

Recalibrating entrepreneurship FOR THE NEW DECADE

Stephen N. Anderson offers a US viewpoint on what business entrepreneurs must do to succeed in the next decade.

What are Kiwi entrepreneurs and their global competition going to have to do to recalibrate in order to succeed in this new decade where change is more rapid and little remains of the conditions of the decade that started in the year 2000?

The good news is that technology has democratized the opportunities for entrepreneurs, so that location is much less important and many businesses can start and grow with less capital.

From gaming to manufacturing, technology has reduced the financial and asset deployment requirements, making entry easier and product changes much faster and less expensive.

Recalibration for seasoned entrepreneurs as well as newcomers starts with recognizing that the pieces of the past are not shaped to match today's puzzle.

There is significantly less investment

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capital from traditional sources available today than there was in the last decade. It is likely that new sources will emerge to fill the void. In some places they already have.

Global markets are still recovering from the recession and are expected to pull out of it toward the end of the first half of the coming decade.

Demographics are changing. The number of middle class consumers is

increasing in South America, China, India, Thailand, Vietnam and some areas of Africa. The generation that many entrepreneurs represent, variously known as the Net Generation, Millennials, Gen Y, or Digital Natives, are both creators and consumers. And they have new expectations.

This environment creates opportunities for new products and services developed to fill the gap created between what is available and what is needed.

Investment capital: first recalibration

Venture capitalists, the investment sector that has been the most important in creating new businesses, have seen a drop in investment in their funds since 2000. In that year the funds available were \$100 billion. In 2009 it was \$18 billion. That impacts the cash available for investments in 2010 and beyond, and this investor decline has occurred in many places including Silicon Valley, Boston, New York and Auckland.

Before investing, venture capitalists today expect a company to be more advanced in its development than they required in the last decade. There are exceptions, but not many. Customers, revenue, and probably most important, an experienced management team, or advisors, with a track record, reduce the investment risk and increase the potential for success.

So, where do entrepreneurs look to find the early stage capital they need if they do not meet the higher expectations?

In New York and some other magnetic centers of entrepreneurship, individuals are forming their own informal groups, such as the New York Tech Meet-Up for local technology and media companies.

Another is called the North Brooklyn Breakfast Club. These two organizations represent a recalibration, and new sources for funding as well as collaboration for early

stage companies. They are filling the startup capital void left by the venture capitalists.

By and large these informal groups are formed by successful entrepreneurs or people who benefited from being very early employees, and therefore option shareholders, of companies such as Google. They provide an incubator environment to support entrepreneurs and selectively invest their own money early in what they perceive as the best business opportunities.

In Silicon Valley, former early employees of PayPal, which was sold to eBay in 2002, are forming similar informal, collective investment and nurturing groups for entrepreneurs. These groups are a hybrid, neither venture capitalists nor incubators, and are a part of the recalibration entrepreneurs need to understand and incorporate in their planning.

Recalibration two: solid ideas require business management

In today's more demanding investment climate and global competitive environment, the issue of focusing too much on the idea and too little on management is more of a serious mistake than ever before. Having solid management experience in the company or from advisors significantly increases the likelihood of funding from investors and assures success. There are volumes of case studies in which lack of business management experience has sucked the life out of companies with promise.

Game developers are quite articulate and unafraid of exposing their strengths and weaknesses. It is common to hear, "We are great at developing games we love, but we guess at management issues and commercialization methods, pricing, etc." That has not stopped them from

pursuing their passion, however. There are some subtle changes in that sector as creative game developers turn more and more to portals to manage the marketing and revenue generation of their creations rather than doing it themselves.

Recalibration three: technology democratizes

Zynga, a San Francisco, California based game portal and reportedly the largest social game provider in the world, received an investment of about \$180 million from venture capital firms in December 2009. Started in 2007 by Mark Pincus, an experienced entrepreneur, Zynga is a private company that Business Week magazine reported as having estimated revenue in 2009 of over \$200 million.

New Zealand has its own success story in this space. Chris Harris and his partner have risen to global attention in the game world with their company, NinjaKiwi and their most successful game, Bloon.

At the other end of the spectrum of entrepreneurial opportunities is manufacturing.

Manufacturing, thanks to technology, has also become possible without having all the expense and infrastructure previously needed, but it requires recalibrating expectations.

Today, individuals can use their computer to design a product in 3D, create a 3D digital model, and then using a desktop 3D printer, produce a three dimensional model in layered ABS plastic, all in their cubicle-sized office. Manufacturing can be done in a remote location by a manufacturer that specializes in 'batch' lots. And there are many of these in China where web-centrism is thriving. The factory takes an order online, exchanges information with the developer by email and accepts payment by credit card. Alibaba.com is a source for manufacturers that provide small batch production.

The spoils of the new decade go to those that recalibrate and innovate.



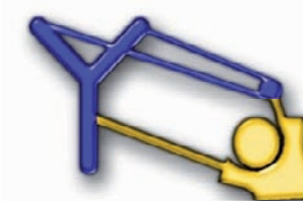
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New Zealand's small, micro and home businesses more than hold their own against the Goliaths in our Kiwi business landscape. We think it's about time they got recognized for it.

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