

IP Education - Ash Kaluarachchi of StartEd

[00:08:21] **Hall Martin:** Okay. Hello, this is Investor Perspectives, I am the host of Investor Connect, Hall T. Martin, where we connect startups and investors for funding. Today, we have joining us Ash Kaluarachchi CEO of StartEd. Ash, thank you for joining us again.

[00:08:35] **Ash Kaluarachchi:** Thank you for having me, Hall.

[00:08:37] **Hall Martin:** Can you remind us a little bit about your background?

[00:08:40] **Ash Kaluarachchi:** Certainly. Let me start my story in the middle. I entered the early stage investment space through TechStars. I was an early employee there, I ran the EdTech vertical. And after wrapping up that program, which invested in about a dozen companies, a couple of dozen companies, I created about 10% of current global EdTech unicorns, I went on to create other accelerators for Intel, for New York University. And then in 2015, I founded StartEd to be more of a learning and networking environment for education innovators, broadly defined.

[00:09:25] **Hall Martin:** Great. Well, tell us more about your current work and what you're doing today.

[00:09:30] **Ash Kaluarachchi:** Certainly. StartEd was really – the genesis of StartEd began from us understanding that building and tech company, at least, in 2015, was not the typical path. And the journey from idea to having market validation was a little bit longer, a little bit more complex than in other industries. And as an investor in the space, you tend to need to care about the nonfinancial outcomes, in addition to the financial outcomes of the investments you're making. The result was us creating this environment where I like to say, to attract and develop an army of education innovators, we've created programs that solve problems for entrepreneurs at any point in their journey from idea to exit. And the ultimate goal is to really create lifelong learning outcomes and equitable opportunities for learners everywhere. The programs we run, look and feel like familiar things, they look like EdTech shark tanks, they look like conferences that we host – we host one called EdTech Week each year, which brings together about 5000 investors, educators and innovators. It looks like weeklong boot camps focused on meeting 25 luminaries in the space to really hone the positioning and build relationships for investment and growth. So depending on where you are in the organization and depending on what goal you're trying to achieve, what hurdle you're trying to scale, there's different tools that StartEd ecosystem now offers. This arguably is very different to what a traditional accelerator does, since accelerators tend to be very specific type of tools in its traditional form for a very specific type of company, and as we've learned in the last couple of years, a very specific type of _____.

[00:11:47] **Hall Martin:** Great. Well, let's talk about this rise of the EdTech sector, in particular, the classroom engagement and the next generation school that you have coming up. Tell us more about what you see there.

[00:11:58] **Ash Kaluarachchi:** Certainly. I think the advent of the pandemic has essentially made the market jump five years into the future, and I think that's the frame that most of us need to think about. I think that five years is both a good thing and a bad thing. The good parts are really around the market adopting and recognizing that you can learn things virtually that you couldn't before. For example, Coursera, which is a large EdTech unicorn saw not only their usage increase of people watching their on-demand courses, they also saw the types of content that were being consumed change. So suddenly, people were learning about history and art and kinesthetics and physical education in a virtual environment where previously not many people did. The second is really from a capital perspective, having longer sales cycles, and the regulatory burden around building companies, especially in the _____ higher Ed spaces, it hasn't necessarily been a very attractive space for the majority of investors. But on top of the, probably the handful of VCs, who have been making _____ investments in the space in the last decade, now I'm seeing almost every other fund hire EdTech partner or EdTech workforce learning partner to deal source in that environment. So I think there's been changes on the market front, but also on the capital front. I can get more specific as well in terms of the needs of the market as well.

[00:13:56] **Hall Martin:** Great. Well, what do you see is the primary trend going forward here post-COVID?

[00:14:03] **Ash Kaluarachchi:** Well, the pandemic really revealed and exacerbated problems that already existed. So I think the things that were on shaky legs broke and therefore became far more salient. One of the biggest things that I think broke was this connecting tissue between the traditional stages of education. So how do you go from K12 to college, how do you go from college to the workforce, and these transition spaces tended to be propped up by the softer stuff, the networking, the social networks, the zip code you were born in kind of dictated where you went to college and where you went to work. But with lesser human interaction and lesser ability to solve that problem more socially, we saw those _____ was really great, especially for those of us in our community who didn't have those networks growing up or didn't have that social capital. So I see technology coming into play, into those spaces that are really ripe for transformation, where you can reassess and rescale someone graduating from high school to put them in a university that they probably wouldn't have gotten access to otherwise. There's also funding related advancements and innovations that are happening as well to help pay for that student to take part in that academic experience.

[00:15:35] **Hall Martin:** And so, going forward, what do you think is going to make for a successful company in the EdTech segment, what does a company need to do or have in order to succeed?

[00:15:45] **Ash Kaluarachchi:** Other than all the usual stuff, EdTech isn't – you need to have the right team, the large problem to solve, you need to show progress and variation quickly, you need to have great product. But on top of that, being mindful of how the money moves in the ecosystem tends to be one of the biggest points entrepreneurs tend to learn from us. When I say how the money moves, I mean, how do customers deploy capital from the government perspective, for example. So President Biden is allocating 120 plus billion to helping us go back to school and solve some of the problems that we saw exacerbated by the pandemic, there's probably an equal chunk of capital getting allocated to helping us get back to work, as well and expect to see that in the future. That funding is going to get distributed to schools and schools are going to figure out how to actually deploy that to solve problems. Most of the startup space and the venture capital space is waiting for the deployment to happen, and there's a particular way to access that funding. Also, in EdTech, on the capital side, capital tends to work a little bit differently, as opposed to aiming for going public or aiming to exit or be acquired, most EdTech companies in the late 2000 teens, tend to be talking acquisitions by private equity firms. Right? So understanding how the lifecycle of a private equity firm and understanding what problem they are trying to solve for their portfolio is a wise thing for a founder to understand even when they're early on, so they can kind of aim at that strategy of exiting five to seven years down the line. So there are peculiarities about the space that you need to understand to be successful.

[00:17:57] **Hall Martin:** And tell us more about your fund's participation in EdTech sector so far, what exactly have you guys invested in and how's that going?

[00:18:05] **Ash Kaluarachchi:** Certainly. The funds that I've been part of, multiple accelerators are run, StartEd has had a couple of funds as well, micro funds we raised to invest in about three dozen companies. But the majority of the work we do these days is actually providing learning and networking for companies in exchange for tuition fee, or large corporations and foundations tend to provide scholarships for companies to acquire that learning and networking. The investments themselves are doing decently well. We actually saw our first exits come out of our 2015 fund just last year, but it wasn't a traditional exit. It was probably in the eight figures of an exit, but the only round they ever did was with us. So the founders were pretty happy, and it was a decent return for our LPs. But that was what we would probably expect from some other companies in the portfolio as well.

[00:19:15] **Hall Martin:** Great. And so, what exactly does your fund look forward to make an investment?

[00:19:20] **Ash Kaluarachchi:** So the majority of what we're doing these days is really learning and networking for those companies, and I've started not making as many investments as _____. But we look at companies from the same lens in figuring out how to give them access to the capital within our StartEd network. And so, when assessing companies to join our programs, we tend to look at the same things that any other fund _____ the team makes sense from the perspective of executing on the vision, is it a large problem and do they know that problem really well from learners' and educators' perspectives, have they shown validation for the particular business model that _____ and does the product and the development of the product accommodate multiple stakeholders, which often is the case in education solution. So again, there are kind of the basics of assessing, and then there's little tweaks on each one that we tend to assess. And we certainly have our own thesis about what should be invested in, in this year. Social-emotional learning can, SEL, tends to be a great area for this year, and I see a lot of funds allocating capital to invest in companies solving those particular problems, both at the school level, but also at the workforce level. I'm also seeing _____ involved in the transition space that I mentioned, more so in the tie between post-secondary education and the workforce, so how do you go from a degree or alternatives post-secondary experience into a job. That space is something that we're very interested in, and so are a lot of investors we are representing. And then thirdly, there is this concept around cohort based learning that I see proliferating quite a bit. It's what we've been actually doing for quite some time, so it is by an essence, cohort based learning, and cohort based learning usually involves learning from your peers as much as you do from your mentors or your educators. And this idea of acquiring knowledge and gaining social capital from your existing network and then adding on to that network, those are types of solutions we see have significant network effects, and if you're recognizing social capital as something that you're trying to acquire as an individual in the context of learning program, we're certainly interested.

[00:22:05] **Hall Martin:** Great. And so, what changes do you expect to see in say, the coming 12 months, given that we're coming out of COVID, and we're adopting all these new technologies?

[00:22:15] **Ash Kaluarachchi:** Well, I think fall will be a little bit of a love fest, in terms of us going back and meeting people. I think we look at industries in general, I think, will come together just to _____ and see other human beings. I also think the pandemic wasn't necessarily a great space for innovation, because the pandemic told us that you can go anywhere, and you can do anything. I think what, after this initial love fest that we'll probably see of people going out and going to conferences and meeting each other, I think there will be a pause that occurs towards winter, where we will think, you know what, some of the stuff I was doing in a virtual environment probably should stay virtual. And I think as an industry we'll realize that, and especially if education companies start internalizing this idea of, you know what, I can actually scale this part of my solution by keeping it virtual, but keeping this part of it, because this part is far more important in person, I think that discussion needs to happen for anyone providing education. And

there's also an interesting position that these organizations will need to make about what to provide synchronously and what to provide asynchronously as well, I think that also gets rejiggered in early 2022.

[00:23:37] **Hall Martin:** Great. Let's talk about distance learning tools – what do you see being deployed there these days?

[00:23:45] **Ash Kaluarachchi:** There's some really interesting solutions I'm seeing helping educators be more engaging online, not that educators aren't engaging, I think some educators, they are probably as proficient in keeping someone's attention and learning as the best celebrities and artists on earth, and they just get to perform in a classroom for students. However, human beings are human beings, and we tend to be social creatures. So having the tools to represent yourself and communicate more clearly and teach, I think is a really interesting plugin to existing learning tool. So we tend to look at learning tools as, is it high quality content, is it a great speaker who knows their stuff, and are there a bunch of people I can learn with that I care about learning alongside. I think that we'll start thinking about intrinsically how well is that content being delivered and am I actually attaching to it and remembering it and entertaining it, and I'm seeing tools like Mmhm, that's two Ms, two Hs, two Ms, that's the brand come in and introduce tools that help that educator be more engaging and play with what the viewer sees in an environment. It's almost like a one person news broadcasting studio, it gives you the capabilities to be and do that. So I'm also seeing tools that allow for the educator to walk out of the room and for learning to still happen, again, based on the kind of cohort based thesis I mentioned that allows the group to understand what each other knows who each other knows and leverage that for each other's objectives.

[00:25:42] **Hall Martin:** Great. Well, during the pandemic, we saw the rise of pod classes. What do you think is the benefit of those, and do you think they'll continue?

[00:25:53] **Ash Kaluarachchi:** For those who might not understand the concept of pod classes, this is the idea of learning alongside the same group of individuals who might be at a certain learning stage or background. Is that correct, Hall?

[00:26:09] **Hall Martin:** That's right.

[00:26:12] **Ash Kaluarachchi:** I think it's a great manifestation of the cohort based thesis. Right? It is also a manifestation of social capital being concentrated in areas where it's always been concentrated. So the positive side of classes is that there will be people who benefit from learning and advancing together as a group, especially those who are within that pod. But how are those pods chosen, right? They are usually chosen based on convenience, based on who's within the neighborhood, and who's within driving distance. That goes back to your socioeconomic values, and that leads to being distributed a little bit more inequitably in the US. So I think there are both positives for

the learners and the administrators in pod classes, but I think there's also an opportunity for them to be concentrate work in social capital, if not used intelligently.

[00:27:15] **Hall Martin:** Great. Also, during the pandemic, we saw there was the haves and the have-nots – those who had were able to get WiFi and do a lot more than those who did not have the technology or the computers and so forth. How do you think we're going to be able to address that question going forward?

[00:27:32] **Ash Kaluarachchi:** It's a great question, Hall. I wish I had an answer for that. But I think there are some great organizations that are working on getting WiFi and broadband to all learners. There are some great organizations investing in alternative solutions to that, you know, putting WiFi out in space, on balloons. I think infrastructure has always been a challenge and will continue to be so. I think it's not getting attention it requires, A, because it's not sexy, and, B, because people think it's already been solved, because they live in a major, major city. But there are places in the US that tend to have the same level of infrastructure that as somewhere in rural Africa now. So I can't wait for the solutions that I'm seeing, the next generation of solutions, address those kind of infrastructure issues, but I suspect that they might actually come from outside the US than within it, given the attention it's getting.

[00:28:36] **Hall Martin:** Great. And my last question is, is this an opportunity to create jobs for college graduates looking for a job or taking a gap year – seemed like we're in transition here still, and do you think people will use it for other things aside from classroom learning?

[00:28:51] **Ash Kaluarachchi:** I hope so – well, let me rephrase that – I hope the ones that are adventurous enough to do so take advantage of it, because taking a gap year and exploring your own path is great for a specific type of individual who's mature to a certain level. It's not great for some people. So I think it's really about knowing oneself and figuring out whether it's the time for that type of experience. Me personally, I loved learning outside of the classroom, and I think spending my time in Europe and the US, I'm originally from Sri Lanka, at the time that I did, I probably learned far more than I would have been in the classroom itself. I probably learned a lot more about the work that I do today simply by doing it than learning about it at business school. That said, looking at the repercussions of making that decision now on your own stakeholders, your family, your friends, your best prospects you have, is probably a wise question to ask yourself at this time. But this window in time is kind of a one of a kind window. I don't think we'll go back to job – I don't think jobs will go back to requiring you to be in an office full time for quite some time, and I think it's a case of strike while the iron's hot, if you are _____.

[00:30:20] **Hall Martin:** Great. Well, thanks for joining us today and hope to have you back for a follow-up soon.

[00:30:26] **Ash Kaluarachchi:** Thank you Hall for having me.