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Press release

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New reports highlights barriers holding back UK tech SMEs despite doubling in number over the past decade

- *Insufficient funding, skills gaps, and market access among key challenges limiting growth of UK tech SMEs*
- *Potential for 100,000 new tech SMEs and 700,000 new jobs if barriers are addressed*

LONDON, 28 October 2024: New research from techUK with Beauhurst and Kytemark sheds light on the tech SME ecosystem and the reality of doing business in the UK for tech small and medium-sized enterprises (SMEs).

The report finds there are over 190,000 tech SMEs across the UK employing nearly 700,000 people. This is nearly double the amount ten years ago. Despite these numbers demonstrating the success of tech SMEs in the UK market, interviews with tech SMEs outlined in techUK's report "**UK Tech SMEs: Driving Economic Growth and Innovation**" show smaller tech businesses continue to face significant challenges and barriers to furthering their growth and innovation.

Lack of access to later stage finance, significant digital skills gaps, difficultly in generating sales prospects, particularly in a burdensome public procurement, and regional inequalities, are all preventing tech SMEs from unleashing their full potential to the benefit of the UK economy and society.

Many are closing or relocating to overseas markets. As a result, the UK is losing the economic and social benefits from these companies in the form of jobs, future tax revenues, and the innovations developed.

However, if the Government and organisations can address these challenges, the impact of tech SMEs in the UK will be greatly enhanced. On a macro level, if tech SMEs are able to continue to start and grow just at the same rate as the past ten years, there could be an **extra 100,000 tech SMEs employing close to 1.4 million** people in highly skilled, highly paid jobs. These companies will continue to spearhead technological innovations witnessed over recent years, developing the solutions into areas such as an aging population and the climate crisis.

By improving the data for policy solutions and interventions, and addressing the challenges faced by tech SMEs, namely access to later-stage finance, opening of public and private

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sector markets, and increasing the pool of talent, tech SMEs can unleash their potential and bring substantial gains to the UK economy and society.

Matthew Evans, Director for Markets and COO of techUK, said:
"Tech SMEs have made a substantial contribution to the UK, driving economic growth across the nations and regions and delivering real-time solutions to some of the UK's most challenging issues. However, despite their successes, they continue to face several barriers as they look to scale their business.

"If government can address some of those challenges, they can accelerate growth in the tech SME ecosystem. Support for SMEs to scale is integral to the growth of all sectors across the economy. The innovative technologies SMEs are producing can improve UK productivity and lower barriers to accessing often critical public services for individuals, flowing through to economic growth for the whole of the UK".

Recommendations

techUK has drafted 12 recommendations for government to help support the UK tech SMEs market:

Tracking

- Improving public data leads on UK companies and publish data on a regular basis to improve policy making and interventions for SME support.

Finance and Funding

- Unlocking more investment for SMEs looking to grow by continuing the delivery of Mansion House Reforms, including a range of reforms to private pensions to ensure they are effective as possible in unlocking institutional investment.

- Drive greater diversity into the scale-up ecosystem through targeted initiatives, including the Venture Capital Fellowship programme.

- Restore confidence in the UK's flagship R&D tax relief scheme, prioritising longer-term policy stability, effective administration from HMRC and better support for SMEs.
- Simplifying the process for securing public grants, such as Innovate UK, and exploring options to provide more grant funding and support for the commercialisation of innovative technologies.

Opening more sales opportunities

- Establishing a commercialisation Tech Taskforce comprised of regulators, businesses and Government to identify markets within the UK where tech innovation could drive significant change.

- Establishing the new Technology Procurement Delivery Body (TPDB) that includes Ministers and high-ranking civil servants to improve procurement processes and tackle existing barriers to procurement that levels playing field for SMEs.

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- Engaging with tech SMEs to identify what information and support they need to expand and export internationally to inform how to improve and update government insight and support on expansion across in foreign markets.

Talent

- Delivering the new Growth and Skills Levy and work with the tech sector to create a Digital Skills Toolkit. This will increase digital skills provision across the UK and encourage a more diverse and inclusive tech sector.

- Developing practical ideas to connect to scale-ups to pools of talent, for example by facilitating partnerships with universities, allowing greater certainty over when visas will be granted by the Home Office and connecting SMEs to national and devolved Government skills initiatives.

Accelerating regional ecosystems

- Delivering on the recommendations of the Harrington Review to create a more joined up investment offer with the support of Metro Mayors and Devolved Governments.

- Reviewing different SME support initiatives across the UK's nations and regions to identify how to better facilitate joined up thinking and reflecting on best practice.

-ENDS-

Notes to Editors

About techUK

techUK is the technology trade association that brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve.

With over 1,000 members (the majority of which are SMEs) across the UK, techUK creates a network for innovation and collaboration across business, government and stakeholders to provide a better future for people, society, the economy and the planet.

By providing expertise and insight, we support members, partners and stakeholders as they prepare the UK for what comes next in a constantly changing world.