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Koos: the Estonian startup enabling businesses to incentivise their communities

Koos aims to give the next generation of businesses a competitive advantage through its SaaS platform, where business-critical communities can be rewarded with binding 'equity-like' stakes that don't mess up the cap table.

Talking to *Koos* founder Taavi Kotka, it's immediately clear this is not his first rodeo. It's perhaps not surprising, therefore, that his fledgling startup just scooped up the main award at The Estonian Startup Awards two weeks ago. So where did it come from?

The serial entrepreneur is deeply embedded in his nation's digital and innovation economy: he became Estonia's first ever Chief Information Officer in 2013, tasked with overseeing the country's continued development as an advanced digital nation. This was preceded by private sector work, with Taavi starting his career as a programmer before rising to be the CEO of the region's largest software development company, Webmedia (now Nortal).

As Estonia's CIO, Taavi introduced a number of new ideas that have come to define the concept of 'e-Estonia' as a digital nation as well as founding the Estonian e-Residency programme. As someone with an angel investment portfolio of over 50 startups – including an early investment in Wise – Taavi is now taking his learnings and emphasis on community and collaboration into a startup helping reward business-critical communities.

Reciprocation

Koos is not only Estonian in origin, but in spirit. Taavi tells me Estonians aren't into loans: they really don't like being in debt to one another. 'If you do a favour for me, I would instantly like to do a favour for you' he tells me, before explaining that the Estonian government has the lowest government debt in Europe, 'even lower than Luxembourg'.

Koos transforms this reciprocal culture into an easy-to-use tool. But outside of Estonian mores, and in the world of start and scaleups – why does reciprocating matter? Because start-ups have, historically, failed to adequately reward their communities for the role they play in their growth.

While these communities are essential for the success of the business, their involvement has often been rewarded with – at best – one-off gifts or gestures which don't necessarily reflect their overall impact. However, founders are beginning to recognise the ethical and financial obligation to bring communities into the long-term successes they help to create.

Two interrelated trends are becoming clear with successful startups: the first is the need for a strong, supportive community to get your product or service off the ground. The second is this community's desire to become a tangible part of the startup's journey; whether through investing or simply engaging.

Consider the *successful example of health startup ZOE*, who first made a name for itself during the pandemic when its self-reporting Covid app went viral. Due to its exponential uptake, the app was able to track virus symptoms more accurately than the NHS; and was a remarkable example of a community coalescing around a common cause. More recently, the startup had over 100,000 people take part in its intermittent fasting study: voluntarily giving their data for free.

ZOE, to play its part in this reciprocal, community-orientated culture, gives back by making much of its peer-reviewed research open source and available, as well running a hugely popular podcast and opening up its latest investment round to a crowdcube.

Discover Koos

How does it work?

But what if there was an easier way to reward your community fairly? Without the major commitment and logistical headache of giving away equity – something that is generally only been done for investors and internal employees.

This is where Koos.io comes in: at its most basic, its SaaS platform enables companies to give away equity to reward and motivate their contributors and communities. Companies can create a pool of stakes: those stakes can be given to the community for tasks they have delivered. The value of the pool is strictly related with company value, but the stakes are not shares. This keeps the cap-table clean.

The way it works is simple: any non-employee contributor can be rewarded with an 'equity-like' stake, that becomes a legal obligation for the company once they've given them out. Unlike share options, companies using Koos can set the targets upfront for your community and contributors to hit – and give Koos tokens in return for results.

An example would be as follows: a software company converts 1% of their equity into 5,000 Koos stakes. These are given out freely by the company to anybody who has a positive impact, whether through referrals, reviews or just advice. Unlike share options, however, the company would set the targets upfront for the community and contributors to hit – this could be an IPO, acquisition, exit, or hitting specific revenue targets. Once this target is hit, your token automatically provides you with an agreed upon return – the option to have it bought back by the company, for example.

Competitive Advantage

But before you begin to think this is a do-gooder gesture that companies can choose to do if they're feeling generous, Taavi points out it's about changing the status quo and utilising the incentivisation of communities to gain a competitive advantage in the marketplace. This is not driven by a desire to end shareholder capitalism as you might imagine, but rather an ambition to incorporate select learnings from stakeholder capitalism, to create an enlarged pool of shareholders (rather than doing away with shareholders entirely).

Taavi stresses the importance of a founding team and personally invested individuals – who have put their dreams, funds and livelihoods on the line – to create a successful company. Although he is in favour of DAO-s, for example, he points out that without strong founders and management team motivation, they will end-up being dysfunctional, 'like socialism'.

To illustrate how Koos could serve a new generation of businesses, Taavi gives the examples of Spotify – notorious for not rewarding the artists on its site – and Uber – who refused to categorise their drivers as employees. He points out that these huge companies have been built off some form of exploitation, and that the successful companies of tomorrow will need to more genuinely include their immediate community within their journey – not necessarily out of some ethical duty, but to ensure that the artists, listeners and drivers actually move over from these legacy companies.

He cites a company currently using Koos: *Forus Taxi*, an Estonian taxi service and rival of Uber, who have made the bold move of converting a huge 30% of their total equity into 30 million micro-stakes, with the aim of turning all Forus clients and drivers into a real community – and genuine owners of the company.

He explains that by putting their money where their mouth is, Forus are more easily able to build loyalty and increase job satisfaction. He also equates choosing to take a Forus (instead of a Bolt or Uber) as a lottery ticket: you get rewarded with a token that could one day be very valuable. It is a compelling case of how to beat the competition, even if you're giving away huge chunks of equity.

Koos raised €4M in a seed funding round last year, and have developed their platform to be compliant with both UK and EU law. Watch this space.

Read also

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