

MAKING  
**BRITAIN**  
GREAT AGAIN

# MAKING **BRITAIN** GREAT AGAIN

THE MICRO FOCUS  
TECHNOLOGY MANIFESTO

CATALYST FOR UK GROWTH, JOBS AND PROSPERITY

**FOLLOWING THE** LONG-TERM DECLINE IN UK MANUFACTURING AND THE RECENT DETERIORATION IN UK FINANCIAL SERVICES, THERE IS A GROWING CHASM OF SUSTAINABLE SECTORS TO RENEW BRITAIN'S PROSPERITY. THE UK URGENTLY NEEDS AN INDUSTRIAL PLAN TO DEVELOP SUSTAINABLE GROWTH, EMPLOYMENT, AND WEALTH FROM INTELLECTUAL PROPERTY (IP)-RICH TECHNOLOGY INDUSTRIES. BRITAIN HAS THE POTENTIAL TO GENERATE A SIGNIFICANTLY LARGER CONTRIBUTION TO GDP FROM THESE INDUSTRIES TO CREATE SUSTAINABLE EMPLOYMENT AND NATIONAL WEALTH.

Alongside a range of experts (including Ernst & Young), Micro Focus has developed a 'Technology Manifesto – Making Br**IT**ain Great Again' which calls on the technology industry to make a much bolder contribution to the UK recovery. 'Making Br**IT**ain Great Again' is a positive campaign to underpin Britain's future in sectors where the nation has heritage, core competence, and sustainable competitive advantage. These sectors are the growth sectors of the future in the global economy.

Currently, the UK has around 1.5 million people working in the technology sector. Micro Focus believes there must be a step-change to grow this number if UK plc is going to compete on the world stage. We need more people with the right skills working in the technology sector. Micro Focus calls for an ambitious target of **250,000 new technology jobs** in the next 10 years, dramatically increasing the growth rate of this sector. This will only be achieved if business, academia and policy-makers work together. The creation of 250,000 UK technology jobs would have a positive 'ripple' effect on other supplier industries, boosting the total employment potential beyond half a million UK jobs<sup>1</sup>.

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<sup>1</sup>Technology Counts – IT & Telecoms Insights 2008, e-skills UK, figures based on Office for National Statistics Labour Force Survey

e-skills definition of technology jobs is ICT Managers, IT Strategy & Planning professionals, Software professionals, IT Operations technicians, IT user support technicians, Database assistants & clerks, Computer engineers, Telecom engineers, Line repairers & Cable jointers, Reproduction of computer media, Telecommunications, Computer hardware consultancy, Computer Software consultancy, Data processing, Database activities, Repair of office computer equipment, Computers IT equipment manufacture, Telegraph telephone equipment manufacture, Radio electronic goods manufacture, Other computer activities.

Technology jobs workforce totals

Q4 2002	1,468,900 jobs
Q4 2008	1,546,800 jobs (increase of 5.3%)

If Q4 2008 workforce were to grow by 16% this would create 247,488 new jobs.

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Today is the launch of the consultative 'Technology Manifesto' and the start of the first phase of the programme. Within the first phase, we will engage broadly with leaders from business, academia and politics. The Technology Manifesto will be developed, refined and modelled to provide firm plans and recommendations by September 2009. The objective is that all the main political party manifestos and resulting policies take account of the recommendations for 'Making Britain Great Again', supported by a strong and vibrant technology industry.

Three areas hold the potential to step-change the technology sector's contribution to UK plc – entrepreneurship; academic connections with industry; and a consistent fiscal framework for growth and prosperity. The goal is to create the environment within which more UK-based technology businesses will flourish.

**To build the global businesses that generate this growth, we recommend five draft directional priorities:**

- 1. Increase the supply of world-class technology talent in the UK**
- 2. Harness the expertise and goodwill of successful leaders around the world to mentor leaders of UK-based emerging technology businesses**
- 3. Radically change the tax incentives available to companies and individuals who want to invest in growing technology businesses in the UK**
- 4. Implement specific fiscal incentives for UK-based tech companies seeking to accelerate world-leading R&D**
- 5. Proactively encourage international technology companies to invest in a UK hub**

## **INTRODUCTION** THE UK HAS A RICH HERITAGE OF INNOVATION AND IP BUSINESSES. THESE BUSINESSES HAVE THE ATTRIBUTES REQUIRED FOR LONG-TERM PROSPERITY – PREMIUM VALUE; SKILLS-BASED BUSINESS MODELS; HIGH BARRIERS TO ENTRY; AND SUSTAINABILITY.

Many of the technology breakthroughs that have revolutionised how we live have been invented in the UK: the genesis of the computer, television and telephone are just three inspirational examples. Today the UK leads the world in fields as diverse as Formula One design and engineering, and mobile semiconductor design. Some of today's outstanding, world-class innovators are of UK origin, such as Sir James Dyson, Sir Tim Berners-Lee and Stephen Wolfram of Harvard. Time and time again we have proved, when it comes to innovation, the UK can create world-leading businesses.

The UK represents the gateway to Europe and to global business expansion with a supportive culture, infrastructure and language. It has historically been the natural choice for European 'beach-heads' for thriving businesses seeking growth – Canon, Intel, Fujitsu and Samsung are just four examples. Many other major technology brands locate their EMEA teams here, even if their headquarters are registered elsewhere.

The UK has core competencies in generating ideas, designing products and starting companies. It is believed that there are more start-up businesses in the 'Cambridge, Oxford and Reading triangle' than anywhere else in the world. But the UK often fails to transfer ideas and companies to the global stage. Alarming, not one UK company is in the worldwide technology Top 10 and only two British companies are in the Top 100. There are over three times as many US technology firms in the comparable US Stock Exchange Indices (US Dow Jones, Standard & Poor

(S&P), Nasdaq) as UK technology firms in the London FTSE.

Many of the companies that have provided key products and technologies to today's global technology giants have been started in the UK: Multimaps (now owned by Microsoft); Symbian (acquired by Nokia) and Staffware (acquired by TIBCO in 2004) are just three examples.

The potential for significant wealth and jobs creation in the UK is under-exploited. This 'call for action' is the start of a positive engagement to change the status quo. Many of the industry sectors which this country has relied on in the past 30 years are, for various reasons, in a weakened position - UK natural energy resources are diminishing; many of our banks are a shadow of three years ago; and much manufacturing has left UK shores for lower cost economies. So where are the new sources of long-term growth; jobs for graduates; ways to 'pay off the debt'; creation of sustainable wealth for Britain?

As sustainable drivers of growth, the IP-rich industries have the potential to fill this chasm. The UK technology industry is an excellent sector from which to start this drive. There are three reasons why we think this deserves focus right now. Firstly, we have proved that we can succeed in this field. Companies such as ARM, Autonomy and Micro Focus are testament to this. Secondly, Britain is the ideal location, with its language and time zone advantages and our wealth of multi-national companies. Thirdly, we have the vision of 'Digital Britain', putting the UK at the

forefront of Europe in terms of next-generation communications. Britain has the infrastructure to build tomorrow's world-leading technology businesses.

This strong platform and heritage is crying out for more overseas technology businesses choosing the UK for their operations alongside a new generation of home-grown, world-class technology companies.

There are four types of IT businesses that require support:

- Early stage start-ups need support to turn themselves into commercially-viable, growing and profitable companies
- Established technology companies need support to help them pursue international growth and achieve their full potential
- Leading IT companies in the UK need support to become true, global players alongside giants such as Google, Microsoft and Oracle
- Global technology companies need encouragement to locate their R&D, service centres and operations in the UK

In this Micro Focus Technology Manifesto we outline directional priorities which we firmly believe all parties should incorporate within their Election Manifestos as part of their plans to regenerate the UK and to help these four categories of business, and the future prosperity of Britain.

**MICRO FOCUS TECHNOLOGY MANIFESTO OBJECTIVE** SIGNIFICANTLY INCREASE THE CONTRIBUTION HOME-GROWN TECHNOLOGY BUSINESSES MAKE TO UK GDP AND CREATE 250,000 NEW JOBS WITHIN THE SECTOR OVER THE NEXT TEN YEARS.

The technology sector, according to UK Trade and Invest, contributed approximately 10% of UK GDP in 2008. Britain has the potential to generate a significantly larger contribution to GDP from IP-rich technology industries to create sustainable employment and national wealth.

Micro Focus is convinced that the UK has the market potential to achieve this uplift in contribution. The UK is the fourth largest market for ICT in the world after the US, Japan and Germany and over £115bn is spent every year by UK government, businesses and consumers.

In the short term, the government could, whilst adhering to EU regulation, further encourage the expansion of UK based technology companies by reviewing the criteria by which it awards its own IT contracts and placing its faith in products and services developed by locally based companies. The UK Government is estimated to invest £16bn on technology in 2009, but recent research found that in 2008 the Government spent less on UK technology companies than in the prior year.

In the UK, industry sources say that a company has to demonstrate a certain level of turnover in order to win a UK government contract, whereas the US Government positively discriminates in favour of smaller, upcoming businesses. This is an area where an immediate contribution to the growth of the UK technology industry could be achieved. Firstly it would ensure that innovative technologies are trialled quickly for the benefit of company, government and citizen alike. Secondly it would create jobs and prosperity locally, which would also create a platform for further, sustainable industry growth going forward.

## FIVE DIRECTIONAL PRIORITIES

### INCREASE THE AVAILABILITY OF WORLD-CLASS TECHNOLOGY TALENT IN THE UK

one

We need more people choosing technology as a career and we need a larger talent pool of executives with experience of the technology sector.

There are many influential voices in the UK rightly concerned about the lack of graduates with technology qualifications available to join the UK workforce. Our data shows that 16,500 more graduates applied for social studies courses than IT courses in 2008, and the number of graduates taking IT-related degrees halved between 2003 and 2008.

We need more graduates choosing IT as a career as one of the foundations of growth. There are many initiatives, notably those of e-Skills and Intellect, which are trying to address this problem, and the Micro Focus Technology Manifesto supports these wholeheartedly. However, it is clear from our discussions that, in the current economic conditions, universities are not investing in the IT courses required to generate the IT graduates needed for industry. Government needs to intervene to ensure the courses that feed industries that can generate future wealth are prioritised. If they don't, there simply will not be the number of IT graduates the UK industry needs. The issue is polarised with the personal debt carried by graduates and the need to find paid employment to start reducing the debt burden.

We also believe there is a more specific, urgent problem that also needs to be addressed and which could dramatically benefit the technology industry in the UK. There are not enough young professionals with the skills and desire to join upcoming technology companies to help them take their businesses onto the global stage. Start-ups generally need a small team of experienced people rather than graduates, but, as they grow, they have a requirement for energetic and enthusiastic people with between two and five years' experience who can, cost-effectively, help them develop their operations. Too often individuals with the right business skills have to be recruited from outside the UK.

We think that that the development of these individuals needs to be accelerated and, to this end, we propose that selected business schools and universities around the UK create and run courses specifically designed to nurture graduates who want to pursue careers with dynamic IT companies. The creation and set-up of these courses would be a joint-venture between Government and industry with the course fees paid by graduates (in some cases with contributions from their employers). We note that the Worshipful Company of Information Technologists (WCIT) has recently announced an IT entrepreneurship programme which illustrates this is an issue and seeks to provide workable solutions.

## HARNESS THE EXPERTISE AND GOODWILL OF TECHNOLOGY LEADERS OF UK ORIGIN AROUND THE WORLD TO COACH LEADERS OF UK-FOUNDED, EMERGING TECHNOLOGY BUSINESSES

two

There are many people who have had successful careers in the global technology industry, who feel passionately that the UK deserves a better platform to develop global technology businesses. Some of these people reside in the UK and many overseas. It is estimated that there are over 20,000 UK citizens working in Silicon Valley alone.

We need to harness the experience and energy of these people all around the world to help the leaders and would-be leaders of these businesses. Many of these individuals know the 'formula of growing successful companies' and are willing to share it. They know how to put in place all the processes required to build a world-class technology business, such as business planning, product development, partner, distribution and sales force management.

To this end we propose three initiatives:

- A tech entrepreneur advice hub based on Web 2.0 technologies that enables entrepreneurs to get advice and contacts from experts all over the world whenever they need.
- A government-sponsored programme to twin proven technology entrepreneurs and technology business leaders with leaders of emerging technology businesses. The newly-launched WCIT mentoring initiative is a good example of this kind of concept in action. Leading business, technology schools and entrepreneurial firms like Ernst & Young could provide the learning forum with content provided by experienced industry leaders.
- Focus Government and industry investment in Silicon Valley study tours to enable leaders to learn about how the world's global IT leaders run their businesses. WebMission ([www.webmission.co.uk](http://www.webmission.co.uk)) is already running tours of this type, sponsored by UK Trade and Investment and numerous IT industry vendors and partners, and we would like to see this type of experience made more widely available.

### RADICALLY CHANGE THE TAX INCENTIVES AVAILABLE TO COMPANIES AND INDIVIDUALS WHO WANT TO INVEST IN GROWING TECHNOLOGY BUSINESSES

# three

Technology can sometimes be a risky sector for investors. For every Autonomy or Micro Focus, there are hundreds of companies that never make it past 1st round funding. In today's turbulent markets investors are fleeing to more secure investments, which is making it harder for technology companies to raise the finances they need to expand. We think this means that there needs to be an urgent review of some of the fiscal incentives available to potential investors. We intend to do further analysis of this area with our partners over the next two months. There are two areas that we believe require close attention.

- Firstly the criteria for involvement in an **Enterprise Investment Scheme (EIS)** could be changed to enable those involved in a business to gain tax relief for their investments. Currently someone can only invest in an EIS if they are not 'connected' with the business. This was put in place to prevent investors using the EIS purely as a tax-sheltering mechanism.

In our view it is those who work closely with the business, such as Directors, Non-Executives, and consultants, who are best qualified to assess the risks involved. Today, the EIS acts as a 'disincentive' to be involved in a company as an investor and any employed role. In fact, experienced entrepreneurs should be encouraged to participate in companies where they risk their capital.

- Secondly, we need to introduce a more generous tax incentive regime for the technology sector to participate in **Corporate Venturing**. This is the scheme whereby a larger company can invest in a smaller company and gain tax relief whilst the smaller company generally gains access to the larger company's expertise and resources so that it can pursue its growth plans more aggressively. We think that a more generous percentage of relief would encourage corporations to make investments sooner than they would otherwise and that this catalyst would bring forward the GDP benefits of such investment.

## IMPLEMENT SPECIFIC FISCAL INCENTIVES FOR UK-FOUNDED TECH COMPANIES SEEKING TO ACCELERATE WORLD- LEADING R&D

### four

Global technology companies prosper because they are able to generate and monetise a regular stream of product and technology innovations. They invest heavily in R&D in order to keep ahead of their competition. As a nation we invest significantly in computer software R&D – only the US, Japan and Israel invest more in absolute terms. However, compared to many other nations, the number of UK patent applications submitted to the European Patent Office has grown at a much slower pace. Also, as a percentage of our computer software market, UK investment in R&D lags behind Australia, Canada and Denmark to name but three. We need to encourage our technology firms to invest more in R&D and protect their innovations better so that they can exploit them fully around the world.

The government has already made some significant strides in increasing the amount and extending the availability of tax breaks but many insiders say that the claims process is unnecessarily complex and the 'red tape' burdensome. Now we need further support to help energise the industry. Specifically we would like to see a much simpler, hassle-free claims process that makes it easier for smaller firms to claim relief. We would also like to see a feasibility study as to whether the small and medium-sized (SMEs) company rate could be extended to companies of all sizes (£100m + turnover) in the technology sector for a minimum period of ten years, EU-state aid rules permitting. These changes would encourage UK technology companies with global ambitions to invest in new patented products and technologies.

## FIVE DIRECTIONAL PRIORITIES

### PROACTIVELY ENCOURAGE INTERNATIONAL TECHNOLOGY COMPANIES TO INVEST IN A UK HUB

five

A growing UK technology sector needs successful local companies, but also inward investment from overseas technology companies. Many multi-national technology companies base their European headquarters offices in the UK, as a result of language, geographic and time zone advantages. However, Micro Focus believes we should increase our efforts to encourage such inward investment to drive further economic growth, jobs and prosperity.

Micro Focus also believes it would help if large and small technology companies, local and foreign, can be located in close proximity. We have seen this strategy executed with great success by countries such as China, India and Israel. We know that the current government also supports this concept as Lord Mandelson was promoting it as far back as 1998. Cambridge already boasts a community of this kind with 1,400 businesses within a 25 mile radius of the city, employing 43,000 people. Likewise 'Silicon Saxony' in Dresden boasts 1,500 firms and employs a similar number of people. It is obvious that we need more of these 'clusters' in the UK.

We need global technology companies to base their R&D, service centres and European operations in these clusters. If this happens then highly-skilled IT personnel stay in the UK rather than move abroad. In many cases, they, in turn, will create new businesses. Moreover the presence of these companies will help create further jobs in ancillary and advisory services such as legal, accounting, marketing and recruitment.

We would like to see a technology cluster strategy put in place whereby, for a set period, the government offers incentives, such as simplified corporation tax reductions, to tech companies of all sizes to locate within designated areas.

## CONCLUSION

We strongly recommend these directional priorities for the consideration of all the UK's political parties.

In the next two months we will be working closely with our advisors to develop these proposals and build and model the economic case for their implementation. We will also be developing and refining the Manifesto with a broad community of industry peers, academics, politicians and influencers.

The implementation of these recommendations, combined with the expertise and drive of UK entrepreneurs, would mean that, in 20 years' time, our children would be able to boast that the UK's technology industry was amongst the top five in the world, the source of high value employment, income, wealth, and national prosperity. We welcome all comments and contributions to this manifesto. Any comments should be sent to [microfocusmanifesto@brands2life.com](mailto:microfocusmanifesto@brands2life.com). The microsite <http://www.makingbritaingreat.co.uk/> is now live and we welcome your blogs which will help shape our future and country's destiny.

It starts today!

Stephen Kelly  
CEO  
Micro Focus

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# MAKING BRITAIN GREAT AGAIN



## Corizon

Founded in 2000 by former BT e-commerce leader Eric Guilloteau, Corizon provides enterprise mash-up solutions to companies such as BT, Homeserve and KPN. The company has 40 employees and is VC-funded.

Eric Guilloteau believes that the best thing the government could do to help businesses of his size is to make it easier for them to win government contracts. "Instead of starting a £150m innovation fund the government should relax the procurement process to award more contracts to smaller companies so that they can trial new, innovative technologies. This is one of the ways in which governments in other countries give startup companies a helping hand."

## Micro Focus

Micro Focus is one of the UK's recent success stories - founded in 1976, and quoted on the London Stock Exchange. Micro Focus has grown in the last three years from 400 to 1200 employees worldwide.

Stephen Kelly, CEO of Micro Focus is concerned that the UK has lost its status as the 'go-to' location in Europe for technology companies. He comments "The UK Government needs to create an environment which encourages companies to invest in technology jobs in Britain. We need to reverse the trend of the last decade which has seen thousands of jobs relocated overseas and part of the answer is supportive tax structures. This Manifesto will flesh out actions that will make the UK the first choice location for technology companies in Europe. Britain has a track record of innovation but we need hundreds of companies to make the transition from bright ideas to fulfilling their potential on the world stage"

## Trinity Mobile

Trinity Mobile was founded in 2003 and provides ticketing solutions via the mobile phone. The company is backed by private investors, has nine staff and is based in Basingstoke, Hants.

Rod McKinty, Managing Director, believes there are two areas where the government could really help start-up tech businesses. "Firstly, it needs to be easier to employ new staff. Hiring staff is risky with all the red-tape now involved. It would be good to see a tax credit for the first six months to incentivise companies to hire them. Secondly, over half our staff are in R&D and it needs to be more attractive to invest in R&D. I would like to see a pound-for-pound spend in tax relief for start-ups like us. Innovative companies need a little more help than they get now."

