

# An assessment of the Australian startup space

## Summary:

I believe the Australian startup space can be improved for new and existing Australian founders while becoming more internationally recognised through the implementation of the following suggestions:

1. Developing internationally renowned startup education material from a single, unified, Australian body
2. Connecting US investors to Australian startup communities
3. Analysing the effectiveness of grants intended for early-stage startups
4. Meaningfully connecting Australian founders with each other through online software

## My startup:

I'm the co-founder of a community connection startup called Swaggle. It's impossible for members to meaningfully connect in big groups and channels, which leaves members isolated and unengaged. Swaggle breaks down large communities into close-knit groups of 3-5 people inside a mobile app. This allow all members of a community to meet and get to really know each other as well as collaborate and engage more effectively. Our website is [www.swagglebusiness.com](http://www.swagglebusiness.com)

## My experience:

I have run and Co-founded 3 separate early stage startups based in Sydney, Australia. I believe I can provide an experienced assessment on the barriers present to startups in Australia and provide meaningful suggestions as to how the Australian startup space can be improved.

When I began my second startup I had gained a year's experience on the best practices to running a startup with the intention of turning it into a global, billion-dollar business. There is a huge amount of free content online about how to run an early stage startup from experienced founders that have built multi-billion-dollar companies themselves. The most prolific, respected and high-quality educational content comes from the United States and most of that comes from the renowned accelerator Y-combinator (YC).

YC is regarded to be the best early stage accelerator in the world by a long margin, mainly due to their record of investing in many would-be billion-dollar companies. They invest in many early stage startups that are outside of the US, even paying for the founders' flight to the US for an initial interview. They also have a huge network of veteran alumni that are happy to speak to YC's audience via articles or videos published on YouTube; with most of this material released worldwide for free. This truly amazing and free content undoubtedly has a large impact on founders across the world and their perception on how to run an early stage startup. One of YC's admission requirements is that startups be incorporated in the US. They have offhandedly mentioned that it was very quick and simple to incorporate using a platform called Stripe Atlas which happens to be one of their alumni. YC has a voice of authority that produces benefits for itself and the US startup space; Australia does not. So, within 10-minutes and with \$500, my business was incorporated in Delaware, US.

There were other benefits to being incorporated in the US other than just avoiding having to re-incorporate your startup in the US should you be accepted into YC or another US based accelerator. Most of the investment capital is in the US and US investors are accustomed and comfortable with US incorporated business. The tax rate is also much lower for businesses in Delaware and capital is scarce for an early stage startup so this benefit can have a persuading impact on founders. The benefits of incorporating in Australia weren't apparent and didn't come from a place of authority. I had vaguely heard about government grants but after further research the ones applicable to my business required a lengthy submission to receive one dollar for every dollar spent up to fifty-thousand dollars. This was unappealing because at this stage I was investing huge amounts of time into my startup, not huge amounts of money.

Should my startup become hugely successful there would be little reason to become an Australian business.

This submission will address: [The effectiveness of current initiatives in promoting a positive environment for start-ups; and any related matters:](#)

There is a lot to learn from analysing this experience regarding how the Australian startup space can be improved and become respected both domestically and globally. Current issues and possible solutions will be discussed.

### **1. Lack of Startup educational material.**

This material has an enormous and under-appreciated impact on how the global startup community views where the material originated from. High-quality, free and prolific Australian startup educational content would have a profound impact on how I and others interpret the validity of building an Australian startup. This content could promote the benefits of the Australian startup space and Australian startup grants as well as Australian based startups themselves. This would bring money back into the Australian startup economy and make it much more likely for founders to stay in Australia, with the potential to attract foreign startup founders. Australia is not short of amazing, successful founders that are passionate about Australian startups to provide this educational content. Arguably, the two most impactful people would be Melanie Perkins and Mike Cannon-Brookes, the CEO's of Canva and Atlassian, respectfully. The important point is that the educational material must originate from a single unified Australian entity, not from the CEOs and founders as disconnected Australian individuals. Two examples of such Australian based entities are Startmate, regarded as Australia's best accelerator and Blackbird, regarded as Australia's best venture capital firm. Both Startmate and Blackbird have close ties to both Melanie and Mike as well as several other successful founders. Ultimately, the goal here is to adapt the educational practices of YC with a uniquely Australian perspective to achieve immediate benefits and ongoing benefits that grow organically into the future. It is my recommendation that the NSW government works with Startmate, Blackbird or another respected Australian entity to produce high-quality, prolific and free Australian startup educational content.

## **2. Limited access to capital in Australia.**

There is very limited access to capital in Australia when compared to the US market. I believe it would be extremely difficult to successfully boost the amount of capital that Australian VC's and angel investors are willing to invest by artificial means. Instead, the Australian government should attempt to connect US investors with Australian startup communities and educate them on Australian business law. The Australian government should also survey US investors on their experience investing in Australian startups and what improvements should be made. This attempt of injecting Australian startups with more capital does have the initial downside of giving US investors equity of Australian startups and therefore taking funds out of the Australian economy. This downside should be immediately off-set by the value the Australian startups have acquired from these US investments and it is expected that the newly introduced competition will eventually increase the risk-tolerance of Australian investors to that of US investors.

## **3. Australian startup grants are: under-promoted, hard to access or under-suited to the needs of early stage startups and their founders.**

The proposed educational content would greatly help the promotion of Australian startup grants. I don't believe that grants are overly hard to access but it has been my experience that the grants I am aware of aren't overly compelling. I also don't believe that focusing on the improvement of grants for startups is one of the better ways to improve the Australian startup space. One reason is because it is extremely difficult to predict whether a startup will be successful in its early stages and providing capital with the broad stroke of a government grant may not be the best use of government resources. It would be useful to conduct a study that analyses the correlation between grants being provided to Australian startups and Australian startup success. The suitability of grants intended for Australian startups should be evaluated and a survey should be conducted towards early stage founders to establish what types of grants would be most useful for their businesses.

## **4. Startup culture is very densely ingrained in Silicon Valley.**

Startup culture is very densely ingrained in Silicon Valley due to an amalgamation of reasons that are difficult to replicate. It is a good long-term goal to bring parts of the startup culture ingrained in Silicon Valley to regions of Australia and Sydney and I believe my recommendations will be beneficial to this process. There is also an opportunity to grow a prolific, more easily achievable and uniquely Australian startup culture that requires more short-term action. Australia is limited by its infrastructure and the density of its startups, and so I believe action should be taken to meaningfully connect Australian founders with each other using online software, allowing the growth of Australian startup culture. My own startup is working on achieving this goal by breaking down parts of the Australian startup community into small groups to facilitate the collaboration between Australian founders. I believe it would be beneficial to discuss our solution with the Australian government with the potential of working together.

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