

Queensland Startup Summit Report

12 December 2013



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Rationale

Creating the right environment to foster innovation and nurture our entrepreneurs to commercialise intellectual property (IP), including from our science base, will assist to improve Queensland's productivity growth and contribute to the Government's commitment of using Science and Innovation for Economic Success.

Over the last four years, Australia's productivity growth has declined as has Queensland's. The challenge is to lift Queensland's productivity performance to sustain economic growth and improve living standards for its citizens.¹

According to PricewaterhouseCoopers (PwC), the Australian technology startup sector has the potential to contribute \$109 billion or four per cent of Gross Domestic Product (GDP) to the Australian economy and 540,000 jobs by 2033 with a concerted effort from entrepreneurs, educators, government and corporate Australia.²

It is imperative that Queensland capture, at a minimum, its share of this economic uplift and create the conditions to seize more than its share. We are coming off a low base with currently only seven per cent of the nation's startups; well below the 19.3 per cent that Queensland contributes to the national GDP.

The Queensland Startup Summit was a step towards growing our share by inviting diverse members of Queensland's startup ecosystem to collaborate and discuss the policy settings that will create the right environment to foster innovation and nurture our entrepreneurs.

What do we mean by startups?

The Summit participants agreed that a startup is a high-tech, high growth potential, scalable, global facing business.

¹ Queensland Commission of Audit (Feb 2013) Final report

² PricewaterhouseCoopers: The Startup Economy (April 2013)

Overview of the Startup Summit

The Summit was held on 12 December 2013 at the Translink Centre for Service Excellence, Kelvin Grove, Brisbane.

51 representatives from the following stakeholder groups attended the Summit:

- Business incubator operators
- Business angel groups
- Venture capitalists
- Local and internationally recognised entrepreneurs
- Universities
- Industry associations
- Government agencies (local, state and federal level).

Online forum

In order to optimise time at the Summit and provide an agreed starting point for discussion, an online forum was activated from 21 November to 4 December 2013.

The online forum posed three core questions with the aim of devising collective ambitious goals (Big Hairy Audacious Goals or BHAG) and to identify the factors participants believed would impact on achieving the BHAG in Queensland.

The three questions posed in the online forum were:

1. In your opinion, what is the BHAG for the Queensland startup ecosystem?
2. What are the five year, 10 year and 20 year targets to realise the BHAG?
3. What Top Focus Areas do we concentrate on to meet these targets?

Responses to these questions included quantitative and qualitative descriptions of a Queensland startup ecosystem including:

- (i) Future job creation
- (ii) Percentage contribution to Gross State Product (GSP)
- (iii) Number of business exits generating specific dollar returns to founders and investors
- (iv) Helping young firms thrive
- (v) Nurturing a higher risk taking culture
- (vi) Self-sustaining ecosystem with longevity and robustness
- (vii) Identifying focus areas that support the growth of the Queensland startup ecosystem.

The agenda

The Summit agenda was structured to ensure participants were given the opportunity to share ideas, experiences and insights and to leverage the findings from the online forum.

The key presenters at the Summit were:

- (i) The Honourable Ian Walker MP, Minister for Science, Information Technology, Innovation and the Arts who noted the importance of the startup ecosystem to the Queensland economy and encouraged all the participants to work together so that we may be able to position Queensland as one of the top startup locations in the world.
- (ii) Dr Peter Davison, founder of Fishburners, who participated by Skype as a 'scene setting' speaker. Key points made by Dr Davison were:
 - a. Attracting a 'Unicorn' to the region (like an anchor tenant in a shopping centre) as a starting

- a. point to grow the Queensland startup ecosystem
 - b. The need to ensure soft and hard infrastructure is in place to support the growth of a startup ecosystem
 - c. The need to have passionate people involved to make a startup ecosystem thrive.
- (iii) Mr Bill Bartee, founder and Managing Director of Southern Cross Venture Partners who was also a 'scene setting' speaker. Key points made by Mr Bartee were:
 - a. The need for clusters of 'smart people' to stimulate a startup ecosystem
 - b. Clusters must be in a close geographical area
 - c. An expectation that this will take 15 years to achieve
 - d. The need to encourage kids to start a business instead of getting a job
 - e. The expectations of government, including:
 - superannuation reform
 - encouraging innovative procurement
 - reforming the education curriculum
 - providing tax breaks for investors
 - f. The expectations of entrepreneurs to:
 - just get started
 - build products / services that work and that people want.
 - (iv) Mr Darren Crombie, Deputy Director-General, Innovation and Science Development challenged attendees to question the assumptions around the startup ecosystem and how we can improve it in the Queensland context through a collaborative effort from all stakeholders and interest groups.

Outcomes

BHAG and Targets

The aim of the Summit was to bring together the diverse Queensland startup community stakeholders to identify the collective priorities and agree on short and medium term actions to position Queensland in the top 20 startup locations in the world by 2023.

The agenda was designed to promote a collaborative approach for participants to develop a Big Hairy Audacious Goal (BHAG) to inspire the growth of Queensland's startup community and develop a series of targets and actions that would assist the community to reach the BHAG.

Big Hairy Audacious Goal (BHAG)

Participants in the Summit discussed both qualitative and quantitative definitions of a BHAG. The qualitative approach focused on culture and aspiration whilst the quantitative approach focused on increasing the current Queensland share of national startups from seven per cent to the GSP:GDP ratio of 19.3 per cent.

Participants also completed a post-summit survey to capture additional commentary and advice and test some of the summit outcomes.

Survey respondents indicated a desire for clear metrics and measurable economic goals to enable the creation of milestone outcomes; clearly defined targets; and a desire to emphasise the importance of culture.

Therefore, the following BHAG that combines both metrics and culture has been agreed:

'By 2033, Queensland is recognised for its entrepreneurial culture, with the startup sector contributing four per cent to Gross State Product, injecting \$20 billion and 100,000 new jobs into our economy, through the global impact of home grown startups.'

TECH STARTUP CONTRIBUTION TO AUSTRALIA/ QLD GROWTH

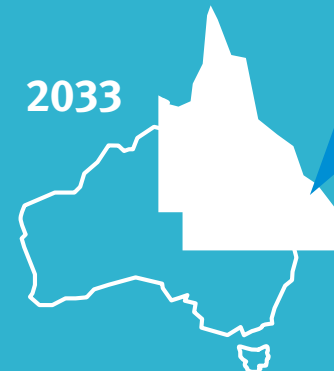
2014



QUEENSLAND
GDP: 0.007% (\$0.1B)
JOBS: 650
STARTUP SHARE: 7%

AUSTRALIA
GDP: 0.1% (1.5B)
JOBS: 9500

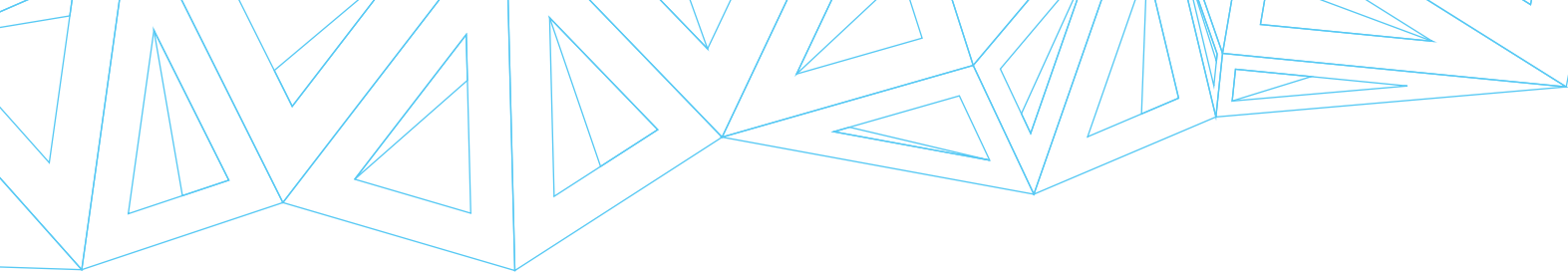
2033



TARGET

QUEENSLAND
GDP: 0.8% (\$20B)
JOBS: 100,000
STARTUP SHARE: 20%

AUSTRALIA
GDP: 4% (\$109B)
JOBS: 540,000



Stretch Targets

To support the achievement of this Goal, a number of stretch targets were identified during the Summit as being important. They include:

1. By 2030, 50 per cent of school children will aspire to start their own business
2. By 2030, Queensland will attract the largest share of private / venture capital / angel investment for startups in Australia
3. Triple the number of startups (in total) in Queensland within five years (from a base of around 105 in 2012³)
4. Queensland to be recognised internationally as a top 20 startup location within 10 years
5. Triple Queensland's share of the national tech startup market within 15 years (from a base of seven per cent in 2012⁴)

Targets will be further refined by the working group including developing a method for measuring success.

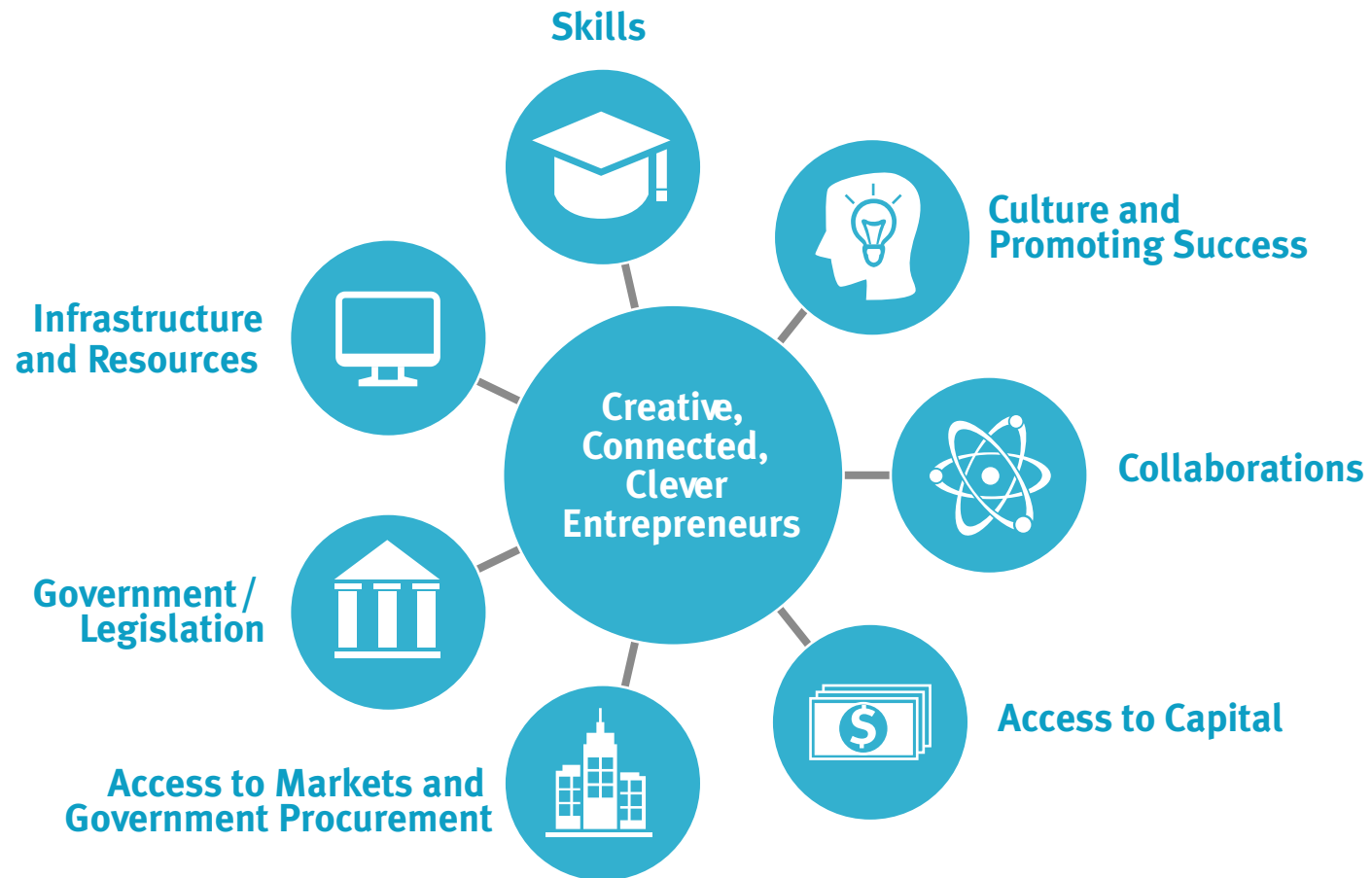
3 PricewaterhouseCoopers: The Startup Economy (April 2013)

4 PricewaterhouseCoopers: The Startup Economy (April 2013)

Top Focus Areas

Summit participants identified (through a voting process) the top seven focus areas they considered most important to the growth and success of the Queensland startup ecosystem. Numerous comments stated the priority areas are interdependent and positive outcomes in one will likely result in flow-on effects to other priority areas.

During the Summit each of the seven tables was allocated one of the top seven focus areas to identify actions and the most appropriate sponsor(s) (interest group or organisation) to lead the implementation of those actions. The following provides a summary of the top seven focus areas and suggested actions.





COMPARISON OF RESEARCHERS IN THE BUSINESS SECTOR⁵



FOCUS

- ▶ Australia’s productivity and competitiveness is under immense pressure. A key way to meet the emerging challenge of developing an economy for the 21st century is to grow our national skills base – particularly the Science, Technology, Engineering and Mathematics (STEM) skills of our school leavers.⁶
- ▶ Actively support and encourage entrepreneurial education at primary and secondary school levels.

1. Skills (entrepreneurial, investor, subject specific)

In addition to specific entrepreneurial and investor skills, it is also reported that an educated and skilled workforce is essential for successful innovation and vital for productivity improvement.

Suggested Actions Captured at Summit

Actions	Responsibility
Breakdown silos across education groups so they work better together	Education institutions partnering with industry associations
Expand the mentoring suite to up-skill grassroots entrepreneurs (vertically and horizontally) i.e. teach basic business skills to entrepreneurs	Private sector / investment sector / incubators (private and public)
Actively support and encourage skills development and retention including: entrepreneurial; risk capital investment; and high technology subject specific skills	All
Champion entrepreneurship in Queensland and raise our international profile	Private sector
Seek to increase Queensland’s use of business innovation and investment visas for attracting entrepreneurial talent	Government
Increase mentor numbers by, for example, developing a state-wide mentor pool	Education institutions partnering with industry associations

⁵ Organisation for Economic Cooperation and Development (OECD) (2012) main Science and Technology Indicators, January 2012

⁶ Organisation for Economic Cooperation and Development (OECD) (2012) main Science and Technology Indicators, January 2012



Culture and Promoting Success



Most startups fail in their first four years of operation, with a survival rate of 49.7% in Queensland⁷

FOCUS

- ▶ Actively support a culture of innovation and commercialisation and help remove the barriers of:
 - Risk aversion
 - Stigma associated with failure
 - Differences in culture and language between business / industry and universities / research organisations.
- ▶ Actively support and encourage promotion of successes.

2. Culture and Promoting Success

Celebrating our successes is an efficient and economical way to demonstrate achievements and inspire others to become entrepreneurs, learn from successful entrepreneurs, or reinvigorate current entrepreneurial activities.

A focus on creativity and innovation at school level may help develop entrepreneurship cultures at the primary and secondary level and inspire alternative career paths for students outside the typical university / corporate mould.

Suggested Actions Captured at Summit

Actions	Responsibility
Establish a group / community of interest to champion entrepreneurship / startup community in Queensland	Government partnering with industry and relevant interest groups
Encourage / inspire entrepreneurs	All
Proof of concept grant / support incubators / accelerators (public and private)	Government partnering with industry
Support a 'Documentarian' role to promote Queensland's startup scene and achievements (A Documentarian documents and disseminates the news, and events of the local startup community especially through real-time social media)	All
Develop and promote a case study library showcasing innovation and commercialisation success stories, particularly across the four pillars	Government partnering with universities
Awards program – encourage existing relevant awards programs to include an appropriate category that could be sponsored by the private sector to raise the profile of budding and successful entrepreneurs	Private sector

⁷ Counts of Australian Businesses, Including Entries and Exits (2013), Australian Bureau of Statistics



Collaborations

2013 GLOBAL INNOVATION INDEX ¹¹ (OECD COUNTRIES)



AUSTRALIA'S RANKING ON BUSINESS COLLABORATIONS AGAINST THE OECD COUNTRIES ¹²



FOCUS

- ▶ Actively support and encourage collaborations between research, business / industry and government sectors that lead to improved commercialisation rates.

3. Collaborations

Collaboration continues to be highlighted as a significant and beneficial factor for business success^{8,9}, and an essential ingredient for successful intellectual property (IP) commercialisation. Although Australian research organisations collaborate well internationally, Australia is generally poor at research-to-business and business-to-business collaborations.¹⁰

Suggested Actions Captured at Summit

Actions	Responsibility
Initiate leave for staff and academics in research institutes to pursue startups in a partnership with entrepreneurs	Research institutes partnering with startups
Map Queensland's entrepreneurial ecosystem geographically with regional and sectoral strengths	Government
Actively support and encourage collaborations between research, business/ industry and government sectors that lead to improved commercialisation rates – e.g. through online portal	Government and research institutes
Encourage established businesses to work with emerging businesses, for example, by leveraging existing networking programs and peak industry forums hosted by bodies such as the Chamber of Commerce and Industry Queensland	Peak bodies

⁸ Australian Bureau of Statistics (2011) Data analysis commissioned by Department of Industry, Innovation, Science, Research and Tertiary Education

⁹ Australian Innovation System Report (2012) Commonwealth Department of Industry Innovation, Science, Research and Tertiary Education

¹⁰ Australian Innovation System Report (2012) Commonwealth Department of Industry Innovation, Science, Research and Tertiary Education

¹¹ The Global Innovation Index 2013, The Global Innovation Index

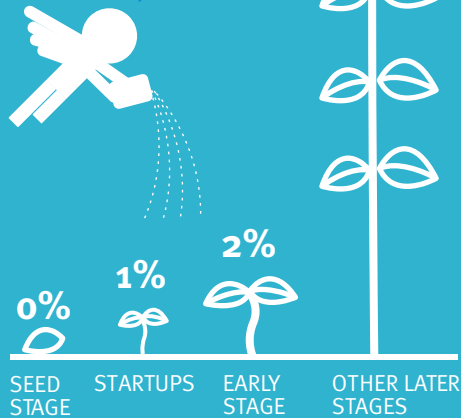
¹² Australian Innovation System Report 2012, Department of Industry Innovation, Science, Research and Tertiary Education



Access to Capital

According to the Australian Private Equity and Venture Capital Association (AVCAL) 2012 Yearbook, only 1% of Australian VC funding was applied to startups, 2% was applied to early stage companies and 0% was applied to seed stage companies in 2012 fiscal year.

This indicates the importance of Angel Investors in the startup/early stage risk capital investment phase



In fiscal year 2011, Australian VCs invested a total of \$120.6M of which \$75.81M was invested in Australia. However, it is noted that over the same period the top three Australian startups in Silicon Valley raised over \$180M between them.

FOCUS

► Address the barriers to accessing capital.

4. Access to Capital

Much of the funding that supports commercialisation activities comes from grants or equity / risk capital, rather than loan or debt financing traditionally associated with conventional banks.

Equity / risk capital investments in Australia, and particularly in Queensland, are well below Organisation for Economic Co-operation and Development (OECD) averages¹³ with quanta available for investment well below the scale needed.

Suggested Actions Captured at Summit

Actions	Responsibility
Establish an early stage fund	Incubators / Accelerators
Get more people investing	Angel investors
Support the investment community to expand the Medical Research Commercialisation Fund model into other sectors	Government and investment community

¹³ Issues Paper: Venture Capital and Angel Investment and Implications for Queensland (2013), Innovation and Science Development Group, DSITIA



Access to Markets and Government Procurement

RESEARCH SHOWS:



Innovation accounts for more than half of Australia's productivity growth over the long term.



Australia has reached the innovation stage of development and must design and develop cutting-edge products and processes to maintain a competitive edge.



Small business is the engine room of the Queensland economy.



New, young entrepreneurial firms disproportionately generate a larger share of net job creation and commercialise more major technological advances.



The commercialisation of inventions will lead to the greatest productivity gains, job creation and better standards of living.

FOCUS

- ▶ Increase the number of new entrepreneurial startup companies (actively encouraging the establishment of new, high growth potential firms to commercialise IP).
- ▶ Improve their rate of success.
- ▶ Improve access to international markets.

5. Access to Markets and Government Procurement

Research shows the key to improving our commercialisation performance and increasing jobs growth is:

- increasing the number of new entrepreneurial startup companies with a focus on firms that have global opportunities from inception, that is 'born global'.
- improving their rate of success
- increasing their rate of growth from micro to medium sized enterprises
- improving access to international markets.

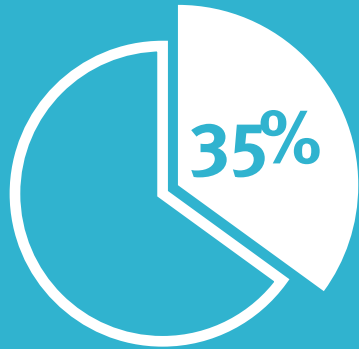
Suggested Actions Captured at Summit

Actions	Responsibility
Leverage existing government relationships (sister cities)	Government
Government procurement program for startups plus big business	Government
Actively encourage the establishment of new, high growth potential, born global firms to commercialise IP, for example, through leadership programs like an Entrepreneur-in-Residence and leveraging university and private sector business incubators and innovation centres	Private sector partnering with incubators / accelerators
Identify and address barriers to establishment, development and growth of early-stage, high growth potential firms that are commercialising IP, including access to international markets	Incubators / accelerators and innovation centres
Continue to provide some financial assistance (where appropriate) and coordinate private sector support for business incubators, accelerators, coworking spaces and meet-ups, both private and government, that address different sections of the startup spectrum	Incubators (private and public) and government



Government / Legislation

Government interventions account for 35% of GDP in Australia



FOCUS

- ▶ Send a clear message or vision that Queensland is a supportive place for innovating businesses and commercialisation of IP.
- ▶ Advocate relevant government agencies and private sector groups and organisations to work with the Queensland Government to support the entrepreneurial ecosystem and improve commercialisation rates of IP.

6. Government / Legislation

The state government does not have control over all factors impacting on startups and commercialisation rates in Queensland, for example, the Australian legal and taxation systems. However, it may play a role in advocating for change.

Suggested Actions Captured at Summit

Actions	Responsibility
Advocacy <ul style="list-style-type: none"> • Reduce red tape regarding land use zoning for tech startups – ‘Nests’ • Revise legal and taxation regimes to be startup and high tech venture friendly and encourage risk capital and human resource investment (e.g. regarding penalties for bankruptcy, tax incentives for early stage risk capital investments, tax treatment of Employee Share Option Plans (ESOP)) • Introduce third stream funding for universities to increase translation of research into commercial or public benefit 	Government
Strengthen international visibility by leveraging international relationships, such as existing Memorandum Of Understanding (MOU) and sister city relationships	Government
Support startups and entrepreneurs by providing a favourable environment, removing barriers, and helping to make the right connections and establish collaborations	Government



Infrastructure and Resources

NUMBER OF STARTUP INCUBATORS AND ACCELERATORS IN AUSTRALIA ^{14,15}



FOCUS

- ▶ Attract tier 1 high technology companies to SEQ to provide impetus and inspiration for the startup community.
- ▶ Develop a locale / postcode / nest of activities as a hotspot for startups.

7. Infrastructure and Resources

It was recognised at the Summit that there is a considerable amount of infrastructure and resources (hard and soft) already available. However, they are disjointed, work independently and are often unknown by relevant actors in the system.

The need for a tier 1 or 'Unicorn' firm(s) (like a Google or Facebook) to set up in Queensland was also recognised as a high priority in gaining traction for the startup community.

The following actions are proposed to help connect infrastructure and resources, and attract a 'Unicorn'.

Suggested Actions Captured at Summit

Actions	Responsibility
Explore precinct / cluster / 'Nest' development through private sector influence to attract significant international players to Queensland	Private sector / government
Auditing and sharing infrastructure (as part of the startup mapping exercise)	Government leading and partnering with industry

¹⁴ Startup Incubators in Australia 2012, Alchemy Equities Pty Ltd
¹⁵ Startup Incubators and Accelerators in Australia, The Fetch Blog

Next Steps – Startup Working Group

A key outcome of the Summit was the recommendation to establish a Working Group to prioritise and progress identified actions, to act as a point of reference, to keep momentum and to support ongoing collaboration.

Actions Underway

SEQ Startup Ecosystem Mapping

The Department of Science, Information Technology, Innovation and the Arts (DSITIA) is collaborating with Brisbane Marketing, the Gold Coast City Council and the Sunshine Coast Regional Council to develop a detailed digital map of the SEQ startup ecosystem. This will assist in better understanding the diversity and unique aspects of the SEQ startup business environment and associated support infrastructure (soft and hard) that contribute to a robust startup ecosystem.

LinkedIn Startup Group

The LinkedIn group was established by DSITIA after the Summit. As at 13 March 2014, there were 56 members of the invite only group which has seen numerous discussions, identified benchmark programs from other jurisdictions, and supported the post-summit survey and working group nomination requests. The LinkedIn group will be a valuable asset for the proposed working group to test its ideas and subsequent implementation plan.

State Library of Queensland Social Ventures Incubator

Mr Peter Ball, founder of iContribute, is gearing up to take advantage of the State Library of Queensland support for a six month trial to provide space and facilities for a social ventures incubator. DSITIA representatives are meeting with Mr Ball to keep apprised of developments and progress.

Startup Festival

As a member of the organising committee, DSITIA is keen to see the success of Brisbane's first startup festival. Driven by Mr Wayne Gerard, Chief Executive Officer of RedEye Apps, it is hoped the working group will also be able to provide support for the festival and help to promote it through its networks. The event is scheduled for September 2014 and is designed to stimulate growth within the Queensland startup ecosystem, enhance collaboration and promote Queensland as a place to 'startup'.

Conclusion

The startup sector is growing in Queensland, but with a current national market share of only seven per cent, Queensland is well below the GSP:GDP ratio of 19.3 per cent needed to achieve the stretch Big Hairy Audacious Goal. Much needs to be done for Queensland to significantly increase its market share of the Australian technology startup sector.

For Queensland to achieve our Big Hairy Audacious Goal and the proposed stretch targets, it will take a concerted and coordinated effort from entrepreneurs, educators, government and corporate Queensland.