

RnDAO proposal for an Arbitrum Collab Tech Business Cluster

Abstract

We propose a collaborative approach to venture building with a vertical focus on CollabTech (Business Cluster approach), thus advancing the sustainability, relevance, and network effects of the ArbitrumDAO.

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Summary

The Web3 ecosystem is rapidly expanding, and moving forward, being able to provide specialized support to the builders of each vertical will be a key advantage over generalists. As such, RnDAO proposes the creation of a Collab Tech-focused Business Cluster within the Arbitrum ecosystem. Thanks to Arbitrum's treasury size, this initiative is both an attractive opportunity in its own right and complements and adds value to initiatives focused on other verticals, such as gaming.

Collab Tech (governance, ops, growth, community, and contributor tooling) has been identified as a pivotal vertical due to 1) being a key enabler for the ArbitrumDAO and Arbitrum-based projects, 2) being projected to reach USD 1088.15 Billion by 2030 (B2B SaaS subsegment), and 3) being already the #1

sequencer fee generator for Arbitrum (via Quest Protocol).

The proposal puts forward a venture creation approach focused on outputting viable ventures, through human-centered design, hands-on support and peer-to-peer collaboration, and a staged pipeline for builders. Moreover, this initiative leverages Swarms, Web3-style Business Clusters, to create network effects, and position Arbitrum as the preferred ecosystem for Collab Tech innovation.

Non-constitutional

Motivation

The number of L1s and L2s is multiplying, and with it, the relevance of Arbitrum is not guaranteed. A rapidly evolving landscape creates pressing demands. It's essential for ArbitrumDAO to both invest in organizational infrastructure and seed an ecosystem of sustainable ventures to transform its massive potential into massive impact. But how to do so?

Rationale

Vertical specialization is critical

There was a time when I used to know every major project in Ethereum. That time is long gone. I can just about keep up with developments in CollabTech, while new innovations in verticals like DeFi, Gaming, DeSci, etc. are way beyond my ability to track them. And this situation will only intensify over the next few years.

As our ecosystem grows, specialization is not only unavoidable, it is desirable. The same person, no matter how well

connected, can hardly help a Gaming project connect with all the key publishers, advise a DeFi project on liquidity, or make introductions to the key connectors in the Carbon Credits markets. Every vertical has a different technical palette, market configuration, and social network; with specialized support, we're best position to select which projects to back and help them navigate challenges.

Why Collab Tech in Arbitrum

Collab Tech - tooling for governance, operations, community, and contributors - is a key business vertical. Using data only from B2B SaaS, the market is [valued at USD 327.74 Billion \(2023\) and is projected to reach USD 1088.15 Billion by 2030, growing at a CAGR of 18.7%](#).

CollabTech is also a key enabler for other projects. Early examples show how the existence of a quality multi-sig solution was key for increasing TVL in L1s and L2s as well as enabling projects to operate effectively. More recently, we cite the importance of protocols for decision-making, role attribution, grant tracking, creating quests, etc., as key for enabling ArbitrumDAO and Arbitrum-based projects to move fast, build strong communities, and achieve results.

Thanks to Web3 innovations, CollabTech could address the [\\$8.8 trillion lost per year in employee disengagement](#), the incredibly [low Trust in Institutions](#), and the chronic opportunity cost attributable to poor coordination.

Currently, the CollabTech vertical lacks a clear leader amongst L2s/L1s. Polygon has set a dedicated initiative to target Web2 customers with Web3 tools, Optimism is attracting some key projects, and Q blockchain is making some progress, but none has yet managed to become the go-to place for Collab Tech builders.

CollabTech is already the #1

sequencer fees generator in Arbitrum thanks to Quest Protocol (RabbitHole), and with the right strategy, the success of Quest Protocol could be emulated by a host of projects and position Arbitrum as the leading ecosystem for innovators in this soon to be \$1,000bn+ market.

How to create network effects in a vertical

RnDAO has investigated and tested approaches to ecosystem development for the past two years, and our research leads us to conclude that [Swarms \(Web3-style Business Clusters\) are an ideal approach to creating network effects around a specific vertical](#).

Swarms rely on facilitating access to capital, vertical-specific support, and incentive alignment leading to deep collaboration between projects. As a result, enmeshment between projects (modularity and composability leading to integrations, cross-selling, sharing of insights, etc) is increased, generating network effects and making it unadvantageous for projects to migrate to other ecosystems.

As the number of successful projects increases, the ecosystem further attracts talent and expertise, capital, and new projects looking to build on top of existing protocols. A flywheel is created.

Sustainable venture creation

A thriving city is composed of a core set of foundational public goods (parks, libraries, roads) used by most people and an ecosystem of businesses that cover the full range of specific needs of a city's inhabitants. Along the same logic, this proposal focuses on developing an ecosystem of ventures for Arbitrum and is ideally complemented by public goods funding programs and some vertical-agnostic services.

We learned from Web1 and Web2's rich history of experiments in entrepreneurship that deploying capital alone is not the ideal method to facilitate the creation of successful, sustainable ventures.

Accelerators and Incubators evolved precisely because small, early-stage teams have critical gaps that mean they 'don't know what they don't know.' As a result, early-stage ventures can underinvest in critical skills or pursue dead alleys, searching for the right methodology or approach. No wonder that 75% of Hackathon winners abandon their projects, and still, 9/10 accelerated startups tend to fail.

Moving further in the support continuum, Venture Builders (a.k.a. Venture Studios), are a rising trend.

Venture Studios obtain superior results thanks to going beyond mentorship and offering hands-on support. Imagine the difference between an expert giving you some feedback on why your pitch deck sucks, you going and trying to fix it on your own, then coming back to get a bit more feedback the week after, vs said expert sitting down with you for 4 hours until you have a great result. Hands-on support offers results faster and compounds expertise more effectively.

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inniches.com

Big Startup Studios Research 2023

Max Pog. Numbers of startup studios. Excitement and criticism of venture studios: "There was \$5M here just a moment ago. Where did it go?"

For context, most VC activity happens at later stages of development (Series A+ with a few at Seed and very few at Pre-Seed) than Venture Studio activity (starting at the idea stage). Part of the value generation of Venture Studios relies on their ability to generate and validate their own ideas instead of waiting for good deals to come to them.

Specifications

The RnDAO approach: Swarm Building

Through a pilot grant to RnDAO via Plurality Labs, we're running a builders pipeline program, consisting of two steps:

1. Research Fellowship: 3-month paid Fellowship for aspiring builders to dive deep and validate a problem through user research, market research, and engaging with experts.
2. Venture Programme: 4-6 month program with 50k Arb and \$100k worth of hands-on support for builders to build a team, develop an MVP, and market-test their solution.

The builders' pipeline has been designed based on lean cycles to quickly and at a low cost validate the viability of a venture. Additionally, the approach relies on collaborative processes and cross-ownership to complement the specialized support, thus improving outcomes beyond what a generalist program can provide.

Compared to traditional VC-oriented programs, we aim to validate market viability early and benefit from "Swarm effects": as opposed to only power law (9/10 ventures yielding no benefit for traditional VCs / accelerators with only about 1/10 generating outlier benefits and needing to cover for the others), the RnDAO approach can generate more significant value from the long tail of ventures (without eliminating the benefit of outliers) through:

- sequencer fees (ventures don't need to exit to benefit Arbitrum).
- the value of the offering in improving governance/operations.
- and value add to future ventures (modularity and composability plus collaboration).

Compared to traditional grant programs, the incentives have been redesigned to align those supporting the ventures (RnDAO team) and the builders toward sustainable ventures. This is achieved by rewarding the builders and those supporting the ventures below market rate and instead providing them with participation in the ventures (akin to dynamic equity models). As such, all participants only do well if the ventures thrive.

Equally, successful ventures are given ownership in RnDAO itself (generating cross-ownership between the ventures). This enables us to have more narrowly focused cohorts (CollaborationTech only) while ensuring that the overlap between the ventures leads not to competition but to deep collaboration (sharing market insights, cross-selling, talent referrals, integrations, etc). The resulting dynamic generates enmeshment, incentivizing ventures to stay in the Arbitrum ecosystem to continue benefiting from the Business Cluster's network effects. This is designed as an improvement upon negative incentives like a lock on migrations, which would make for a worse deal and hence reduce the quality of builders attracted.

The Swarming approach has been designed specifically to encourage modularity and composability between the products built by the ventures. This aligns with the thesis of a future of work composed of networks of teams that demand autonomy to select tools/modules ([Consumerization of B2B software](#)) while also needing to collaborate effectively at scale.

Steps to Implement: The RnDAO roadmap

The initial pilot enabled funding for 6 seats in the Fellowships program and 1 seat in the Venture Programme. And is set to finish at the end of Q1.

We're proposing for ArbitrumDAO to fund the next step on this Business Cluster development initiative, while also aligning on the medium-term roadmap as follows:

1. Bootstrapping phase (completed): for the last two years, RnDAO developed the concept and bootstrapped 4 CollabTech Ventures through ad-hoc processes - [TogetherCrew](#) (backed by TechStars, serving 50+ communities), [MeetWithWallet](#) (early stage but revenue generating), [Pattern](#) (recently pivoted), and [School DAO](#) (PoC stage).

2. Pilot program (in progress): systematic program with 6 Fellows and 1 Venture, and minimum viable organizational setup.
3. Cohort two (this proposal): with seats for 12 Fellows and 4 Ventures + development of a vertical-specialized investment Syndicate. And additional grant from the Arbitrum Foundation to develop our legal and governance structure as a fully-fledged program and decentralized control of the legal wrapper(s).
4. Cohort three and CollabTech Fund (future proposals for Q4 2024 and 2025): running an additional cohort and setting up an investment vehicle to back leading CollabTech projects (sourcing deals from those completing the Venture Program and outsiders), with the legal structures to provide participation in RnDAO (holding + fund) and deliver sustainable returns for ArbitrumDAO.

We've designed this approach with the objective of first building the community and vertical expertise, then validating the structured methodology, followed by a focus on generating network effects for Arbitrum, and finally providing long-term sustainability for Arbitrum.

In so doing, we provide a path for Arbitrum to establish itself as the go-to place for those building the future of Collaboration Tech (a \$300bn+ market).

Timeline

December 2023 - April 2024 (Pilot): The Pilot program for the Fellowship is set to be completed in early April, yielding 6 builders having spent 3 months validating a problem and looking to move to prototype a solution.

May 2024 - September 2024 (Cohort 2): we'll be ready to recruit a new cohort of Fellows to start researching a problem, and also provide continuity to selected builders from Cohort 1 to move to the Venture Building program and apply their research.

October 2024 - Feb 2024 (Cohort 3 and Fund): we'll continue nourishing the pipeline of builders and add the final step with a fund that can support promising ventures (as they complete the Venture Builder program or come from outside).

Funding needs

RnDAO funding needs

- Pilot program (already committed): 156k ARB
- Cohort Two (this proposal): 400k ARB for program + 40k ARB for Arbitrum Collab Tech Gitcoin round (project attraction+ideation) + Foundation's grant for legal setup (up to \$250k equivalent)
- Cohort Three and Fund (future proposal): 400k ARB for program and 5mn ARB as 25% LP commitment for Fund together with commitments from other LPs (\$20mn fund, standard 2% management fee and 20% carry) + 40k ARB for Arbitrum Collab Tech Gitcoin round (project attraction+ideation).

Recommended complementary programs (funding needs to be estimated by the corresponding initiatives)

- Developer Relations: tech customer support and training (including Orbit chains related)
- Arbitrum DAO as first-customer: procurement for CollabTech venture solutions
- Arbitrum ventures: Fund of Funds to serve as limited partner for the fund.
- Retroactive (Public Goods) funding for value add to the ArbitrumDAO functioning

Our team

We have decades of experience in CollabTech and venture building, and have gathered an expert community bridging insights from Web2, academia, and Web3; as well as expertise in both blockchain and AI.

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](<https://global.discourse-cdn.com/standard17/uploads/arbitrum1/original/2X/0/0564c49549aae549bdd1907b8103de6ae4c56b0d.png>)

Web2 Socials:

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Closing Thoughts

This initiative aims primarily to position Arbitrum as the go-to place for CollabTech builders, by nourishing a Collab Tech Business Cluster that can generate network effects and progressively attract more talent, capital, and ventures to the Arbitrum ecosystem, resulting in compounding sequencer fees, and smoother operations and governance for the ArbitrumDAO and Arbitrum-based projects.

Our unique contribution yields an innovation pipeline with sustainable ventures, generating sequencer fees and, after Cohort 2, also compounding ROI.