Best of Best Entrepreneurs Competition" (Istanbul, 30 May 2012)

The program launched by the Undersecretariat of Treasury was put into force in February 2013 after the completion of the secondary legislation. With this scheme, we expect a rapid increase in investments by angel investors⁴ to entrepreneurs that completed programs such as the GARAJ acceleration program. Indeed, the Fit Startup Factory, the accelerator program founded by the Özyegin University, announced in June that a consortium of 7 angel investors was going to invest \$15,000 to each of the entrepreneurs in the program.

⁴ For more on angel investment, please see John May and Cal Simmons. *Every Business Needs An Angel*. 2001.

Again as a result of the dialogue efforts, the Ad Hoc Committee for Boosting Entrepreneurship to work on public policies⁵ to boost entrepreneurship was established for the first time within the scope of the preparation of the 10th development plan. The Commission submitted its report to Minister of Development Cevdet Yılmaz on 20 February 2013 and the development plan was submitted to the Turkish Grand National Assembly on 13 June 2013. In tandem with the recommendations stated in the report, supporting accelerator programs like GARAJ was approved as one of the key suggestions of the 10th Development Plan to boost entrepreneurship (page 105).

One of the key ideas raised by the Commission was that access to mentorship and networks is the biggest need of an entrepreneur, the very idea which had laid the foundation of the GARAJ. No 1512 Individual Entrepreneurship Gradual Funding Program recently introduced by TÜBİTAK, taking one step further than its precedents, involves mentorship support as a fundamental pillar alongside the customary grant mechanism. In the context of the program, a business guide from the relevant sector is assigned to each entrepreneur in addition to the compulsory training program. The first briefing program for the No 1512 program mentors was held at TEPAV on 22 June 2013. The advisory board of the program involves TOBB-ETÜ Secretary General Adem Sahin and TOBB Venture Capital Industry Council Head Göktekin Dinçerler.

Public institutions relevant for entrepreneurship policies as well as investor and entrepreneurs convened at the Entrepreneurship Policy Conference carried out at TEPAV on 13 November 2012. During the conference inaugurated by TOBB President Rifat Hisarcıkıoğlu and US Ambassador Francis Ricciardone, speakers consisting of senior officials from the Ministry of Development, Ministry of Economics and the Undersecretariat of Treasury discussed with the audience of about 400 people their projects and policies about entrepreneurship. We are planning to carry out the conference which pioneered for dialogue between the public sector and entrepreneurs at this level on a yearly basis. In addition, we are releasing policy notes to communicate our analyses and recommendations concerning entrepreneurship policies in Turkey.⁶

The GARAJ Operation Model: A model partnership

Apart from TOBB's initiative and the strong support of the public sector, one last element to get started in the GARAJ was to establish the team that will offer entrepreneurs daily mentorship and project management assistance. Entrepreneurs who travelled the same road before best empathize with new entrepreneurs. We met the Viveka team taking departure from this understanding. Viveka is founded by a team which received a technology grant (Teknogirisim program) from the Ministry of Industry in 2010 but failed to attain the expected commercial success. Three co-founders of Viveka, all residing in Ankara, realized that the biggest shortfall of the program was that although it granted 100,000 TL per year, it did not offer any guidance on how to turn the grant into a marketable commercial product. The team therefore decided to launch a program that will offer such guidance. Until January 2013 when

⁵ For a general framework please see Josh Lerner. *Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed--and What to Do About It*. 2009.

⁶ The notes by TEPAV research associate Beril Benli: "Türkiye'de Başlangıç Aşamasındaki Girişimcilere Verilen Finansal Desteklerin Etkinliği" (January 2013) and "Teknogirisim Sermayesi Desteği Durum Analizi ve Öneriler" (March 2013) (Both in Turkish).

they started to work under the body of the GARAJ, Viveka had provided support to 15 teams.

After our partnership with Viveka, GARAJ has become the first accelerator program in Turkey within a university that gives the upside of projects to implementers. If entrepreneurs in the GARAJ program succeed and incorporate, Viveka as the day-to-day implementer receives up to 10% of the company shares.



Emine Erdoğan, Minister of Industry, Science and Technology Nihat Ergün, Minister of Family and Social Policies Fatma Şahin, and TOBB President Rifat Hisarcıkloğlu at the GARAJ with entrepreneurs (Ankara, 26 March 2013)

GARAJ offers entrepreneurs an open office space of 600 square meters which also has a Starbucks in it. The open space enables entrepreneurs to communicate constantly with the project implementer team. Moreover, every Thursday, we carry out one-to-one office hours and open TechTalk events with an investor or entrepreneur from Istanbul. We aim to strengthen the network of entrepreneurs in Ankara, raise interest in entrepreneurship, and nourish a “startup community.”⁷ In exchange for the office space and network assistance it provides for the GARAJ entrepreneurs, TEPAV asks only a rent of 5,000 TL if the project results in a company and the company gets investment. TEPAV does not ask for any payment otherwise.

First Semester's GARAJ Entrepreneurs

The first cohort of entrepreneurs of the GARAJ accelerator program was selected among interviewed online applicants between January and March 2013. Out of 135 applicants, 39 entrepreneurs formed in 12 teams were accepted to the program. In the first week of the program on 26 March 2013, Emine Erdoğan, Minister of Industry, Science and Technology Nihat Ergün, and Minister of Family and Social Policies Fatma Şahin visited GARAJ and met entrepreneurs. The same day, the 1071 Women Entrepreneurs program launched in cooperation with the Keçiören Municipality and aimed at training women entrepreneurs from Ankara was inaugurated.

⁷ For experience strategies to develop local startup communities please see Brad Feld. *Startup Communities*. 2012.

Since the opening, GARAJ entrepreneurs had the chance to meet several people that visited the center and to present their business ideas. The TechTalk events that were carried out almost every Thursday since the beginning hosted a number of prominent names including Fatih Isbecer, Ferhan Cook and Serhat Görgün of Galata Business Angels, Numan Numan, Ali Karabey and Dilek Dayınlı of 212, Joachim Behrandt of BIC, Baris Aksoy of Intel Capital, and Cenk Bayraktar, Berkin Toktas and Bora Yılmaz of Revo.

Ten teams that worked day and night since the opening of the GARAJ accelerator program completed their projects by the Demo Day on 20 June 2013. GARAJ entrepreneurs concentrate mainly on web and mobile applications. The focus areas of first semester's entrepreneurs were health, education, games, e-commerce, and cloud software solutions. Let's take a look at the projects presented in the Demo Day:

- **Kitap Canavan** is a mobile reading platform targeted for children in the 2-11 age group. The most important feature of the platform is that it is a library composed of a number of books and that the book contents are designed game-like to make reading fun for children. Kitap Canavarı is compatible with external content, thanks to which story writers, designers and content providers also can benefit from the platform. The project will come to the fore as one of the most attractive content elements of the FATİH project aimed at distributing iPads to all students in public schools.
- **Tounat** is a platform that matches tourists with local "friends" to help them learn about local experiences and activities of their destination. This way, it creates a brand new area beyond tourist guiding which enables tourists to enjoy hidden local activities with local companies. The project can be considered an important step to expand the tourism revenues of Turkey.
- **Motivolog** is a web platform where people with health issues share their experiences. Patients, while sharing their experiences and socializing with other patients, foresee that they will go through the same path as others. Hence, thanks to the data collected on the website, the platform paves the way for a business model that can be expanded to other areas, the early diagnosis of side effects of medication in particular.
- **Parqr** is a mobile application which allows real-time pinning and recording of tracks for trekking, swimming, and cycling, and enables user to follow the tracks of and socialize with other users. Parqr aims at fulfilling the greatest need of urban sportspeople – socialization – and hence increase the rates of exercise.
- **Bvrjuva** is an e-commerce application aimed to discover the luxury goods that are generally bought casually. Bvrjuva, taking advantage of the popularization of e-commerce in mobile platforms globally, fills the void in Turkey.
- **Uniworkcity** is a web tool allowing companies to create job postings on an interface integrated with their company website. Companies can prepare application forms via Uniworkcity and embed them into their websites, collect applications online, and follow application statuses. With its innovative and user-friendly perspective, Uniworkcity is distinguished from the complicated posting software of career sites.
- **Drogtch** develops tablet software for companies that employ sales representatives, those in the medicine sector to begin with. The software allows

sales representatives to make presentations, give feedback, and pin meeting locations, and enables online tracking of representatives.

- **Batterie.me** develops a mobile application for friends to challenge each other in solving more questions during a course, running a longer track, eating more, or outscoring in a game, and to make bets on who will win the challenge.
- **Enforce** works on a location-based mobile application where local citizens are able to report problems concerning issues within the authority of local administrations. The application allows users to follow the status of reported problems. The team is planning to develop the application to cover all institutions and organizations that directly interact with customers.
- **Bilge Kral** develops a mobile social quiz program. It is like the social version of "Who Wants to Be a Millionaire?"
- **TiviAce** develops digital screens for restaurants, coffee houses or conferences and seminars. The screens are personalized for customer and user-friendliness.

GARAJ entrepreneurs were showcased to Turkey's most eligible investors in the Demo Day. Among the funds and angel investor networks that crowded the Demo Day to meet GARAJ entrepreneurs were 212, Earlybird, Intel Capital, Rhea, i-Lab, Inventram, Aslanoba Capital, Behrandt Angels and METUTECHBAN.

GARAJ 2.0

Just like a new venture, GARAJ continuously evolves in search of better. The new semester will begin on 15 September 2013. During summer we will be following the investment and client interviews of our first semester students on the one hand, and designing new semester's program on the other. Here are our plans for the next semester:

Expansion of international networks of entrepreneurs: One of the key objectives of GARAJ is to facilitate the entry of Ankara's entrepreneurs to region's markets. During the first semester, we selected four fellow accelerator programs:

- Flat6 (Cairo, Egypt)
- Menapps (Amman, Jordan)
- Silicon Oasis (Dubai, UAE)
- Barama (Baku, Azerbaijan)

Currently we are carrying out videoconferences with fellow programs so that GARAJ entrepreneurs can meet with their peers from countries of the region. This also paves the way for cooperation in access to new markets between entrepreneurs who operate in the same field. For instance, Galavalomka that works on game-books is currently cooperating with a Flat6 team working on a similar project to transfer its content to the Arabic market. We are planning to diversify cooperation efforts via events that will physically bring entrepreneurs together in the coming semester and involve entrepreneurs from countries of the region in the GARAJ program in the long-term.

New sectors: First semester's projects mostly concentrated on web, mobile applications and B2C products. For the next semester we are planning to diversify the sector composition in two domains.

The first will be B2B software products. Cloud software for SMEs, the Machine-to-Machine communication or industrial internet domain which we expect will develop rapidly after the new tax regulation of the Ministry of Transportation, and big data are eye catchers of this field.

Second, in the longer-term we are planning to work with entrepreneurs who specialize in areas other than information and communication technologies. Health technologies is a priority for us as it is among the focuses of the TOBB-ETÜ and as there is a strong health cluster in Ankara. When designing the programs for technology-oriented entrepreneurs, we are taking into account TOBB ETÜ's new Technology Center which has 81 laboratories in a single building. With this respect, we aim to create a one-year program integrated with the TÜBİTAK's No 1512 Individual Entrepreneurship Gradual Funding Program.

Seed capital to entrepreneurs: In order to improve the qualifications of the human sources entrepreneurship attract as well as solve the marketing and human capital needs of entrepreneurs in market entry, we aim to offer a seed capital of 30.000 TL to each venture to be given in gradual amounts in the first six months of the program. The "fund of funds" mechanism developed by the Undersecretariat of Treasury with a strong vision to accelerate the venture fund sector offers great opportunities in this regard. The Law 6456 on transferring resources to the fund of funds entered into force on 18 April 2013 (article 10). We hope that GARAJ entrepreneurs will be the first beneficiaries of the regulation when the secondary legislation is completed.



GARAJ Coordinator Ussal Şahbaz with entrepreneurs at the Women's Entrepreneurship Center, American University of Afghanistan (Kabul, 11 June 2013)

Extension of the GARAJ model: The chief message of the Global Entrepreneurship Summit convened in Istanbul in 2011 was that entrepreneurs are the most attracting assets of Turkey. As a direct output of the Summit, it will be among the primary functions of GARAJ to spread its experiences to sister countries. Founding similar initiatives in other countries not only can support entrepreneurs there but also can offer new networks and opportunities for Turkey's entrepreneurs. We made our first contact in this framework with the American University of Afghanistan in Kabul, which we visited upon their invite. In 2014, we will start preparations for opening an entrepreneurship center in Kabul in line with the condition and needs of Afghanistan.