

SUBMISSION FOR CONSIDERATION:

Policy Statement on the Venture Capital Fund Act

Background and Credibility

I'm a serial entrepreneur, co-founder and Executive Chairperson of Kiwi Landing Pad (KLP). My first startup, Sonar6, sold to US publicly listed company Cornerstone in 2012 and was an early Software as a Service (SaaS) business. In various corporate and early stage company roles I have worked in the Silicon Valley environment for over 25 years.

Over the last ten years KLP has developed a community of over 6,000 members globally as a collaboration between some of NZ's most successful and active entrepreneurs and investors and the NZ government (via NZTE).

The first cohort of community companies to enter the USA and utilise KLP facilities and services were Xero, Vend, Datacom and Magritek (Sir Paul Callaghan's venture).

We've actively observed the growth of NZ's tech and innovation ecosystem and adapted our engagement and offerings to the evolving needs of our community. Our focus today is around capability building through Networks, Information and Access and curating our community around a range of needs including, but not limited to, talent, business development, education and governance.

There is no comparable organisation of our size, structure or focus in NZ. Australia's "Aussie Landing Pads" were launched in 2017 after close observation and some consultation with KLP. We measure everything from programme and community engagement to NPS ratings of our content and programmes

Purpose of Submission

I read with interest the preamble and proposed Policy Statement and found a good deal of the assumptions or assertions made somewhat flawed in their conclusions.

I'm not interested in debating the sources and application of data to reach these conclusions (though happy to defend my statement with our research and data if required) but more to request more consideration of this initiative's potential to impact on not just capital issues in the ecosystem but also capability which I believe to be just as crucial in improving results in the sector.

State of Play (KLP View)

This position is summarised as follows and in the context of our real world experiences and research over the last 25 years.

- There is no shortage of capital in NZ
- There is a shortage of investment ready ventures in terms of the capability and credibility of the business plan, strategy and founder/team experience to give many investors confidence to invest
- Capability assessment and subsequent investment in the development of a venture / startups team, governance and global connectivity are still critical areas of weakness in our ecosystem and significantly reduce the probability of success / optimised growth
- Investment options in the New Zealand ecosystem have generally not yet followed global trends around providing material, additional services and offerings beyond just capital, mostly targeted at enhancing and accelerating learning and overall capability of investees
- A recent KEA survey mapped our ecosystem in terms of the number and nature of support organisations and associations present - there were over 150 with many overlapping significantly in the type of support they offer and displaying little tangible information about their impact and yet they remain operational through unnatural commercial means (usually government grants)
- Our community feedback consistently points to growing need for more programmes and opportunities for quality capability development particularly around founder development but also in key talent/roles required to quickly build and scale business globally

Submission

We submit that government support in the sector is welcomed and a smart investment but that in it's proposed form does not take anywhere near full advantage of the opportunity to influence acceleration and focus on capability development through mandating requirements as a condition of receiving an allocation from the fund.

Encouraging tangible and earlier commitment to key person capability development, quality governance and strategy development has significant potential to lift the quality and number of successful ventures in/from NZ.

Similarly leading a move to a more "founder friendly" culture has the potential to attract more entrepreneurs to the NZ ecosystem locally and from offshore.

We submit that the proposed fund and policy includes a requirement of any funding recipient to actively demonstrate their commitment to investing in capability development and execution via mandated metrics reporting.

Reporting should cover both activated/closed investees and prospective investees with encouragement to leave unsuccessful prospects better informed and equipped to refine their venture to become more viable/investable.

Such an addition to the Policy and fund conditions could be aligned around:

- Founder friendly terms around investment valuations, founder rights, anti dilution provisions, founder vesting etc.
- Investee commitment to building resources and connectivity across their portfolio to provide genuine artefacts around the “smart capital” premise. Investees required to regularly report on progress building this and metrics indicating it’s contribution/effectiveness on venture/portfolio growth
- A mandated reporting mechanism for all fund recipients to indicate companies engaged by the recipient (of funds) have had a respectful and progressive engagement with the investor even if they have not been successful in securing capital - we suggest looking at a regular “NPS” based requirement on recipient pipeline would be a suitable metric.

Summary

The creation of this fund of funds has a unique and one time opportunity to enhance it’s impact on the ecosystem beyond topping up private and professional venture capital in NZ.

Adding some clear provisions around fund recipients requirement to comply with investment in services and founder culture which is now commonplace in successful equivalents offshore has the potential to significantly lift the results and pace of our ecosystem overall.

Capital is of little use to a venture unless there is the required capability within it to deploy that investment effectively. While this may seem like an obvious statement our submission is made in part because our experience over the last decade having observed hundreds of entrepreneurs and companies would point to lack of capability being a consistent point of failure.

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