A levelled economy isn’t measured in Unicorns

We may still be battling a global pandemic and working through the paperwork and ramifications of our new trading relationship with Europe but it’s been a much stronger first half of the year for the London Stock Exchange than many predicted, with high profile companies such as Moonpig and Darktrace leading a pack of new listings.

Temps de lecture : minute

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Whilst it’s a good sign that investors are feeling confident enough in the economic recovery to back the companies they think will be the next big thing, these *high profile deals* tend to overshadow an equally important component of British industry that will be key to building back our economy: small and medium sized businesses.

It’s really not a bad day at the office for a business to create £100M value – even if a snappy moniker is yet to exist for business of this size. Companies like Virgin Wines. Magic Pony or Chargemaster, all of whom have generated exits worth hundreds of millions, bring tremendous value to this country’s economy by creating thousands of jobs and assuring Britain’s place as a leading centre of innovation.

One new unicorn is undoubtedly huge news for the British economy. But equally, so are 25 smaller businesses worth £50M each. A healthy economy needs both, and everything in between, to thrive; businesses worth £50M, 100, 250, or even £500M are all integral for a thriving ecosystem and will be more significant to the UK economy when it comes to employment, so must not be forgotten by investors.

If we're going to build back our economy efficiently following the coronavirus pandemic, we need to provide entrepreneurs across the country with the chance to create the next £50M companies.

And to do this, we must ensure funding is spread across start-ups and scale-ups of all stages and across all regions to nurture regional talent and clusters - essential for a business-led recovery. Data from Tech Nation reveals that in 2020, 10 companies secured 20% of total tech investment from VCs into the UK – putting investment firepower into the hands of very few.

To cultivate a vibrant economy, we must make our regions world-famous through their specialisms, in much the same way that we've done for fintech and the financial services sector in London. The strength of developing clusters and cores of experience which can be shared in regions isn't to be underestimated.

This might include making the North West globally renowned for tech innovation - after all, *Manchester* is the birthplace of the differentiation engine and where Charles Babbage's computer originated - or Liverpool famous for its thriving arts hub; the North East much better known for its green energy and advanced manufacturing capabilities. Each region has its own strengths and playing to these makes them important breeding grounds for early-stage companies and ripe for venture capital investment.

> *Creating clusters of expertise in the UK will be vital to spreading scale-up innovation and funding across the country. It will help to maintain nationwide enthusiasm for innovation and will ensure fast-growing successful companies thrive*

> *across the country.*

Initiatives like the VCT scheme, or others like EIS and SEIS, can ensure that a wider range of start-ups across the country have access to funding, pooling investment and spreading it across more companies nationally.

VCTs have succeeded at this to date, and are still hunting for new sectors where they see potential growth. At the moment, this includes organisations working within data analytics, cybersecurity, edtech and fintech to name just a few.

Investors VCTs work with are private individuals who prefer to place their bets on companies that will offer a sustainable return rather than simply seeking out the next big IPO – guaranteeing a vibrant ecosystem with businesses of different sizes.

Whilst this change isn't going to take place overnight, we must provide VCTs with the bandwidth to help lead it, and help as many small companies become the regional success stories of tomorrow.

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