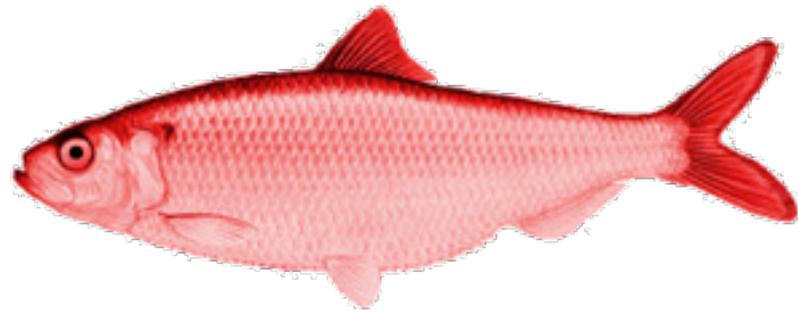
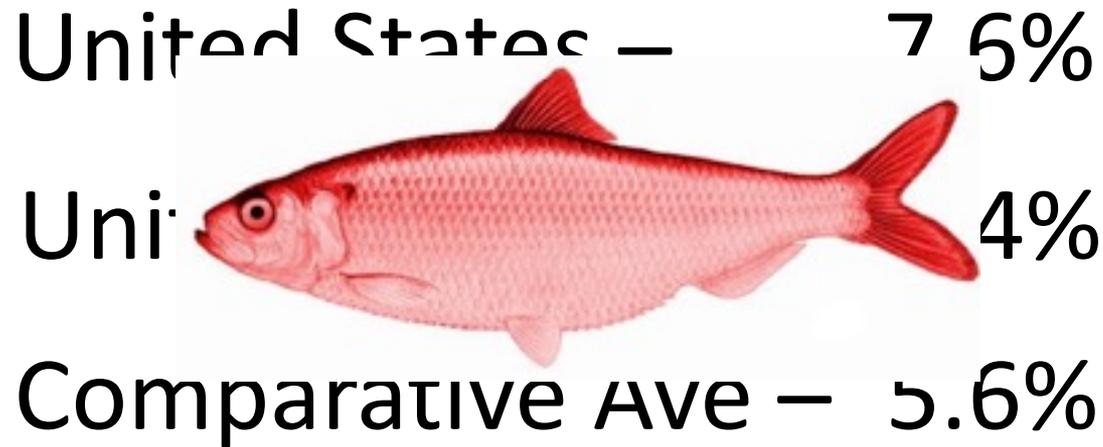


Engine Search

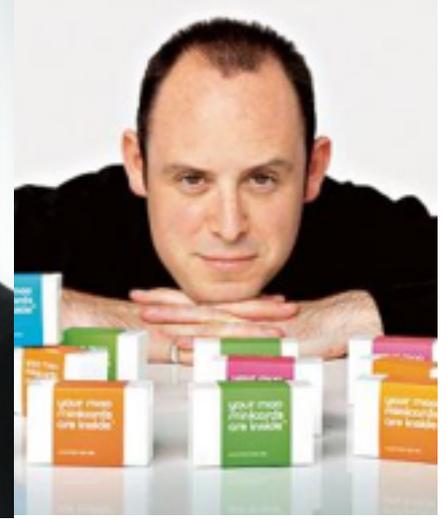
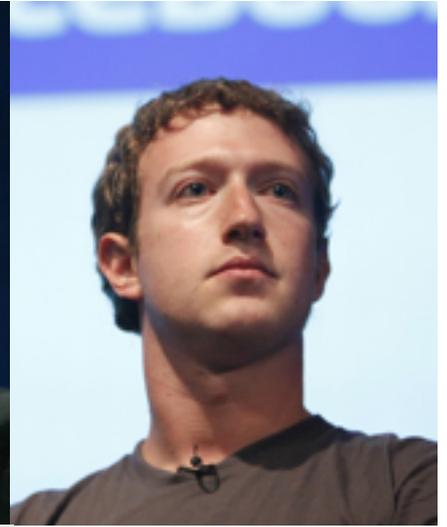
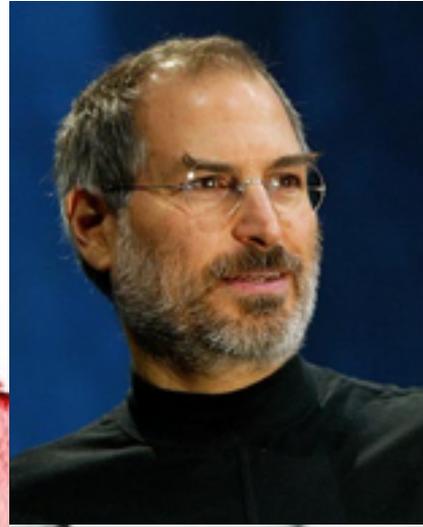
Why is there no British “Google” and what can be done about it?



British culture is unsuited to entrepreneurs



We don't do tech like America...



Shortage of money for start-ups

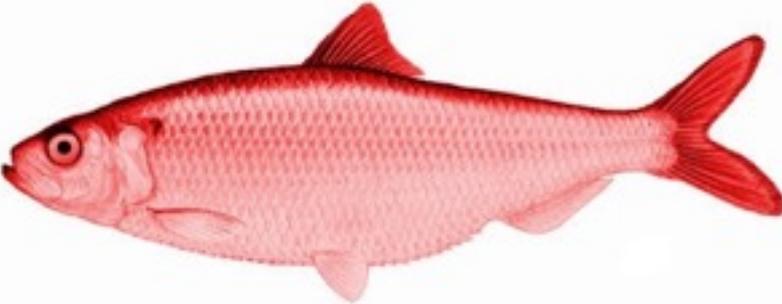
Regional Venture Capital Funds

UK High Technology Fund

rowth Funds

e Capital Funds

Community Develop



UK Innovation Investment Fund

The Aspire Fund

£1 billion

Development of the paper

Why have a Google?

- Google is an exemplar of VC funded businesses
 - Between 1981 and 2001, 0.1% of start-ups employ 10% of US workforce
 - By 2008 that became 11% of the private sector
 - 21% of US GDP
 - Lower capital costs, higher potential returns, shorter lifecycle

Review and research

- Sponsored by the CTF; academic review by Cass Business School
- Researched in 3 phases:
 - Interviews with industry players
 - Extensive literature review
 - Limited survey used as confirmation of certain points

Learning from the experts

The Silicon Valley story

Wave 1: Valves

- Fred Terman
- Hewlett Packard
- Stanford outreach
- US Military projects

Wave 2: Semiconductors

- Shockley and the Traitorous 8
- Fairchild Semiconductor
- Arthur Rock and a new financing model

Wave 3: Integrated Circuits

- Texas Instruments and Integrated Circuits
- The Planar Method
- Intel created by members of Fairchild Semiconductor
- Moore's Law
- Growth in the Valley

Wave 4: Hardware

- Personal computing takes shape
- Intel = Memory
- IBM = Databases
- Xerox PARC = GUI, Workstations, Ethernet
- Altair 8800 inspires the creation of Microsoft and Apple

Wave 5: Software

- IBM aligns with Microsoft MSDOS
- Compaq releases IBM clone; hardware market is flooded
- Bad for hardware, very good for Microsoft

Wave 6: World Wide Web

- WWW is created at Cern by Tim Berners-Lee
- ARPANET repurposed as Internet
- Internet commerce arrives
- Search engines dominate
- New business powerhouses
- Netscape initiates VC boom
- Yahoo created
- Amazon goes from \$40k investment to \$438m IPO in 3 years
- Google created in 1998

The “4 Drivers” of Silicon Valley

Culture

- Determination
- Pioneering spirit
- Calculated Risk Taking
- Entrepreneurialism

Knowledge and Experience

- Innovation
- Continuous Regeneration
- Clustered knowledge-base

Finance

- Creation of the VC model
- Equity structuring
- Reinvestment of wealth

Networks

- Rapid distribution of knowledge
- Closely linked community
- Ready access to resources

Google's advantages

Culture

- Focus on excellence in product
- Willingness to “Go big”
- Flexible enough to adapt

Knowledge and Experience

- Page and Brin studied at Stanford
- Investors brought with them experience
- Experience meant confidence in changing

Finance

- Access to Angels
- Buoyant VC market
- Private ownership during Dotcom Crash enabled cool heads
- Model generating revenue

Networks

- Advantage of Stanford network at start-up
- Investment through KP and Sequoia enabled access to the best networks
- Tradition of talent mobility

In search of a British Google

Culture

- British “Reserve”
 - More likely to draw attention to failure than success
 - Following the “traditional” path
- Misperception of risk
 - Stock options; early sales; poor investments by angels; conservatism of GPs and LPs
- Failure
 - Less of a factor and can be misleading – GEM: UK vs US vs Israel
- Ambition
 - Less desire to go “big”
- Dotcom Hangover
 - Investors are highly averse to risk taking
 - Financial “Nuclear Winter”
- HOWEVER
 - Things are changing
 - Risk of losing touch with current generation of start-ups

Knowledge and Experience

- Entrepreneurial teams
 - Strategy and Operational Experience
 - Industry Experience
 - Financing Experience
- Investors
 - Angels
 - VCs
 - Institutional investors (LPs)

Finance

- Seed/Start-up finance
 - Thriving yet inexperienced angel investment
 - Government programs
- Growth Finance
 - Funding gaps
 - US vs Europe/UK
 - “Wrong” institutional investors
 - Flight from risk
 - Misdirected incentives = misdirected investment
 - Consequences
 - This has nothing to do with debt finance
 - Collapse of venture market
 - Need to sell before IPO

Networks

- Networks as they relate to the other factors
 - Culture
 - Knowledge and Experience
 - Finance
- Stratification of networks
 - Poor understanding of the total network
 - Who knows what?

Summary

Culture

- Some aspects of our culture can act as “inhibitors”
- **Policy focus on enhancing cultural “activators”**

Knowledge and Experience

- Not enough of the “right” kind of knowledge
- **Policy should utilise local resources (people and industrial) whilst reducing barriers to importing talent**

Finance

- Financing gaps at crucial growth stages
- **Policy should target funding gaps and incentivise investment, but not crowd out private activity**

Networks

- Networks are stratified and information is poorly distributed
- **Policy should target basic levels of information sharing and create “shared spaces” for start-ups.**

Policy Recommendations

Culture

- More research into British entrepreneurship
 - Eg. Kauffman Foundation
- Championing successes and embracing failure
 - Role of Government in framing discussion
- Entrepreneur-focused Public Service
 - Entrepreneur’s “Impact Statement” in policy development

Knowledge and Experience

- Strategic Focus
 - Socrates Project
- Import skills
 - Immigration policy that simplifies process for small businesses
- Provide “anchor” projects
 - Public and Private sector
- Education
 - Introduce entrepreneurial studies throughout the school curriculum (identification and support of nascent entrepreneurs)
 - Incentivise universities to include entrepreneurship as an aspect of their offering

Finance

- Recognise the value of venture finance
 - This is not about the banks!
 - You will not have a Google without venture finance
- Tax policy
 - Support CGT and EIS whilst disincentivising other forms of investment
- Review funding support programs
 - Some funds currently act as inhibitors
- The BGF opportunity
 - Google would not have qualified during their high growth phase

Networks

- A single face of government
 - A single government agency, nationwide, for entrepreneurs and start-up businesses – a Knowledge Hub
 - Partnering with institutions
 - Partnering with businesses and entrepreneurs

... and a British “Google”?

Conclusion

- Recommendations are specific
 - Not all start-ups are the same
- Consistency in policy is key
 - Enable not interfere
- Make best use of Britain's advantages
 - Industrial, human, financial
- Yes, but not yet
 - Slow process but not 60 years

Thank You – Q&A