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S1 00:12 Hello and welcome to another episode of the Moxie podcast. This is episode 37. Recorded on the 3rd of December, 2015. A special thanks to Alcatel-Lucent and its ng Connect program whose sponsorship helps to make this podcast possible. This is the companion webshow to the Moxie Session - an internet economy discussion group held once a month in Auckland, New Zealand. Our aim is to bring together a group of interesting people and expert commentators from across the country to talk about how New Zealand can take advantage of the internet and technology to improve its social and economic performance.

S1 00:50 I'm Andrew Patterson, with you here in Auckland. I'll introduce our guest panel shortly but first let me outline our topic for this session. Recent reporting says technology, software, and services are increasingly economically important for New Zealand. The industry contributes around 1.7% of GDP, employs 27,000 people, and accounts for around 930 million in exports in 2014. What would it take to multiply this economic contribution by ten? Is this even a sensible question and how are we tracking on the path to a higher tech future?

S1 01:28 Well, to discuss this in more detail, I'm joined by our panel of experts. Firstly, Lillian Grace, founder and chief of Figure, New Zealand - a website focused on improving and making data easier to interpret and understand. Rowan Simpson, investor and technology commentator. And Victoria Crone, chief executive at Xero. Welcome to you all.

S2 01:49 Thanks. Hi. Nice to be here.

S3 01:49 Hello.

S1 01:51 Rowan, to you first. You've been active in this space for a while, what do you believe has been the main catalyst for, perhaps, boosting the fortunes of the tech sector in recent years?

S3 02:04 Well, I think there's been a few early successes and they build on each other, I think. People within the technology sector talk a lot about an ecosystem. And I think if you look to the outside world, ecosystems grow from the ground up. And I think that's what we're seeing in New Zealand as well. So early successes create pools of capital which are reinvested. They create skills amongst people who've been part of those ventures and it cycles upwards from there.

S1 02:31 How much do you believe that process has come about as a result of creating that system and how much has it just bubbled up organically?

S3 02:42 Well, I think it's difficult to answer that without talking to the specific examples. And I think if you look at the companies that have been successful there's a combination of those two things. So I'm not sure that you can pinpoint a specific [genesis?] but it's definitely true that as there are more successes, there are more people within that ecosystem.

S3 03:04 Paul [Graham?] - who's one of the technology investors out of the US - talks about people being to start-ups what location is to real estate. And I think that's definitely true. In my experience, you see people who have come out of those ventures increasingly interested in being investors and advisers and what have you in the next wave.

S1 03:25 All right. Let's come back to that a little later in the discussion. Victoria, you believe we've made some progress at overcoming the proverbial three Bs syndrome -this is the bach, beach, and beamer - but not much. What's holding us back?

S2 03:40 Well, I think there's a couple of things that are holding us back. I think one is, we are quite far away from the rest of the world and sometimes the result of that is we can become a little insular in our thinking. And when you're part of a global business we are regularly interacting with what's happening around the world. And particularly whether that's through Europe, America, or Asia then you're certainly more exposed to the rate of change, of innovation, in people's thinking and what's happening in the market.

S2 04:11 I think part of it is that being so far away and not being an economy that overly exports a lot - and small businesses don't necessarily have those ambitions at scale - so we become quite inward looking in our thinking and our approaches.

S2 04:28 And the second thing would be that small businesses in New Zealand are not overly motivated by growth. So 70% of small businesses just don't want to grow, actually. Only 30% do. And what that is partly driven by is, as you said, the triple Bs - the beach, the bach-- sorry, the bach, the BMW-- oh, gosh and I've actually forgotten the last one at the moment [chuckles]. In--

S1 04:52 The beemer.

S2 04:53 The beemer! And, I guess, what we're starting to see in the tech sector is that the B for billion actually is coming into it. And if you add that in, yes, you can have all those things but what we're seeing is so many examples of businesses on the world stage where you can go and actually have a real impact and you can create incredibly successful businesses from New

Zealand globally. And with that comes the creation of a lot of jobs for New Zealand, a lot of revenue that you can then bring profits back and reinvest into New Zealand.

S2 05:29   And that's what we're really advocating is, how do we add that fourth B? How do we get a bit more global in our outlook and the way that we think. There are a couple of reasons in terms of what's holding us back.

S1 05:41   And yet you also noted in this session that it's cool to be cruel - is a line that you used. Why is that do you think?

S2 05:51   I think, I would certainly say - and this is fierce debate - that there is still a bit of the [inaudible] syndrome alive and well in New Zealand. And, again, I think that's because we have a bit more of an internal mindset rather than looking to the world and having an external mindset. It's really interesting to see - I think it was around two weeks ago - [Martins?] - on [Martin's?] [inaudible] - actually comment on the same thing. That it can be a bit too insular if people get too successful we can become a bit harsh on them.

S2 06:22   It's quite cool if the All Blacks do it but outside of that we're not always embracing of really, really successful people.

S1 06:28   Is that something that's going to just pass with the next generation, though, do you think?

S2 06:33   I do think the next generation thinks differently and I think as we become more and more global, which we are, at an incredibly rapid pace. And that's why you are seeing a lot of the tech companies through - and also a lot of other innovative companies, not just in the tech sector - having success with putting their services on the world stage and growing and enjoying this. And so I think as more and more of that comes through, that will help us shift the way we think about it too.

S1 06:58   Lillian, is someone--

S4 06:58   [inaudible].

S1 06:59   Yeah, Lillian, I was just going to say, as someone who's recently founded a start-up designed to solve a specific problem - that of data interpretation and analysis - do you believe that some technology ventures actually might be misdirected?

S4 07:14   Yeah. I find it really interesting because when you think about technology, at it's [purest?], it's been around for a long time. It's the applying scientific knowledge for practical purposes and just improving things all around society. And when we think of the tech sector in New Zealand and it's-- a lot of the bringing together of the ecosystem, is relatively young. A lot of what we're doing is creating products or services that we then sell offshore and can be packaged up and bundled and exported which is great.

S4 07:45   But I think that's only one segment of how we can be thinking about technology and thinking about the tech sector. I think the other and really important one - and it comes back to how can we increase the contribution [tech makes?] to New Zealand - is what can the tech sector do to solve problems in other sectors and in other industries.

S4 08:06   And when you look at the kinds of companies that are often winning awards in the tech sector and that have a lot of popularity around what they're doing, they tend to be in the former category of packaging up products and also [inaudible] selling them. But when you think about the size of some of the other sectors, our healthcare sector or our education or think of the contribution of agriculture to New Zealand. And think about how small but really important products that really help to transform some of the real problems that they're facing which would have a massive impact.

S4 08:42   And I suspect that there's a lot happening in those areas but that for some reason it's not as shared or as widely talked about or necessarily measured as part of the tech sector. But instead is measured as part of the sectors that they're operating in.

S1 08:57   How much is that because of the approach of government? Particularly because it's around about 35, 40% of the economy that if you had a government that was really embracing this it would automatically drive a lot more. Is that part of it, do you think?

S4 09:14   I don't know. I think that we're all-- it's all new for lots of us in terms of how to think about it. And so I think we're all as responsible for understanding how to think about it and how to promote it and how to work together across sectors. I don't really see the role of government as to bring all those groups together because it tends to be when people within industries make those connections that they seem a bit more organic and productive.

S4 09:43   So I wouldn't say that it would be the first thing I would do to solve it. I think having conversations around understanding the different-- [inaudible] the point of the tech sector and as a country, what we value about it and what the opportunities are. And then having stronger conversations between sectors and that doesn't often seem to happen. With a lot of the tech companies we-- it feels like we sometimes solve problems for each other. Creating a more productive calendaring app or something-- something like those things that we get excited about and, personally, I love.

S4 10:18   Then you look at other real problems with the elderly or kids and stuff around-- [that stuff is around the world?].

S1 10:25   The example that springs to mind is the fact that MSD - Ministry of Social Development - is now regarded as one of the leaders within government because it has really understood data within the people that it serves and how much that's driving policy. So you think more of that-- I guess what I was meaning was more of that sort of thinking within government would obviously spring-board us perhaps through a lot quicker than perhaps what might be happening in other department at the moment.

S4 10:55   Yeah. I do think so. I think joining up a lot of those areas in people being able to see problems that aren't just [inaudible] actually

makes a massive difference. And it's going to be really interesting to see what things emerge from the tech sector and some of the problems get more clearly identified through the work with joining up data that the government's doing. And I think we're only in the early days with that.

S1 11:16   All right. Let's pick up on a couple of the questions I posed in the intro because I'm interested in your take on this one. Is it a sensible question to think about this idea, could we multiply the economic contribution for the tech sector by ten? Within a decade or 15 years. Rowan, that would take tech exports to, say, somewhere in the region of about ten billion. Is that feasible, do you believe?

S3 11:44   Well, I think it would take some doing. But I think it is-- I think it is a great question and a great ambition. I think, though, it's easy to get drawn into a top-down discussion with that sort of question. I think it's - for me at least - a more interesting thing to turn that round and ask, what are the constraints to that being true already?

S3 12:07   And I think if you look at the things that we typically do to try and achieve that goal-- we often get sucked into creating creating buildings where start-ups or technology companies can be based or we get sucked into a debate around how hard it is to raise capital in New Zealand and these sorts of things. If you look at the companies that have been successful - and there are an increasing number of success stories for us to use as data points - those aren't the constraints that typically people identify. It comes back to horsepower, the number of people that we can throw at the problem.

S3 12:46   So if we are to have that ambition of growing tenfold then I think we need to start thinking about some of the hard questions around how we increase the number of people who are working within that sector and within pure technology companies. I think Lillian's right, though, when she talks about it being not just a technology sector thing. I was-- a few weeks ago at the Deloitte Fast 50 Awards and it's really interesting - their awards in New Zealand is across all industries, everywhere else in the world their awards is just a pure technology award.

S3 13:17   But here we invite all different types of companies into it and the companies that bubbled up this yer, interestingly, were not necessarily pure technology companies - manufacturing companies or finance companies - but almost universally across that list they all had technology at the core of what was making them innovative or successful and helping them drive that fast growth. While it would be lovely in theory to think that we could have a [ten x?] on the pure technology sector or industry, I think that, for New Zealand as a whole, there are opportunities across all the sectors to apply technology in a much, much more integrally in the business.

S1 13:58   Victoria, how do you believe we're tracking on this path to a higher tech future? I mean, clearly Xero has been able to take this leadership position be virtue of what it's done and the size of the company that it is. But, clearly you'd like a few other up there alongside you, wouldn't you?

S2 14:17   Absolutely. And in terms of how we're tracking-- on our current rates of growth, it will take us around 15 years to get to the ambitions that you have outlines. So, clearly I think that's too long. So in my view there's a couple of things we need. One is, there's some real opportunities opening up very close to our market. Asia is a great example. And the States are another good example.

S2 14:43   Those markets are actually quite close to New Zealand, a plane ride away. And there's a lot of consumers in that market. And of course the US is closest to us in terms of how consumers operate. And Asia is a little bit different, a teensy little bit scarier but the market is phenomenally huge.

S2 15:00   And so having the ambitions but also the courage to tap into those markets with your products and services. And I think what the likes of [Orion?] and Xero and [Vind?] and more are showing is that we can build products that these markets really-- and basically embrace. And that's really, really encouraging. So seeing more businesses have those ambitions and being able to tap into those markets. And getting the appropriate level of support of that. Whether that's from the likes of those who are already doing it - Rowan talked about the Deloitte Fast 50 - or whether it's from government and the [inaudible], et cetera.

S2 15:38   So we need more support, more ambition in that space. Rowan's spot on, though. It's not just about tech. We need to do innovation and-- in technology right across our businesses. And it's really encouraging to see in the Maori economy, a number of really innovative businesses. Tech and global markets. And they're not tech businesses but they do use technology in really effective ways. So that's encouraging as well.

S2 16:02   And I think we've got a real opportunity. We've been through some major technology shifts over the past 20 years, there's some more coming our way. So if we can jump on that and use all of those efficiencies that technology brings, in terms of bringing us closer to these markets and understanding these markets. And then also using some of the new technologies to create products and services. Then I think that's another way that we can really be at the front of what's happening.

S2 16:28   And the final thought that I have is, I love the 100% Pure Kiwi brand. I don't know that it supports us in terms a massive increase in our ambitions in terms of exporting and tech and innovation. And so potentially having a look at how we are branding ourselves as a country. It's great for tourism, it's great for other thing, but it's not necessarily the vibe that we want to send in terms of a country that is incredibly serious and successful on the world business stage.

S1 16:58   So just putting all that to one side, how hungry do you think we are as a country for this success? And--

S2 17:06   I think we're increasingly hungry. I think in terms of the start-up space - and that's just not tech but also non-tech - that I'm exposed to, there's some incredibly ambitions people and businesses and thought-leaders coming through. So I think the hunger is there. I certainly know that the desire is there from the government's perspective in terms of supporting us. And they

are trying a lot of things to try and support it and encourage it, with varying degrees of success.

S2 17:36   I think the hunger is there, the pathways are opening up in terms of capital investment between New Zealand and other countries such as the States. And we've just got to keep accelerating it and supporting it.

S1 17:48   Rowan, on that point - therefore, if we are starting to see the hunger factor increase, what else need to happen? Obviously you've got-- the labor market is a key constraint at the moment, the actual people with the qualifications on the ground. And then you've got the question of, are we training fast enough in New Zealand versus migrants that are coming in? What are your thoughts in that space?

S3 18:15   Yeah. I think there's no easy answers there. It would be great to be able to talk to-- an obvious idea that I was aware of which is [inaudible] is overlooked. But I'm not sure that that's the case. I think there's a lot of smart people who have thought about this over a reasonable period of time and I don't know that there are any real obvious answers.

S3 18:34   I think that both of the things you just talked about-- education, obviously, is going to be vital and immigration as well. I think if you look at the currently successful tech companies, they are increasingly attracting people from overseas to come and work with them here. Which is a great trend, I think. But both of those are a medium, long-term plays in terms of addressing issues. So short-term, it's a real challenge.

S3 19:01   I guess, what I do is just boil that down to a really simple, individual levelI guess, what I do is just boil that down to a really simple, individual level. I think it's easy to look at this and be overwhelmed - at a national level, or government level, or whatever. But there's a lot of people who are working to try and create and ecosystem amongst technology companies and I look at all of that effort and think that if all of that time and money and, most importantly, people-power is invested in working with one company each, then all of those individuals that would like to create an ecosystem would be much closer to their goal.

S3 19:38   There's always an opportunity for individuals to work alongside founders or to be a seed investor or even, ideally, increasingly, to be those ambitious founders that's talking about. And I think the more people that do that, the less daunting that challenge looks, to be honest.

S1 19:58   Indeed. All right. Well, just in the remaining minutes we have left, I thought I might go round each of you and if we think about the ecosystem as it exists at the moment and clearly, as we've spoken about, it has made quite significant progress in the last five or eight years. What else within that ecosystem do you think that the focus should be being placed on? Where should we be looking towards or where should we be placing the emphasis to continue to grow and develop that ecosystem?

S1 20:30   Lillian, perhaps we might start with you.

S4 20:32   I think the first thing I would do would be to go around other organizations in other sectors - whether it's public or private sector - and just start by asking the questions of, what's hard with what you do? What do you wish you could do better or faster or more effectively? Not even premising it with what technology do you need. And just starting to get a really deep understanding of what some of the biggest problems are.

S4 20:57   And it's likely that not only would we be able to be in increased [inaudible] business or efficiency of our sectors ten fold, but also then package up and have real world problem solving technology to export alongside it.

S1 21:11   And that's a good point because it's this idea of, how do you get the different sectors to engage with each other, in terms of a cross-disciplinary approach.

S4 21:24   Yeah. I think that for me it just starts by listening. With what we've done with Figure NZ and now with the offering that we have, people around the table all want to be involved in it. And it came from [inaudible] two years walking around with the perfect concept saying, "What do you think of this? How does it fit into your world? And what do you need so that we can serve you?"

S4 21:45   And it was an interesting approach. It wasn't even really that conscious at the start. But just by listening and asking questions and being prepared to not have to stick with the original idea of what I thought the [version?] would look like. It's just been absolutely crucial.

S1 22:01   And, Victoria, this is an approach that Xero has taken as well, too. In terms of the way you're looking at developing the software for the Ag sector and you're doing it sector by sector.

S2 22:13   Yes. And I think that's one of the two suggestions I would have is that the level of collaboration is pretty good and can continue to be better. And I keep referencing back to [Shawn Hendy's?] work that to be successful on the world stage - in terms of intellectual property - that we need to collaborate as a nation together. And so it's about, how do we come together? How do we support each other? How do we see the world as one place to be conquered and be really successful on?

S2 22:40   Instead of competing heavily internally with each other. Because the market isn't big enough in New Zealand to achieve what we want to do - which is 10 billion dollars of export revenue in the sector. So that would be the first one.

S2 22:51   And then the second one is, the access to capital and skills. And I think Rowan talked about both of those, actually. That we need to continue to open up pathways to capital to fund these ideas and these opportunities and these solutions that we want to put on the world stage. And we do have a skills shortage. So, again, collaborating around that and identifying talent that's coming into the country that we can access in the space as well is really important.

S1 23:17 Final word to you, Rowan.

S3 23:20 I was going to say, start with constraints but we've talked about that a lot already and maybe Lillian touched on that-- worded it much better than I could. So maybe I'll mix it up and say, don't think small. I think one of the things that drives me a little bit crazy with the technology sector in New Zealand is how we still talk about punching above our weight which is-- I often ask people, "What happens to underweight boxers when they go up against a larger opponent?"

S3 23:46 The usually end up on the backside and I think that we still have, in some ways, that small mindset. I think there's enough examples now of global, successful companies being built out of New Zealand, there's no reason why we can't do that now on scale. And I think that's a bit of a challenge in terms of achieving the question that we started with.

S1 24:05 Do we all agree that there are two phrases that should be banned from the New Zealand lexicon: one, punching above our weight and the other, number eight wire?

S2 24:14 Yes. I do.

S1 24:17 Yes. I think those two could well be put to bed. Thank you both-- oh, thank you all three, rather, for joining us in our Moxie podcast episode 37 today. Speaking to Lillian Grace, founder and chief of Figure, New Zealand; Rowan Simpson, investor and technology commentator; Victoria Crone, chief executive at Xero.

S1 24:39 This has been the Moxie podcast and a special thanks to Alcatel-Lucent and its ng Connect program whose sponsorship helps to make this podcast possible. We hope you will join us for another podcast again in the future. I'm Andrew Patterson, thanks for joining us.

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