

Meet the Lord looking to make the UK a science & technology superpower

Lord Dominic Johnson has spent his career starting and investing in tech businesses. Now, as Minister of State in the UK Government's Department for Business and Trade, he's looking to secure the UK's status as a global tech leader

Temps de lecture : minute

14 December 2023

On a frosty November morning, Hampton Court Palace held the Global Investment Summit, playing host to a room of international investors eager to invest in and build up UK tech.

The south west London palace, at various points over its 600 year history a site of diplomacy, royal engagement, and the preferred residence of Henry VIII, was now housing a new form of diplomacy—a chance to fly the flag of the UK's thriving technology ecosystem.

Standing centre stage at the Global Investment Summit, proudly welcoming over 200 founders and investors, was Lord Dominic Johnson, a man who is no stranger to global capital markets and the unique role that the UK plays within it. Equal parts investor and entrepreneur, notably as co-founder of Somerset Capital Management, Lord Johnson has carved out a career seeking out foreign direct investment (FDI) opportunities and identifying how they can be a powerful catalyst for innovation and entrepreneurship. And now, as Minister of State at DBT, he leads on the government's investment and investor relations strategy.

His conviction is clear. “The UK ranks top of the list for me in terms of your ability to come set up a company, hire, get capital, and scale an idea,” Lord Johnson says, sitting firmly in line with the current UK government’s vision to be a science and technology superpower. And for Lord Johnson, the path to this is clear.

The changing status of the UK over three decades

To understand where the UK sits now, it's worth reflecting back on where it's come from. For Lord Johnson, this means casting his mind back to the start of his career, where he cut his teeth at Robert Fleming, the London-based asset manager and merchant bank, as well as a brief spell at Jardine Fleming, the bank’s Hong Kong-based outfit.

London, at the time, sat shoulder to shoulder with various financial capitals around the world, including Tokyo, Hong Kong, Chicago, San Francisco, and in Europe, Paris and Frankfurt. The difference, he says, is that London has continued to grow its dominance in terms of international capital markets, where other financial hubs have done less so.

Against this backdrop, the late 90s/early 00s started to see some of the UK’s breakthrough entrepreneurial success stories. The UK has always had a rich cultural history of entrepreneurship and innovation, easily competing with countries that far outstrip its population and its businesses confidently punching above their weight on the world stage. “It’s a necessity of being a trading nation, because of our geography,” Lord Johnson adds.

Richard Branson and James Dyson are just some of the figures Lord Johnson points to as inspirational success stories and, more meaningfully, they speak volumes about the opportunities for UK entrepreneurs to build global businesses. He himself was inspired by these sorts of

successes—starting his own ‘dotcom’ business against the backdrop of the internet revolution, AssetLine, an auction website for construction equipment that became a pioneer of B2B ecommerce in Asia.

But even over just a few decades, the UK has come a long way. Holding up that environment to the current landscape for entrepreneurs, the two are almost incomparable. To use a gardening metaphor—“In terms of where you are planting the seed of your business, the UK has more sun, more rain, and better soil.”

In terms of sun and rain, AKA the fuel you need to grow your business, Lord Johnson looks no further than *the enviable funding ecosystem that exists in the UK*. The quantity, he says, of venture capital, private equity, and family offices has ballooned over the past few decades, particularly those that are interested in investing early stage capital. Moreover, this doesn’t just exist in London. He celebrates the growth of regional financial hubs, such as in Leeds, Bristol, Edinburgh, and Swansea, creating an abundance of financing options across the UK, and not just focused in the capital. “Entrepreneurs need to go where the finance is, in order to have ready access to it and have the ability to build relationships with it.”

Talent, too, remains pivotal to the UK’s draw to entrepreneurs and the appeal of launching innovative startups. With a consistently strong network of universities across the UK, particularly in the sciences field, companies have access to a tap of high quality hires. The mindset here is changing too. “Anecdotally, there’s a greater degree of entrepreneurship being taught at our universities. It’s more than just an academic approach: it’s practical, hands-on, teaching them how to make money out of a business.”

And of course, there is a strong market for UK products and services. UK engineering, through the likes of Jaguar Land Rover, Dyson, Rolls Royce, has a premium the world over, and foreign investors are queuing up to

back the next businesses in this field.

The current political climate for entrepreneurs

Of course, a startup ecosystem is only as strong as the political forces behind it. It's a good thing, Lord Johnson believes, that this government's ambitions are clear and stated. "This government is doing more than any other government has ever done to support entrepreneurship."

Lord Johnson and Prime Minister Rishi Sunak are cut from the same cloth when it comes to their passion for entrepreneurship and innovation. The recent Autumn Statement—the UK chancellor's mid year opportunity to provide updates and lay out future plans for budget spending—has been celebrated by many in the UK tech community as a strong vouch of confidence in the sector.

This includes a further £500M invested in compute power, a £960M Green Industries Growth Accelerator (GIGA) for climetech founders, £250M for the Long-term Investment for Technology and Science (LIFTS) scheme to boost pension fund backing of science and tech companies, £50M more the Futures Fund, and a new British Business Bank (BBB) vehicle to take on external capital. This has fuelled the powerful network of publicly-backed UK financing, whether that's through the BBB, the Futures Fund, Innovate UK (the UK innovation agency backing R&D heavy industries).

The foundation of this is what Lord Johnson believes to be one of the most favourable tax regimes in Europe for founders—with the lowest corporation tax in the G7. "Entrepreneurs want to create wealth, for themselves and for society, and the UK welcomes that with this approach. Culturally this needs to be rewarded," he says. By widening the threshold for R&D tax credits in the Autumn Statement, the government has extended access to the scheme to 5000 more SMEs in the UK.

The political and economical benefits of Brexit remain up for dispute: but for Lord Johnson, there are clear windows of opportunities as a result of the new freedoms that the UK enjoys by not being part of the European Union. “As a free trader, Brexit has allowed us to create a network of trading relationships which we couldn’t have before because of our close association with Europe.”

For entrepreneurs, this creates far more beneficial agreements around goods, services, trade, and so on with dozens of new markets. Lord Johnson himself is helping bring through the UK’s involvement in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a multilateral trade agreement with Australia, Canada, Mexico, and several other Asian and South American nations that the UK agreed to join in July this year.

This is underlined, Lord Johnson adds, with maintaining a strong relationship with their former union—“There is no benefit for either side for us having anything but the best relationship between the UK and the EU.”

The AI and quantum moonshot

The UK’s latest bid is to be a world superpower for AI and quantum computing. The government clearly sees this as a chance to sit at the centre of the conversation around a globally thriving technology, which could radically reshape industry over the next few years.

Hosting the AI Summit at Bletchley Park in November was a clear example of this. From Big Tech representatives like Meta’s Nick Clegg, Google DeepMind CEO Demis Hassabis, and of course Elon Musk, to political delegates from China, the US (US vice president Kamala Harris), and the EU (Ursula von de Leyen).

By hosting the Summit, Lord Johnson says the UK has shown its ability to be a trailblazer and thought leader in this industry. “To take a lead in this sector, you need to be very forward thinking and visionary around science and technology. We firmly believe that any nation who doesn’t pursue this agenda will find themselves in a difficult position in a short amount of time.”

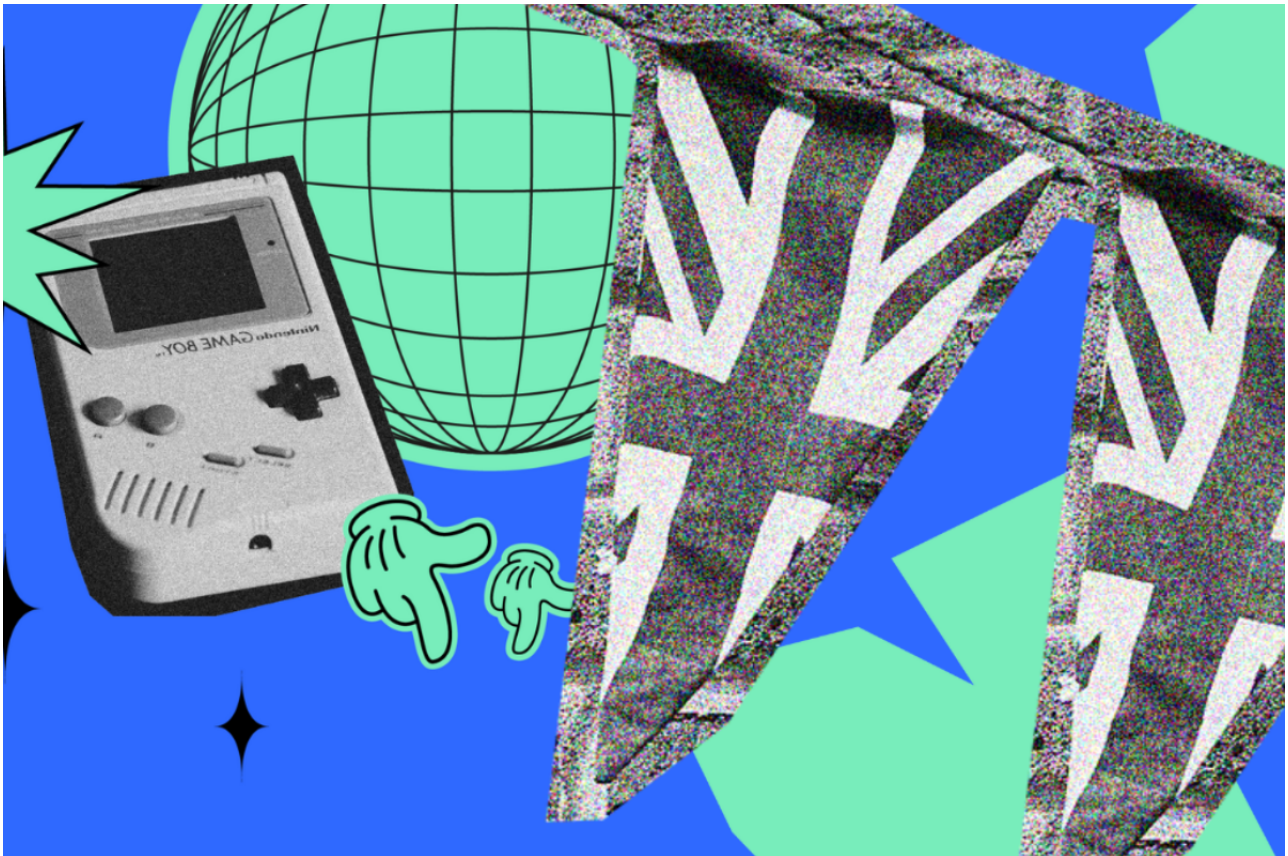
Beyond just words, the UK is backing up its superpower aspirations with actions. This government has already committed £1.5B to advanced computing for AI, including developing *a new supercomputer* based in Edinburgh, with *Bristol teed up* to host the next supercomputer. Chancellor *Jeremy Hunt describes* this as a “a down payment on the jobs and economic growth it will bring to the UK.” The type of foreign direct investment that Lord Johnson is trying to attract is also starting to channel in. Microsoft announced in December that they would invest £2.5B in the UK’s AI industry, in particular to expand its AI data centre infrastructure and install over 20,000 advanced GPUs (essential for the development of AI models).

There are two things on Lord Johnson’s checklist with regards to cementing the UK’s status in AI. One, being able to convince the world’s top AI supercompanies to come and locate their international headquarters in the UK. Since 2019, Google’s DeepMind centrally based itself in London, taking over two floors in Google’s Kings Cross campus. In June this year, Open AI announced the opening of their London office, its first international location outside of the US. Anthropic AI had announced similar news just a few weeks earlier.

“It’s clear that these supercompanies see London as the international capital of AI outside of the US. So our strategy is clearly working,” Lord Johnson says.

Secondly, being able to attract top science and technology talent to

bolster the UK's AI sector is critical. He says the UK's Global Talent programme is actively seeking out the top AI experts from across the world and looking to bring them to the UK, particularly those looking to commercialise technologies here. Programmes like the Turing AI fellowships are aimed at attracting top talent conducting research into AI at a fundamental or theoretical level, or working at the interface between AI and another discipline.



À lire aussi

How are the UK's unicorns faring in 2023?

What would he like to see more of?

Never one to rest on his laurels, Lord Johnson has a clear roadmap in his mind for areas where the UK can continue to build momentum.

The university spinout process is one. A recent review found that the UK

has historically suffered from 'decades of bad practice' which have been disadvantageous to university-based entrepreneurs with unfair terms—on average taking 20% equity in the UK, compared to 8% in the EU and 5% in the US. The government has already taken a big step forward in this regard, accepting the recommendations of the review, as well as committing £20M to a proof of concept research funding scheme.

Lord Johnson wants to take this a step up, building structure behind the ecosystem of university innovation. For one, creating a strong support network of mentoring that ensures university entrepreneurs are getting the right support to assist with commercialisation of IP, and so on. Secondly, bolstering bridging a gap between universities and the funding ecosystem which doesn't always exist. "Sovereign wealth funds, for instance, haven't got that microscope to invest £2m in a university spinout from a small university—but that doesn't mean they don't want to access this market."

This leads onto Lord Johnson's other aspiration for the market—to increase the presence of institutional investors, such as sovereign wealth funds, big international pension funds, corporate VCs, and the like, into the UK. "By being based here, you have a home bias and this drives your behaviour in terms of where and how you invest." The LIFTS initiative is going a long way in terms of mobilising institutional investment already, particularly Defined Contribution pension funds.

Lord Johnson's third aspiration is a less tangible one. It's about a change of mindset, one in which the UK public and media are often quick to criticise people who take risks and fail. It's particularly this latter thing that we need to become more comfortable with. "My ambition as a minister is to raise the salience of entrepreneurship and risk taking. If we are to remain top of the league in terms of startups and tech, we need to encourage the taking of risks."

A simple message—come to the UK

Lord Johnson and his colleague at the Department of Business and Trade have firmly laid out their stall—the UK is open for business, looking to partner with the brightest entrepreneurs and most ambitious investors.

FDI has always been interested in the UK, and this is clearly gathering momentum. The Global Investment Summit gave us just a glimpse at the possibilities in terms of the types of parties who are interested in funding the UK's tech ecosystem. AIFM Investors and Aware Super, two Australian funds, committed to £15B between them, funding a range of projects including infrastructure, energy transition, and affordable housing. Iberdrola, the Spanish power conglomerate who own Scottish Power, pledged a further £7B, with its investment expected to reach £15B by 2028. Tata, Nissan, BMW, Ford all continue to commit to investing and launching new manufacturing projects in the UK.

The goal of the Summit wasn't just to entice investment but also to create an open dialogue with these funders. "Few governments are as open minded with regards to listening to international investors and taking on feedback on how to improve our investment environment," Lord Johnson says. This all feeds into the range of funding processes, packageable opportunities (like freeports), as well as the tax regulations to incentivise investment.

And as more of these top investors come to the UK, this will have a knock-on impact—"a halo effect". Top institutional investors attract top boutique investors which in turn attract top international founders to come base themselves here. For startups from France, there's a huge opportunity to gain access and forge close connections to leading investors that you wouldn't otherwise have proximity to.

Success compounds, too. On the shoulders of the previous generation of

UK entrepreneurs—the likes of Branson and Dyson, for instance—will emerge a new generation of British founders. This will be particularly powerful for emerging industries like AI and quantum, which are still ready to crown eminent thought leaders. Could the next Sam Altman be British?

More than anything, these figures will be the best ambassadors and advocates for bringing international businesses and investors to the UK, speaking far more greatly than any government legislation can. “They will exemplify what the UK is great at.”

The Commercial Department of the British Embassy in Paris provides support to French companies wishing to set up in the UK. Click [here](#) to find out more.

Article écrit par Maddyne, with the British Embassy in Paris