

Sunday Money

Fast failure better than fruitless battle

A high-powered panel says we need to change our Kiwi mindset and put ideas to the market test sooner rather than keep pouring money into doomed projects

By Maria Slade
Business editor

NEW ZEALAND needs to stop hero-worshipping the Kiwi battler and start encouraging "fast failure" so that only the best ideas survive.

This is one of the key recommendations of a group that's emerged from last year's Entrepreneurial Summit.

The high-powered panel, including former 3M boss Maurice Boland and New Zealand Venture Investment Fund chief executive Franceska Banga, has presented a white paper to R&D Minister Wayne Mapp.

It is one of the more solid initiatives to come out of last winter's summit, at which 100 entrepreneurs gathered at Ellerslie Convention Centre to brainstorm five top ideas for propelling New Zealand up the OECD rankings.

While the summit was somewhat hijacked by the most popular idea on the day — the "Give it a Go, Bro" motivational campaign which appears to have gone nowhere — the R&D working group has been beavering away ever since, organiser Tenby Powell says.

It has brought in key players in the sector who were not involved in the summit, and the minister has attended some of

its sessions. All the members have volunteered their time.

New Zealand has a culture of hammering away at the same old thing, and of believing if we only got it right, the world would beat a path to our door, says Dorenda Britten, a Christchurch design strategy consultant and sister of motorcycle designer John Britten.

She joined the working group six months ago, and says she is inspired by her brother, who died before his ideas had a chance to make it big.

"We have this huge bank of admiration for the Kiwi battler, which is fine, but sometimes

"We have this huge bank of admiration for the Kiwi battler, but sometimes you're better off killing it early."

Dorenda Britten

you're better off killing it early and letting them transfer their skills to something else."

She knows of one technology company that has received international and national funding, and has been struggling with the same concept for 20 years. "This money isn't being used to prove the concept, it's being used to talk potential customers into purchasing this piece of equipment."

She is backed by Will Charles, general manager of technology services at Auckland University's R&D company UniServices.

Because they fear losing their funding "no academic will ever do an experiment that kills their project", he says. But that means they may never take the critical market step.

That's where pre-seed testing comes in — experiments conducted by technology transfer companies such as UniServices to prove a project's commercial worth before major funding is put at risk, he says.

One of the recommendations

Key points

- Intellectual Property Office of New Zealand (IPONZ) to charge fees and proceeds to go into early start-up fund.
- Reduce tax on income from intellectual property rights.
- Force "early failure" of projects that won't work to protect research funding.
- New Zealand Superannuation Fund to start investing in venture capital.

Franceska Banga says.

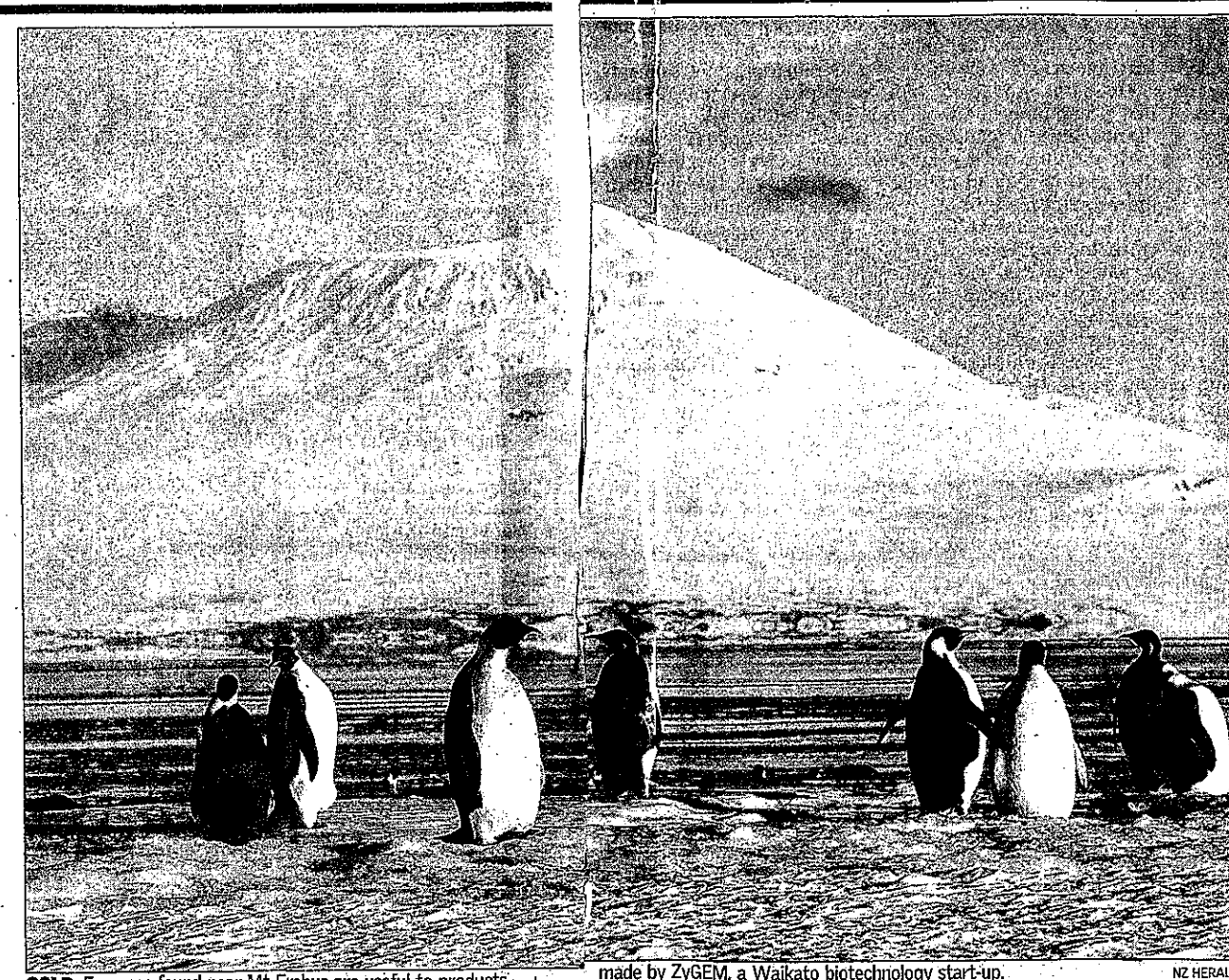
While it's great it's available, it's also "abysmal" Auckland University is having to tap into a A\$30 million (\$39 million) Australian fund set up by that country's pension industry to invest in early stage businesses.

The New Zealand Superannuation Fund needs to offer the same support, she and the working group say.

Putting a percentage of the fund into the sector is not that risky, especially if it's done long term over a range of companies at different stages, she says.

"But they do have to be a participant if we want to have the sorts of companies that they want to invest in down the track."

Another suggestion for raising funds is that the Intellectual Property Office of New Zealand



GOLD: Enzymes found near Mt Erebus are useful to products

made by ZyGEM, a Waikato biotechnology start-up.

NZ HERALD

NZ start-up sits on a 'war chest'

Waikato Biotechnology start-up ZyGEM deals in extremophiles — rare micro-organisms that live in harsh environments, such as Antarctica.

In order to live in these conditions, extremophiles produce unique proteins that have clinical, industrial and laboratory applications.

Several of ZyGEM's products for DNA extraction use enzymes found near Mt Erebus.

Its San Diego-based CEO Paul Kinnon says the company is "sitting there just on the cusp" of making it big.

"ZyGEM has a phenomenal war chest of technology and intellectual property and the potential to do amazing things. But it's hamstrung by the lack of capital.

"Because we can't hire a lot more people we're not able to really capitalise on what we've got in place."

The existing handful of staff looked wistfully at the Canadian Government's announcement last year that it would provide a \$60 million loan fund for start-ups, to make up for the recession-hit venture capital sector.

ZyGEM keeps developing new products, but on a shoestring.

An extra \$1 million would go a very long way, he says.

It could potentially attract American interest, except for the fact it is New Zealand-based.

Kinnon doesn't want to relocate without good reason.

"I want to hire more people in New Zealand because I can get better scientists there than I can get over here.

"They're more creative, they work harder, and they actually give you a better product."

intellectual property rights.

It encourages companies to stay in their own jurisdictions and means licensing revenue comes home, Jackson says.

Countries such as the United Kingdom and the Netherlands are doing similar. "This is not something we've just made up, this is what everyone else is doing."

The group also makes recommendations about better systems for ensuring regular face-

to-face interaction between scientists and business. Unless each knows what the other is capable of and what knowledge they already have, they're operating in a vacuum, it says.

UniServices' Charles tells of a researcher who has discovered that yeast can change its environment to survive. This has applications for brewing and winemaking.

"It's that kind of ongoing dialogue with the market that

enables you to match a 'eureka' moment with an 'I know exactly who can use that' moment."

Have the recommendations impressed the minister? Mapp is making no commitments, which he says must come from Cabinet.

He wants further talks with the group about how initiatives such as higher IPONZ fees would work.

"It's a significant step. Is that the only way we can achieve

that particular outcome?"

However the concept of fast failure has been a key point of discussion between them.

Better connections between the nation's science expenditure and business is also central to the Government's current work, he says.

He's promising Budget announcements about TechnZ the Foundation for Research Science and Technology's business investment programme.