

A young woman with long, wavy brown hair and glasses is smiling warmly at the camera. She is wearing a grey cardigan over a dark top and is sitting on an orange chair. Her arms are crossed over her lap. In the background, there is a modern office setting with a wooden desk, a laptop, a white mug, and a window with a plant on the sill. The lighting is bright and natural, suggesting a sunny day.

myob

State of Aotearoa's Start-ups

MYOB Special Report



Carolyn Luey, MYOB

State of Aotearoa's Start-up ecosystem

Although it is a truism that all businesses started life sometime, it is the advent of innovative, design-led, technology enabled start-ups that are the cause of much excitement in the business world. Otherwise known as newly emerging entrepreneurial ventures, start-ups are the future of business, both in New Zealand and across the globe.

Some aim to make life easier by evolving current technologies and constructing new ones, and others break into markets by providing new products or services. While they are high risk, there is always the hope that one idea will develop into the next big thing.

In recent years, New Zealand has made a name for itself as one of the best places to start a business, due to a collaborative and resilient culture, and government policies that foster the development of new businesses.

Successive governments, industry leaders and the wider business community agree: while the total economic contribution of start-ups to New Zealand is difficult to measure, the opportunities they provide in terms of diversification, employment and long-term global potential make them a vital part of the economy.

And New Zealand has a healthy start-up culture that appears to be growing. In fact, New Zealand business births have continued to outnumber the number of business closures for the last four years. According to Statistics New Zealand, there were 515,050 enterprises operating within New Zealand as of February 2016 (up 1.6 per cent from 2015). Of these businesses, 58,560 started operations (representing 11 per cent of all NZ enterprises), and 53,740 ceased operations (representing 10 per cent of all NZ enterprises).

Of these new enterprises, 84 per cent survived their first year. However, only 26 per cent survived 10 years. The 10-year survival rate differs significantly across industries – from 36 per cent for the agriculture, forestry and fishing sector, to 20 per cent for information media and telecommunications.

The New Zealand Government is positioning itself in the start-up landscape and putting its support behind various innovation hubs and business projects.

However, questions remain over whether enough is being done to establish New Zealand as a hub for start-up development.

Are we truly creating the right environment in which start-ups can thrive? Is the right training and support in place for budding entrepreneurs? Are there ready sources of sophisticated and risk-tolerant funding available to stimulate growth? And does the wider economy provide enough impetus for start-ups to grow and develop? Or are we as a country too traditional in our thinking, too conservative in investing and just too far away from the markets of the rest of the world?

Policies need to be updated to reflect the needs of the start-up community, the way the younger generation is educated about entrepreneurialism needs to change and more funding needs to be available, with better support and dedicated “innovation hubs” or “incubators” in each major city. And most importantly, Aotearoa’s ecosystem of innovation must be fostered.

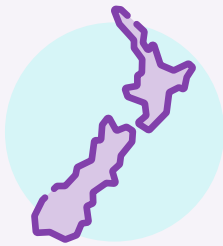
Carolyn Luey
MYOB New Zealand General Manager





Executive summary

Start-ups are entrepreneurial ventures that aim to meet a marketplace need by developing innovative products or services. And today, it is evident that start-ups are vital to New Zealand's growing economy and international ranking as the best place in the world to do business.



New Zealand has a healthy start-up culture that is growing.



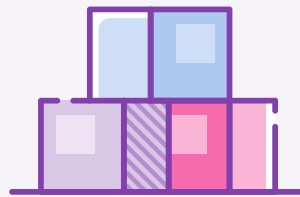
Start-ups are risky, but the rewards can be outstanding. Big-businesses (think Google, Uber, Spotify) started with a small idea and a small revenue opportunity.



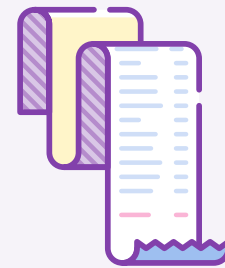
Start-ups flourish in purpose built creative environments. Bringing people together in one place generates an energy that can produce strong results.



To succeed you have to be entrepreneurial – it requires a long-term global vision, and a self-affirming mindset.



New Zealand needs to build a societal and business culture that fosters risk-taking through collaboration.



New Zealand start-ups struggle to attract local sources of funding. New Zealand's tax environment doesn't allow for the same level of support as those overseas. Kiwi start-ups need investors who are prepared to back them, despite the risk.

Based on a range of international surveys, both New Zealand and Australia are above-average in terms of many of the essentials for the start-up environment, but there is still some way to go to create the ideal conditions for start-ups to flourish.

However, with our low labour costs, highly educated population and a relatively simple compliance regime, Kiwi start-ups have a great platform on which to build.





There has been a bewildering change of pace. New ideas, novel solutions for old problems and exciting new materials and tools to design, build and create are springing up, seemingly from everywhere.



A reshaped business landscape

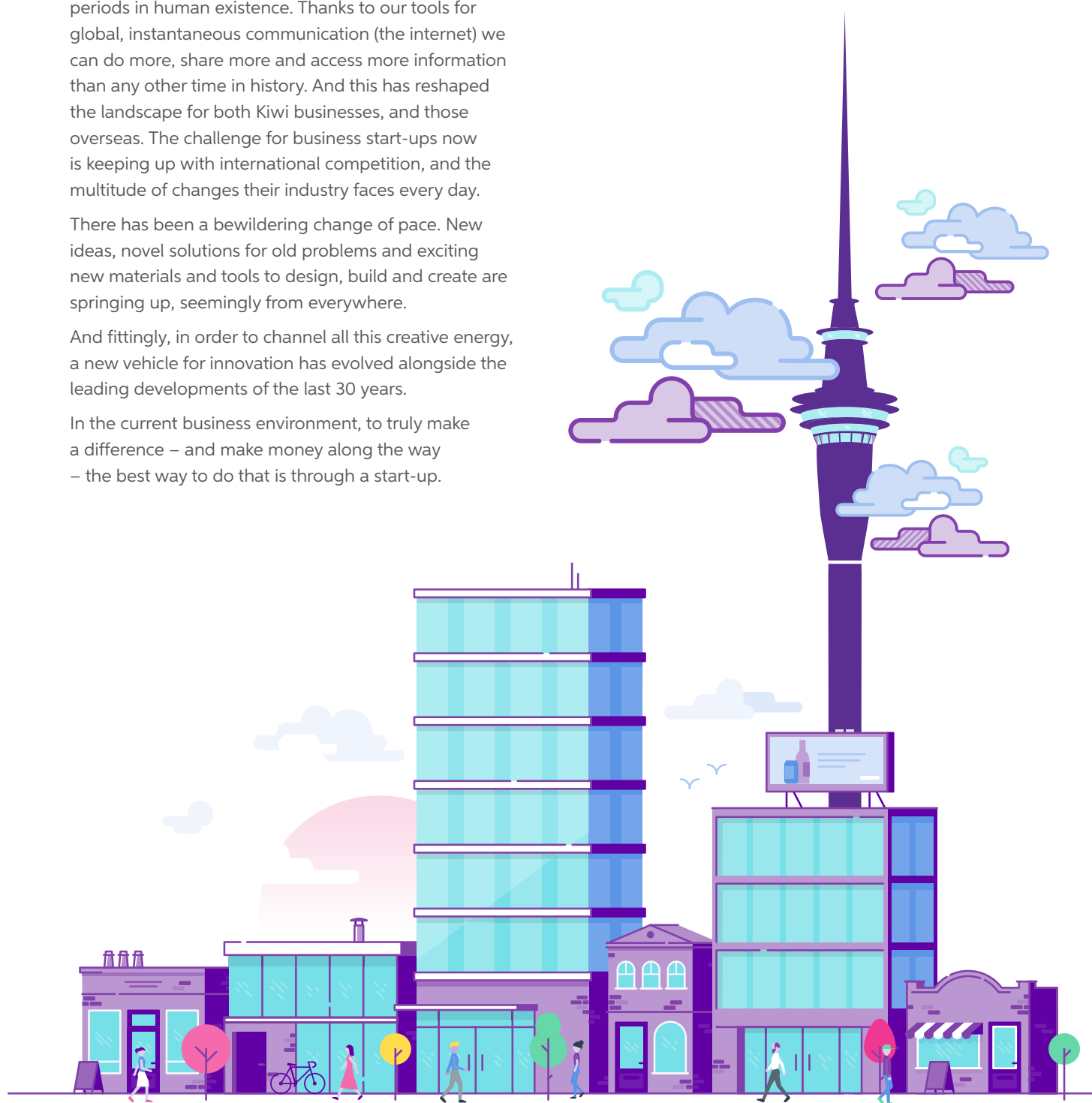
By our very nature, we humans are curious, inventive beings. The drive to discover something new and do things differently has changed the course of civilisation, led to remarkable discoveries, and – at times – even taken us to the brink of destruction.

We're fortunate to live in one of the most creative periods in human existence. Thanks to our tools for global, instantaneous communication (the internet) we can do more, share more and access more information than any other time in history. And this has reshaped the landscape for both Kiwi businesses, and those overseas. The challenge for business start-ups now is keeping up with international competition, and the multitude of changes their industry faces every day.

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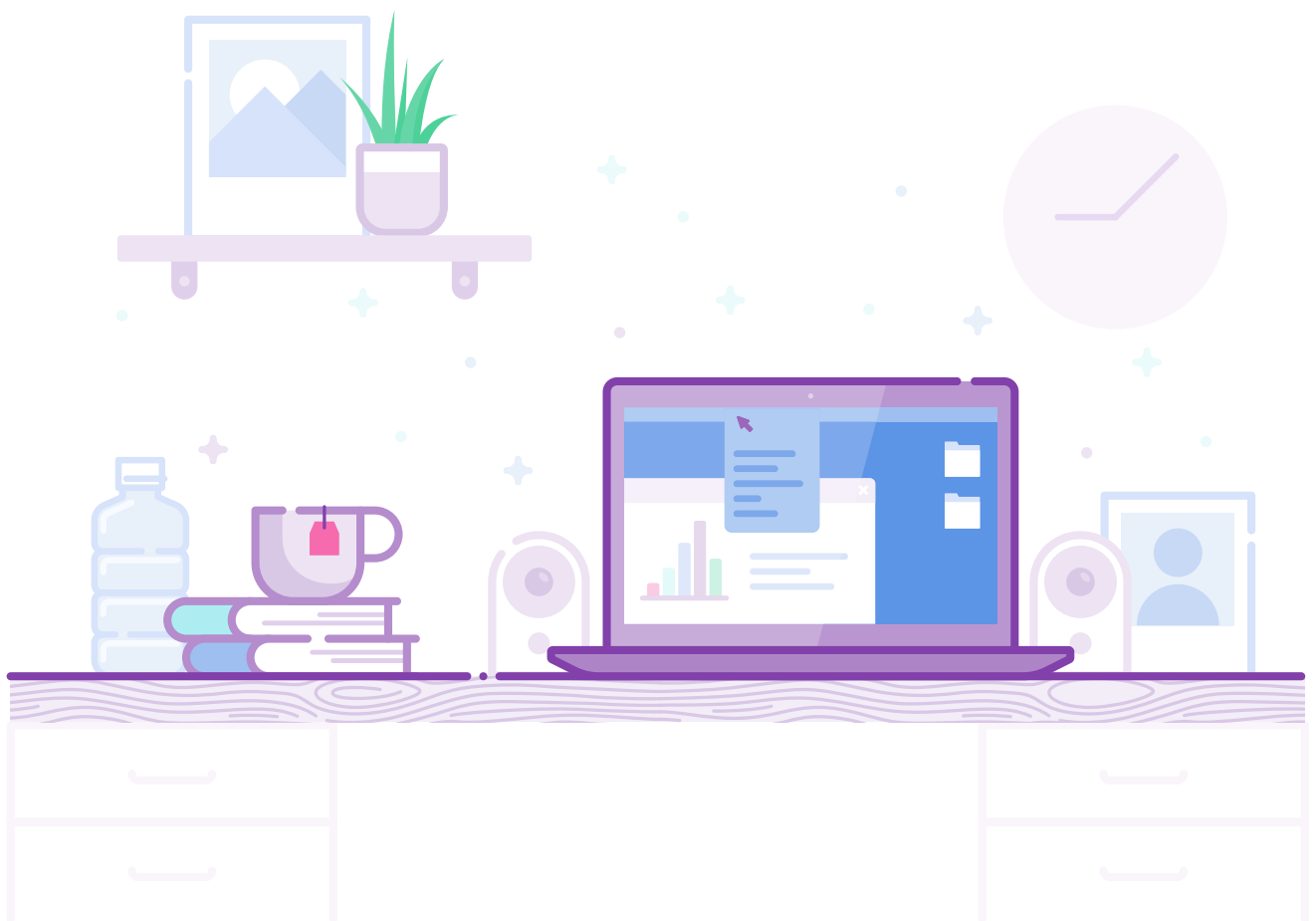
And fittingly, in order to channel all this creative energy, a new vehicle for innovation has evolved alongside the leading developments of the last 30 years.

In the current business environment, to truly make a difference – and make money along the way – the best way to do that is through a start-up.





Investment in tech-infrastructure will ensure that anyone can build a start-up from just about anywhere – connecting them to the global market.



Why Scandinavians have it right

Sweden, Norway and Denmark not only share a similar outlook and environment, they are also today's business leaders in inventive start-up culture.

Sweden in particular, has become the start-up capital of Europe by building a societal and business culture that fosters risk-taking through collaboration.

According to US News Best Countries 2017 report, in terms of entrepreneurialism, New Zealand ranked nineteenth, while Sweden came in sixth, and Norway, Denmark and Finland made the top fifteen.

There are numerous reasons for start-up success in Scandinavia, some of which stems from political and economic backgrounds.

These countries have strong economic systems that create safe environments for investors and founders to take risks. They are also greatly supported by their governments who give higher venture capital in relation to GDP, and place lower corporate taxes on small businesses. The Organisation for Economic Co-operation and Development (OECD) data highlights, the Government of Sweden taxes corporations at a rate of 22 per cent, and in 2015 the country spent 3.26 per cent of their overall GDP on R&D.

According to Swedish residents, the country owes its success to its government's investment in tech infrastructure and home-computing in the early 90's. This investment equipped the population with the physical infrastructure to become tech-savvy very early on. The past two decades has seen a nation nurtured by the internet, giving them access to the global market and stimulating an entrepreneurial business culture.

And while government support has stimulated start-up growth, the greatest inspiration New Zealand can take from their Scandinavian counterparts is the societal and business culture they have come to live and work in.

In these countries, there is a higher emphasis on the concept of problem-solving investments as opposed to those that make money. Promisingly, according to MYOB's latest Business Monitor Survey, only 8 per cent of start-

ups (businesses less than two years old) consider making money as entrepreneurial success, while over half associate being successful with a flexible lifestyle (32 per cent) and doing something that they're passionate about (24 per cent).

Like New Zealand, they also have smaller populations than those in the US, UK and Asia, so they are taught to think globally from the outset. Major successful start-ups like Spotify, IKEA, Volvo, H&M and Skype realised that their domestic market was not big enough. Thinking big will set small businesses up for success.

That approach is a vital ingredient that has been missing from the start-up mix in New Zealand. According to the Ministry of Business, Innovation and Employment (MBIE) Small Business Sector Report of 2011, 80 per cent of small businesses never generated overseas income, and 75 per cent are not interested in doing so in the future.

In terms of land mass and population, New Zealand is a relatively small nation and a start-up culture that thinks globally may achieve more than one that looks to the local market.

Promisingly, like Sweden, the New Zealand Government has started to invest in improving broadband infrastructure. According to Ultra-Fast Broadband NZ, as of June 2017, 1,132,000 households and businesses across the country now have access to high-speed internet. This continued investment in tech-infrastructure will ensure that anyone can build a start-up from just about anywhere – connecting them to the global market.





Nurturing start-ups

With the enormous influence of the knowledge economy on business, the value of a strong start-up culture as an engine of innovation has been recognised around the world.

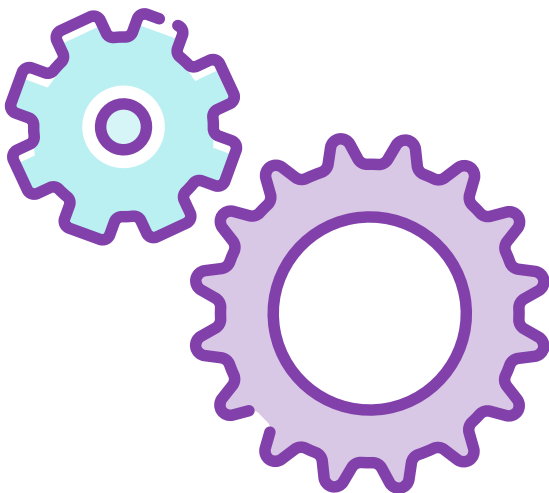
But identifying how to create the conditions in which start-ups can flourish – channelling something that is essentially spontaneous – has been a far greater challenge.

1. Thinking entrepreneurially

Start-up culture starts with a mind-set: you have to be entrepreneurial to succeed. This requires original thinking to not only understand how a novel idea can make money, but to also identify a solution to a problem, or a gap in an industry market.

It involves actively seeking out a target market, identifying its users as well as their needs, and combining a response in a novel way that will allow you to capture market share, or create a wholly new market.

In order to develop a ready supply of successful home-grown entrepreneurs, one of the fundamental areas New Zealand needs to address is how they are encouraging young people to develop their natural curiosity. Perhaps they should be practicing how to explore an idea, trial and test it, and learn. Hypothesis generation, rapid prototyping – these are the practices that will prepare them for the world of start-ups, and with it, help generate a passion for innovation.



2. Thinking about the money

Start-ups by their very definition are risky. But when they work, as generations of successful business owners can attest, the rewards can be great indeed.

The question of money in a start-up requires a fine balance. Everyone wants to find the next ‘unicorn’, that next multi-billion-dollar business. But each of those businesses started with a small idea and a small revenue opportunity.

In order to create momentum in a start-up, you have to be aligned along two prongs: if you’re not driven to change the world, nothing will drive you enough to make money. That little idea has to be a stepping stone to something big – if you don’t have that long-term global vision, or at least the wider local market, then it will be hard for you to execute and attract local investors.

New Zealanders are constrained by the ready scale of their immediate market, call it innate humbleness or tall poppy syndrome – this mindset holds Kiwis back from seeking global recognition.

Being a successful start-up also means bringing people along with you. It is very common for those involved in a start-up to get stock options in the company. Businesses in Silicon Valley want every employee to have a stake in the company. The reason behind this is clear – being in a start-up is a long road and there are a lot of hardships, requiring laser focus and rock-solid resilience to set backs. If every single person is obsessively aligned with the delivery of value, then a start-up has a greater chance of success.



3. Investing for success (and failure)

The other key financial element that start-ups struggle with locally is attracting ready sources of finance from people that understand the nature of the investment. Unlike larger economies, like the US, where investors readily invest in a hundred start-ups in the hopes that one or two investments will pay off, in New Zealand and Australia the tax environment and the funding models just don't allow for the same level of support. Also, the smaller pool of investors and smaller economy can set Kiwi start-ups back.

Organised investment funds, like ICE Angels, are making inroads here, but it's important to have more people prepared to back the entrepreneurs with the big, bold ideas – because that's where the real returns – both to investors and the broader economy – will be.

This also requires a change in thinking, especially where larger business investors are concerned. The only way to find the next big thing is to take a big risk. But it is a long game – a 10 to 20-year investment.

4. Establishing a location

Along with a great idea and the funding to make it happen, the other vital aspect of start-up success is location.

As was established in the earliest start-up models, bringing people together in one place generates an energy and vitality that can produce results far greater than the sum of their parts.

It's occurred all over the world in places like Silicon Valley. By putting creative people in a vibrant environment designed to support the way they work, there has been a rise in the number of creative exchanges – everyone's learning is greatly accelerated by being in the same place.

The Business Hubs that have been established in New Zealand are a good example of a way to harness this potential. Being in the centre of a creative environment is critical for fledging businesses to learn, gain experience and be around like-minded people.

5. The right elements for success

In this country, there is no shortage of ideas – and entrepreneurial people with the potential to make them really big. In fact, according to 2017 data from the Ministry of Business, Innovation and Employment, 28 per cent of New Zealand's GDP is estimated to be produced by enterprises with less than 20 employees.

What is lacking, however, is the system to nurture, develop and accelerate the potential of what is available, coupled with the frameworks and discipline to take them from small idea to big execution.

Along the way, Kiwis need to think about how they are developing the next generation of entrepreneurs. And how they are creating a system that allows investors to take more chances without so great a level of risk.

While they should look to their government bodies to help along the way, it is also up to others to look at how they can construct a community of innovative entrepreneurs like those overseas.





CREATIVE|HQ

We're on the cusp of something great, but we need to push ourselves

One of New Zealand's first incubators, CreativeHQ works with more than 150 start-ups, nourishing entrepreneurial talent and driving innovation.

Established 13 years ago, Creative HQ has a renewed focus on acceleration, launching New Zealand's first accelerator, Lightning Lab five years ago.

A four-month, mentor-intensive business acceleration programme, Lightning Lab is the only New Zealand member of the Global Accelerator Network, an invitation-only community that provides start-ups with the best resources to create and grow their businesses.

Through Lightning Lab, entrepreneurs are given access to a network of more than 250 mentors, interns and advisors from across the globe. They're also given an investment amount that allows them to focus on their business, as well as \$800,000 each in perks – from Microsoft discounts to Spark Wi-Fi hotspots and cloud software – before pitching to lead investors on what is known as Demo Day.

To best cater for the entrepreneurial landscape, Creative HQ also works with large organisations and Government, in order to bring them together with start-ups and drive innovation.

Chief executive Stefan Korn says this change in direction was spurred on by the changing start-up landscape.

"Around the time CreativeHQ was set up, back in 2004, there was no start-up ecosystem, no organised angel investors – it was like the Wild West," Stefan says.

"But now we've got a system where you can pinpoint the incubators, the accelerators and angel investors so it's become a system you can work with."

Not only has the start-up scene changed, but so too have the entrepreneurs.

"We're really on the cusp of quite a significant change in society which sees those entrepreneurs and innovators become a lot more central to the things that we do. Whereas in the past they've been seen as outliers, the mavericks that every now and then become wildly successful – the Googles and the Facebooks of the world – now we're seeing the rise of entrepreneurs."

According to Stefan it does not matter if you work in the corporate sector, for Government or for yourself – entrepreneurs are everywhere.

New Zealand is often seen as one of the best places on earth to be an entrepreneur and to conduct business, a "perfect environment" according to Stefan, but the flipside to that is sometimes our slice of paradise is a little too perfect.

"New Zealand is almost too nice and too problem free to push people to really drive themselves towards an outcome," Stefan says.

"What we see are a lot of laid-back entrepreneurs who have this idea that they want to be the next big thing, but are also really into surfing and want to kick back.

"Combined with that, there is this inherent New Zealand cultural norm about being humble and opened minded, not too pushy, and these two things together means that even though we have outstanding entrepreneurs with outstanding ideas, their impact is not what it needs to be."

Take the energy space for example. New Zealand is a front-runner in renewable energy and has been for 30 years, thanks to the likes of hydro and geothermal energy. However, when you look at who has the major contracts delivering that technology to major companies, New Zealand is not even on the playing field.

"That's a complete and utter failing on our part, we haven't pushed ourselves to take that knowledge overseas," Stefan says,

"The States does it, Israel does it, Singapore does it – they'll pound the pavements but Kiwis are happy as, just staying in New Zealand."

The long and short of it, according to Stefan, is simple: Kiwis need to push themselves.

“We only have a very small percentage of entrepreneurs who are really prepared to go hard. I think there is that perception of having a ‘cool lifestyle’ but creating a global company is a phenomenal amount of hard work, you can’t get that result in the early stages or with a nine-to-five attitude.”

“And at no point can any business sit on its butt and not innovate. Market and technology and consumer behaviour shift so quickly which means you can go from being on the top of the world to being out of business in five years.”

But just because a small portion of entrepreneurs are lacking drive, doesn’t mean that New Zealand is lagging behind in the start-up scene. In fact, it’s quite the opposite.

New Zealand has a wealth of start-ups who are doing phenomenally well in overseas markets.

Take Resn for example, a 10-year-old creative digital agency that works with many major American brands, including Electronic Arts and Fifa to create the Fifa World Cup game, Adidas, Burger King and Subaru.

That kind of success is not only great for New Zealand but for its budding entrepreneurs, Stefan says.

“The minute that someone sees that someone else has done something great, they believe they can do it themselves.

“Entrepreneurialism is not wedded to a particular vertical, it’s a mindset or a way of doing things. It doesn’t matter if you want to address child poverty, accounting or rocket science – the approach is the same.”

Market and technology and consumer behaviour shift so quickly which means you can go from being on the top of the world to being out of business in five years.





Catarina Gutierrez, Ministry of Awesome
Photo: Erica Austin



The ministry you want to be a part of

Since its inception five years ago, the Ministry of Awesome has morphed from a post-quake Christchurch-based non-profit to the go-to place for creatives and entrepreneurs alike.

Start-up Activator Catarina Gutierrez oversees all things start-up related. The activation programme sees early stage entrepreneurs – pre-revenue, pre-customer individuals – in need of upskilling, engage in one-on-one meetings with Catarina.

“We also have workshops, including labs, that we put the start-ups through to bring their idea to a point where they prototype something, put a beta version out, or launch.

“The idea is really to put the start-ups through this activation programme and have them graduate and move on to a larger organisation that can help them with funding and that have longer incubation or acceleration programmes.”

However, that’s not all that is on offer. The Ministry of Awesome also provides education and suggests connections for businesses that are up-and-running but are in need of some assistance.

The pre-revenue, pre-validated companies, though, are the ones that appear to need the most help, at least at the moment.

“There’s a very specific gap in the market as far as start-ups are concerned – basically when someone has come up with an idea but hasn’t actually talked to a customer to see if it is a solution to a problem that they have,” Catarina says.

“There’s a lot of education that needs to happen before start-ups get to the likes of an angel investor, a private investor or even a first customer.”

And there’s also odd misrepresentations of start-up culture, something that the Ministry makes an effort to address.

“There’s this view that being an entrepreneur is about this glitzy, glamorous looking life but the truth is it is really hard work and you’re probably going to have to go it alone for a lot of time.”

Another common misconception is that anybody unhappy in their current line of work can be the next best entrepreneur – and that’s not the case, says Catarina.

“A lot of people seem to think that if you’re unhappy in your current job that the answer is to get out and do your own thing but I don’t think that is necessarily the case. It can be a matter of not working for the right company or a company with the right culture. Not anyone can be an entrepreneur.”

It takes a certain type of person to become the next start-up pioneer, says Catarina.

“There’s a lot you learn along the way and there are so many options and ideas to pursue, but the timing has to be right, the team has to be right, it needs to be executed well – in short, a lot of things have to come together to make a start-up successful and you’re probably going to fail in a whole lot of ways before that, but that’s ok.”

Luckily, Kiwis have the right attitude when it comes to starting a business.

“There is that attitude of being really adventurous and giving things a go but there is also the attitude of hardening up, of perseverance.

“Canterbury in particular has a very resilient culture which makes it a particularly good place to collaborate and throw around ideas.”

On the other hand, there are some shortfalls when it comes finding the next big thing in New Zealand, but Catarina firmly believes that Kiwi start-ups have the potential to be the next big thing.

“That’s the price you pay for living in paradise but totally, absolutely anything is possible.”





Investors are people too

If there was one piece of advice that Jack McQuire could give to the start-up community, it would be to remember that investors are people too.

“I think a lot of people overlook the human and emotional element of investors, they’re very happy to pitch their business plan and talk about the numbers but at the end of the day, they’ll overlook the fact they’re talking to an individual.”

And Jack knows his stuff, as the network manager of ICE Angels – New Zealand-based incubator The Icehouse’s angel investment network – it is his job to build, nurture and empower ICE Angels’ 140-strong cohort of members. His work also sees him manage the administrative and investment side of the Tuhua Fund – an \$11 million micro-venture fund that invests in 25 companies over a three-year period.

ICE Angels is one of the ways that The Icehouse interacts with start-ups. The Icehouse has worked with start-up businesses since 2001, providing bespoke mentoring, introductions, guidance and workshops to enable them to raise capital and grow offshore. However, after realising there were many fledgling companies out there with limited funding resources available, it established ICE Angels alongside five individual investors in 2003.

Fast-forward 14 years and ICE Angels has grown to become the largest angel network in the country. In 2015, it invested approximately \$11.4 million into 56 start-up companies – to put that in context its next largest counterpart, Enterprise Angels, invested around \$5.56 million.

Having just celebrated investing in 100 companies since its inception – at a total value of \$58 million – ICE Angels has a unique view of New Zealand’s start-up landscape.

According to Jack, one thing that stands out in particular is the way in which Kiwi’s collaborate and communicate with one another.

“It’s just inherently better, it is one of those things that is naturally occurring in a small population with limited capital I suppose – everyone knows and trusts one another and generally, start-ups aren’t competing amongst themselves, the enemy is offshore.”

Aside from acknowledging the human element of investors – a point that is exceptionally important because investors want their investments to pay off not only financially, but emotionally as well – Jack says start-ups need to be aware that the road to success is long, and not particularly easy.

“People always say they know that it takes seven to 10 years to get a start-up off the ground but then they’re frustrated when there is no measurable outcome three years down the track. That dissonance isn’t particularly beneficial.”


And it’s a long road for investors too.

“It’s a 10-year journey to invest in a start-up and it’s only at the end that you get a reward – so why do you do it? You have to like the people and believe in what they’re doing. And for investors with even larger amounts of money, that emotional aspect matters even more. The only reason you invest is if you believe in it and it makes an impact.”

But perhaps the most important piece of advice from Jack? Back yourself.

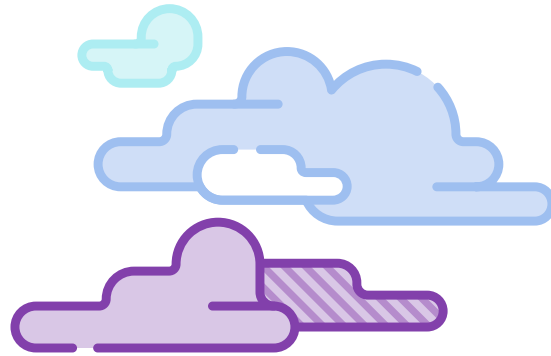
“A lot of Kiwi’s are quite self-deprecating but if you genuinely believe that what you’re doing is important then you have to act that way, don’t treat it as a project or a side venture.

“You’re telling me that this is the most important thing in the world that you could be doing with your time and that I could be doing with my money, so you should be as committed to it as anything – it shouldn’t be a means to an end.”



The only reason you invest is if you believe in it and it makes an impact.





Wipster

Changing the way we create

You can be forgiven if you haven't heard of Wipster – an elegant and intuitive cloud based platform for viewing, approving and collaborating on video production – after all, some of its biggest clients (think Microsoft, Intel and Delta Airways) are based in the United States.

Wipster first made an appearance over four years ago. On November 18, 2012 things began to click for founder and CEO, Rollo Wenlock.

Holding his four-week old newborn, Rollo found himself staring out the window, to the sunrise beyond. As the sun flickered in to view in the window – dusty due to his house's elevation – Rollo had a brainwave.

“The view was somewhat obscured by the dust, like the dust was sitting on top of the view and it just clicked – why not add comments on top of a video?”

To provide context, Rollo is a video-making veteran, with some 15 years in the industry, working here in New Zealand and further afield in Europe and England. At the time of his “aha moment”, he was working on a TV commercial for a company in Auckland, all the while living in Wellington. The process of approval was laborious to say the least – he would upload a video to Dropbox, share it and have feedback sent to him a multitude of ways.

“Nothing was captured in one place and it got confusing. Really, the aim was to build a platform where all of that could be collated and captured in one place, to reduce friction.”

But it had to be user friendly.

“When I started the company my benchmark was, if my 70-year-old mother couldn't use it without me having to show her how then it was a failure. Now, my new benchmark is if my four-year-old can't use it without me explaining how it works, then it's a failure.”

Rollo says ease of use is an important aspect that many businesses ignore, but the companies that will succeed are the ones that understand how being user-friendly is the best way to get people on board.

After his November brainwave things moved at a rapid pace.

“I wanted to move as fast as possible to prove that there was a business here,” Rollo explains.

So, Rollo attended various start-up events, learning about Lightning Lab and Start-up Alley – and entering both – before trying to secure investors.

“We pretty much won everything we entered and had a range of investors keen within two weeks and within three weeks I had a working prototype, built by a co-founder that I met a week after I came up with the idea.”

Rollo sent out an email through CreativeHQ, seeking out someone to help him with the concept. After wading through a number of people who, all the while interested, were of no help to him he finally found someone. The pair met the following Tuesday in a café at 10am and by 5.30pm they had a working prototype.

“That is the sort of speed you need.

“If I was going to say anything to a start-up, it would be that in the beginning you have to do as much as you can, as fast as you can and not care about how bad it is. Just achieve things – that will create a groundswell of people around you who want to join in.”



In the beginning you have to do as much as you can, as fast as you can and not care about how bad it is.

And that is exactly how Rollo's other co-founders came on board. From there the group went into the Lightning Lab and spent three months working with customers, building products and compiling a pitch. At the end of that stint – in May 2013 to be precise – Rollo pitched Wipster (then called WIP) to investors and by August had raised nearly \$1 million.

The company moved into the Biz Dojo – a co-working space in Wellington – hired a couple of staff members and continued to grow. Now, the start-up has a few thousand customers and a team of 12, with addresses in Wellington and New York.

A partnership with Vimeo and a semi-partnership with Adobe have cemented Wipster as a big player in the world of video – but already they're looking at how to expand.

"We owned video and now we're going to open Wipster out to the creation of anything – from design to podcasts, architecture and fashion. In three years it will be a really horizontal platform across all aspects of creativity."

An advocate for constant innovation, Rollo's advice is to never stand still.

"You can't come up with an amazing idea and sit still, nothing happens if you sit on your butt."

Rollo's aim from day one was always to go global, and dreaming big is the key.

"We didn't care where the customer was and we didn't do any strong marketing to any specific part of the world, in fact we didn't get our Head of Marketing until 2014. Before that Wipster just spread by word of mouth. Of our first 10 customers, three were from outside of New Zealand and in the next 10 all were from outside of New Zealand and of the next 100, only three were Kiwi's."

Rollo makes no bones about the fact that being an entrepreneur is hard work, and like many of his peers, he agrees it takes someone out of the ordinary, a bit different, to create something that's going to make an impact – but it's entirely possible.

"There is a great quote from Elon Musk who says, 'if anybody needs to be convinced to start a business, they're the wrong person to start a business.'"





It's all fun and games

Having entered the start-up landscape twice, on their own and with the help of an incubator, Margaret Pickering and Brooklyn Waters of MTech Games and Stickmen Media know a thing or two about starting a business.

While Stickmen Media was started after a former company folded post-quake, MTech is much more of a “genuine start-up”, says chief operating officer, Margaret.

Stickmen Media grew out of Stickmen Studios, a Christchurch-based games studio that formed in 2008. Within a year, the company released its first game and within two years it had three games on the market, chief executive officer Brooklyn explains.

With a background as a programmer, Brooklyn always wanted to be a game developer and after partnering with a salesman and a former internet-gaming café owner, his dream came true.

“We were living hand to mouth but we were floating and then the earthquakes hit and we were unable to get to our equipment for six months, which unfortunately spanned a release period with Playstation,” he says.



“We struggled on for a little while but eventually folded the company and took the remaining IP and founded Stickmen Media, a self-funded company using owner equity that Margaret and I co-funded.”

Going through an incubation programme was a very different scenario, Margaret says.

“It helped us to pick up the pace and was extremely beneficial, we got opportunities and connections that we wouldn’t have had otherwise and some cred as well. You get face-time with people that you wouldn’t normally get. We learned how to speed things up.”

Now in a growth phase, both start-ups are most certainly successes.

For further exposure, Margaret and Brooklyn also took Stickmen Media to the Ministry of Awesome.

“We had a project called the Toy Maker, a first-person zombie slasher 3D game that takes place in Victorian times, based on a novel I wrote. Essentially it was our first attempt at a really big game but we needed to create some awareness and get some people involved,” Brooklyn explains.

“Ministry of Awesome did a talk at the Enterprise Precinct Innovation Campus (EPIC), where our offices are based, and we discovered they were looking for presentations so we met with them and they helped us out with pitch feedback and helped to push clients our way.

Kiwi’s have fantastic ideas but it’s like we need to make it perfect before we show the world.

“One of the biggest benefits from working with the Ministry of Awesome was meeting Savannah Peterson, of the Forbes 30 under 30 who has been extremely helpful with getting us noticed and sponsored.”

While the start-up landscape has changed drastically since Stickmen Studios was formed over a decade ago, both Margaret and Brooklyn agree that now is perhaps the biggest turning point in terms of transition.

“I think people are becoming a lot more entrepreneurial and structures are falling into place,” Brooklyn says,

“We’re seeing a lot more angel capital coming in and start-ups are getting some real help, however that is still in its infancy with many angels too risk-adverse at this stage in the game. They will put their money in so long as they get a return.

“On the flipside though, we made a risk venture work and secured angel investors.”

With an injection of capital and a little more gumption from entrepreneurs, things are looking up, says Margaret.

“Kiwi’s have fantastic ideas but it’s like we need to make it perfect before we show the world, whereas American’s for example, are like ‘no, I’m going to push it out there now’.

“That dynamic of second guessing is something that both entrepreneurs and investors share.

“But at the end of the day action rules, the reasons that the likes of Americans are so good at start-ups is because they get it done.”

As Brooklyn so eloquently puts it: “if you’ve got that feeling that things are going too fast and you’re waking in the middle of the night with anxiety, you’re probably doing it right”.





So, how does New Zealand compare?

While it's hard to pin point exactly where any country stands when it comes to entrepreneurial culture at any given time, there has been considerable research undertaken on the environment that makes a country friendly to entrepreneurs.

Based on a range of international surveys, both New Zealand and Australia are above-average in terms of many of the essentials for the start-up environment.

According to 2017 Best Countries – a news and analysis project completed by U.S. News in partnership with New York's BAV Consultancy and Wharton Business School – the best country to start a business in is Thailand. This is due to a number of factors including the fact it takes less than a month (28 days to be exact) and costs 6.4 per cent of the average income per capita.

China, Malaysia, India, and Indonesia rounded out the top five while Australia came in at number 12 and New Zealand at number 29, both of which are favoured for their transparent government practices. The United States made its way into the top 10, slotting in at number seven. Israel however, only came in at number 71.

In general, relatively low costs and streamlined procedures make Asian countries more attractive to entrepreneurs. In 2014 for example, more than a quarter of new business registrations occurred in East Asian and Pacific nations. At the other end of the spectrum, high levels of perceived bureaucracy in nations like Russia, Greece and Colombia made them unattractive to entrepreneurs with Russia and Iran landing at the bottom of the list.

Germany leads the list as the most entrepreneurial country. According to Best Countries, start-ups thrive in the nation's structured environment and creative energy seems to be particularly vibrant in Berlin. A budding start-up haven, Berlin is home to trailblazers like music sharing platform SoundCloud and the European School of Management and Technology. Rounding out the top five most entrepreneurial countries are Japan, the United States, the United Kingdom and Switzerland. Australia features in the top 10 while New Zealand comes in at number 19, recognised for our easy access to capital, well developed infrastructure, transparent business practices, well-developed legal framework and educated population.

The World Bank also produces a report, titled Doing Business, which each year measures regulatory quality and efficiency.

The 2016 Doing Business report names New Zealand as the second-best country in terms of managing ongoing compliance requirements, behind Singapore. It states that here, an entrepreneur can form a company in just a few hours through a single online procedure. Compare this to the likes of Haiti, where it takes 12 separate procedures and more than three months, and it's easy to see why New Zealand has been consistently close to heading the list.

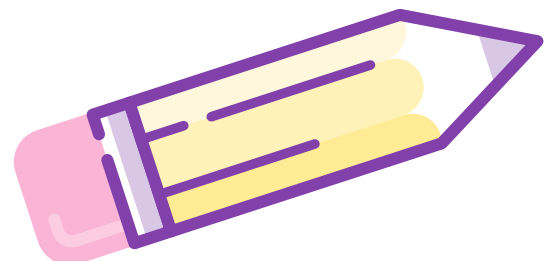
Included in the top five easiest countries to conduct business in are Denmark, Korea and Hong Kong while the United States comes in at number seven and Australia narrowly falls short of the top 10 at number 13.

The Global Information Technology Report 2016, a special project that came about as a result of a collaboration between the World Economic Forum and INSEAD Business School, also ranked New Zealand highly – particularly when it came to judicial independence, heading the list, while Australia slotted in at number 13 and the United States at number 28.

As for the country with the best political and regulatory environment, New Zealand – which has led the table in previous years – was second only to Luxembourg in the latest report.

New Zealand's education system fares well, being ranked 5.4 out of 7, compared to Australia who came in at 5.1 and the United States at 4.9.

Capacity for innovation sees New Zealand score 5.3 out of 7, behind the likes of Switzerland (6.0), the United States (5.9), Israel (5.9) and Sweden (5.7). Australia scored only 4.8.





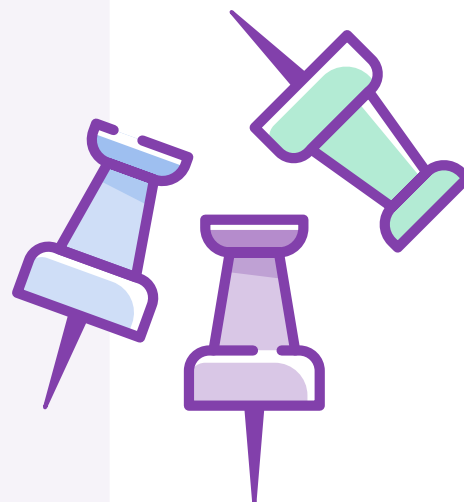
US NEWS Best Countries 2017

Entrepreneurship

- 1** Germany
- 2** Japan
- 3** United States
- 4** United Kingdom
- 5** Switzerland
- ...
- 19** New Zealand

Open for Business (haven for capitalists and corporations)

- 1** Panama
- 2** Luxembourg
- 3** Switzerland
- 4** Denmark
- 5** Finland
- ...
- 8** New Zealand



WORLD BANK

Ease of Doing Business Report 2016

- 1** Singapore
- 2** New Zealand
- 3** Denmark
- 4** South Korea
- 5** Hong Kong SAR, China

GLOBAL INFORMATION

Technology Report 2016

Judicial Independence

- 1** New Zealand
- 2** Finland
- 3** Norway
- 4** Hong Kong SAR, China
- 5** Denmark

Best Countries to Start a Business

- 1** New Zealand
- 2** Macedonia
- 3** Canada
- 4** Georgia
- 5** Australia





Challenges – insight from MYOB Business Monitor



Competition

Like anything, one of the greatest challenges for start-ups is the ongoing industry competition. However, competition keeps businesses on their toes, and when they harness the anxiety of having to keep up, they tend to aim higher, and therefore have greater chances of achieving more.



Recruitment

Hiring suitable candidates is a lot more important for start-ups than for established businesses. The success of a start-up relies heavily on the efforts of every team member, and when every player is invested (either financially or emotionally) in achieving a joint goal, the rewards are significant. However, according to MYOB's latest Business Monitor Survey, one third of Kiwi start-ups consider the ability to find new staff their greatest recruiting pressure, while almost half (42 per cent) believe that the shortage in skilled personnel is their main barrier to innovation.

Interestingly, however, only 16 per cent of start-ups said that they conducted employee training in 2016. This highlights that start-ups require candidates who are already equipped with the necessary skillset instead of spending time and resources training/coaching their existing staff.

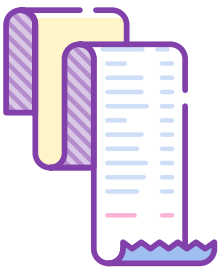




Money

Money, is a key pressure point for any business and particularly for start-ups.

MYOB's Monitor reports that 53 per cent of start-ups consider cost their greatest burden and their businesses main barrier when it comes to innovation. The survey also indicates that start-ups are the most likely enterprises to ask their family and friends for financial aid (over a fifth, 22 per cent).



Taxation

And where there is profit made, there are tax obligations to be met. The Monitor reports three quarters (74 per cent) of Kiwi start-ups are in favour of a graduated business tax structure, that progressively increases the proportion of tax they pay as their revenue increases. A further 62 per cent support an alternative to provisional tax, which grows to 79 per cent for businesses aged 2 to 5 years. In countries where start-ups flourish, such as Sweden and Switzerland, corporate tax ranges from 12 to 24 per cent, so while New Zealand is ranked as one of the greatest countries to do business, more can be done to support our smaller businesses, who are currently taxed at 28 per cent.

One in 10 start-ups said that meeting their tax obligations puts extreme pressure on their business operations, and almost one fifth (17 per cent) said the same about finding access to finance and funding.





What does the future look like for New Zealand start-ups?

According to members of the startup community, in terms of environment, attitude and entrepreneurialism, Aotearoa has the potential to be one of the world's greatest places for innovators, entrepreneurs, or simply, anyone with big ideas.

If you have the passion and drive to do something extraordinary – turning a small idea into a globally marketed product or service – New Zealand has the people, facilities and environment to help you get there.

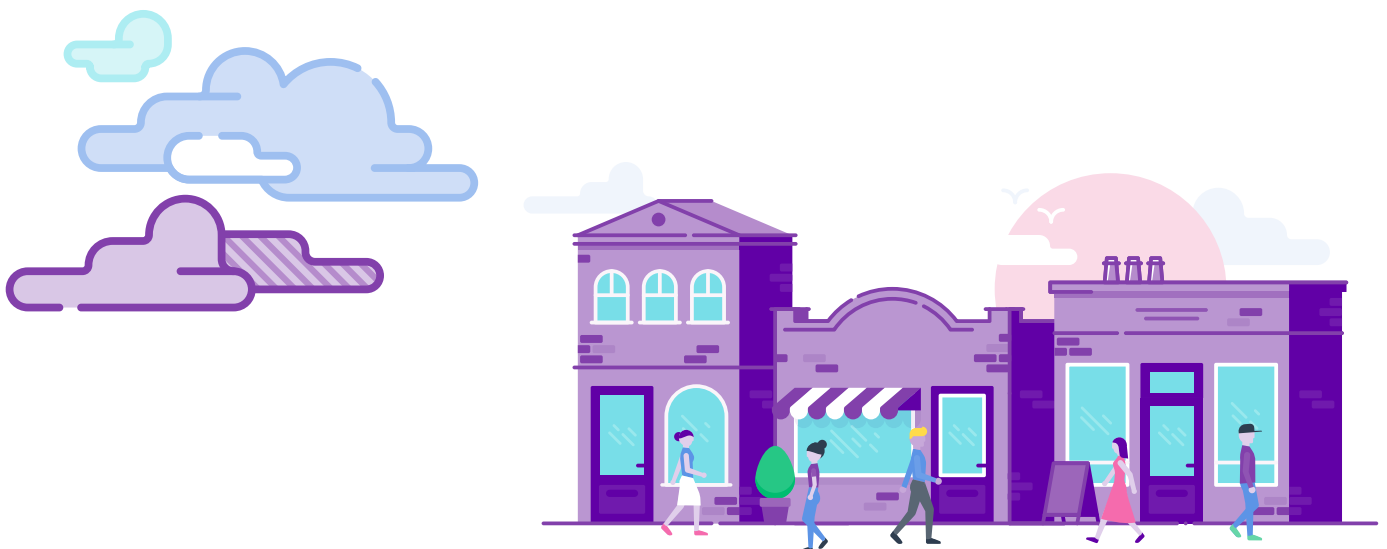
New Zealand is making some serious inroads in creating a start-up economy – with plans for better funding, improvements to tech infrastructure, and a growing start-up ecosystem, but there is still a long way to go. New Zealand is a long way from the rest of the world, and – distance from markets aside – there are still some significant hurdles for Kiwi start-ups to overcome.

In order for us to become a start-up capital, recognised for our unlimited innovation, we need to be bold risk takers who are confident with the idea of being the best in the world – not just in our small corner of it in the southern pacific.

As New Zealand's largest accounting solutions provider, MYOB are committed to helping you achieve your goals. If you want to conquer the world, or perhaps your small place in it, we have the tools, information and technology to get your ideas up and running.

From support and training, to events with industry professionals, we can put you in contact with the right people, and save you time with our technology and services. We have New Zealand's biggest network of accountants, bookkeepers and consultants, ready to help Kiwi start-ups not only grow, but succeed.

New Zealand is a long way from the rest of the world, and – distance from markets aside – there are still some significant hurdles for Kiwi start-ups to overcome.



About MYOB

MYOB (ASX: MYO) is a leading cloud based business management solutions provider. It makes business life easier for approximately 1.2 million businesses across Australia and New Zealand by simplifying accounting, payroll, tax, practice management, CRM, websites, job costing, inventory and more. MYOB provides ongoing support via many client service channels including a network of over 40,000 accountants, bookkeepers and other consultants. It is committed to ongoing innovation, particularly in cloud computing solutions, and in 2015 was awarded the BRW award for the most innovative large company for 500+ employees and placed 2nd in BRW's Most Innovative Companies Award list across all categories nationally.

For more information, visit myob.co.nz or follow @MYOB on Twitter.

About the MYOB Business Monitor

The MYOB Business Monitor is a national survey of 1,000+ New Zealand small and medium business owners and managers, from sole traders to mid-sized companies, representing the major industry sectors. It has run since 2009, commissioned to independent market research firm Colmar Brunton. This most recent survey ran in February/March 2017 and included 96 Start-ups. The Monitor researches business performance and attitudes in areas such as profitability, cash flow, pipeline, technology usage and the government. The weighting of respondents by both geographical location and sector is based on overall market proportions as established by Statistics New Zealand and is drawn from an independent survey group, which includes both MYOB clients and non-clients.

Further Information

Statistics New Zealand
<http://www.stats.govt.nz/>

US News Best Countries
<https://www.usnews.com/news/best-countries>

Organisation for Economic Cooperation and Development
<http://www.oecd.org/>

Ministry of Business, Innovation and Employment
<http://www.mbie.govt.nz/>

World Bank Doing Business Report
<http://www.doingbusiness.org/>

Global Information Technology Report
<https://www.weforum.org/reports/the-global-information-technology-report-2016>

Ultra-Fast Broadband New Zealand
<http://ufb.org.nz/>



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