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# What's holding us back?

Leading figures discuss how to make  
Manchester a world leader in tech.



# Introduction

## Leading figures discuss how to make Manchester a world leader in tech.



By Nikki Scrivener,  
director and co-founder,  
Fourth Day PR

Since I moved to Manchester – about the same time as the BBC moved to MediaCityUK – a huge amount of momentum has built up behind the Manchester tech scene. The Northern Powerhouse has been conceived and KPMG ranked Manchester ahead of many other European cities as the top location for doing business. GP Bullhound has also reported that the North of England more broadly now has 11 tech companies valued at more than \$1 billion.

In this time, I've been to numerous events where discussions have turned to whether companies in the North West are confident enough when it comes to shouting about their successes – particularly when compared to their London or Silicon Valley counterparts.

The impression I get, from talking to some of the region's leading tech entrepreneurs, is that something is holding the city back. Whether that's confidence, culture, finance or skills – we need to take a good, honest look at what those reasons might be.

I've spoken to several leaders in the North West to get their views on what it would take to make Manchester a true world leader in technology. They also share what worries them most about their future growth.

**“Whether it's confidence, culture, finance or skills - we need to take a good, honest look at whether there's anything holding us back.”**

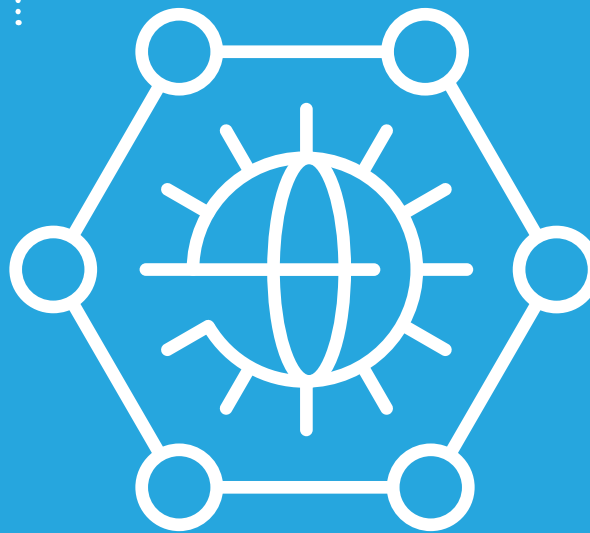
# Embracing failure, celebrating success

Tech, science and engineering –  
what Manchester has given the world

The Computer



Graphene



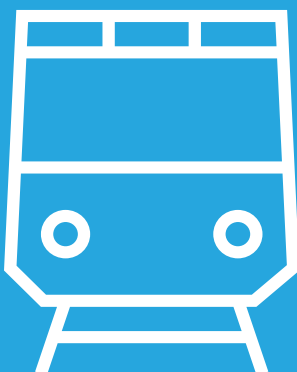
The Turing Test for  
Artificial Intelligence



Britain's  
First Canal



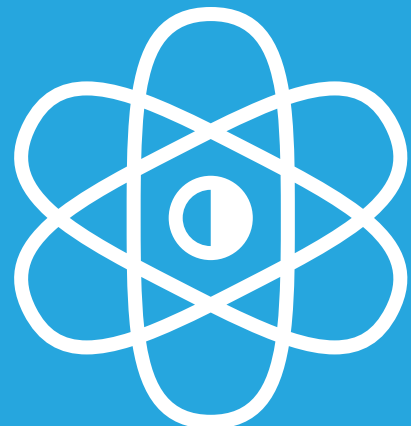
First Passenger  
Railway



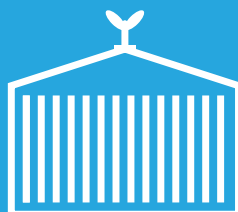
Atomic Theory



Splitting the Atom



Rolls Royce



# The attitude

Manchester doesn't really have a problem with bragging about its brilliance in general terms. It's a 'city of firsts' and the birthplace of industry, renowned for its scientists, engineers, musicians and footballers. **'On the Sixth Day, God created MANchester'** is emblazoned across Affleck's Palace in the city's Northern Quarter. This is a city bursting with pride in its achievements.

But, despite this, why aren't we hearing more from Manchester or North West business leaders about how brilliant their businesses are? And why aren't we seeing tech unicorns emerging right across the region?

"Manchester is quietly inventive", says Rupert Cornford from business psychologists **Carter Corson**. "We just get on with stuff without necessarily shouting about it."

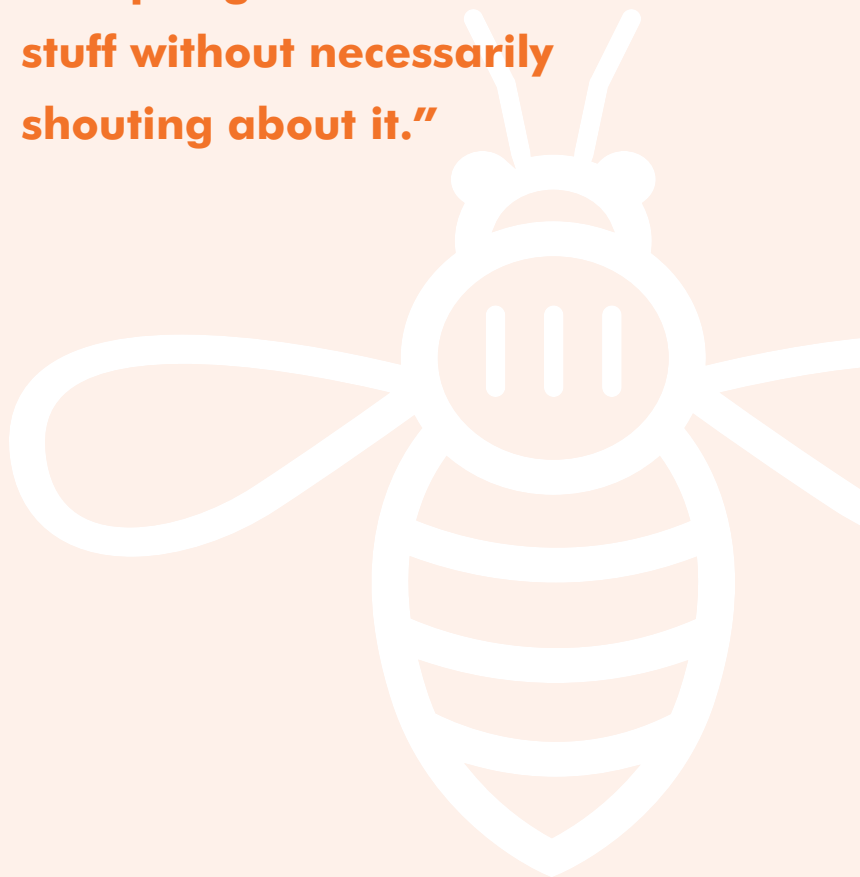
That attitude, symbolised by Manchester's iconic worker bee emblem and immortalised in words through Tony Walsh's *This Is The Place* poem, both capture that 'heads down, keep going' approach.

Paul Billingham, partner at **Knight Corporate Finance** which has offices in the North West and London, agrees: "I think it's the nature of Manchester and Mancunians to be a little more reserved and that is reflected in the lower profile Manchester has as a tech hub", he says.

"In contrast, London has promoted 'Silicon Roundabout' as its tech centre, even though, in reality, London's tech firms are spread right across the city. Berlin is also promoting itself as the leading tech city in Europe, but it's probably no more 'tech-focused' than any other European capital."

**"Manchester is quietly inventive", says Rupert Cornford from business psychologists Carter Corson.**

**"We just get on with stuff without necessarily shouting about it."**



## **“In the US, entrepreneurs are seen as risk takers. And risk takers are celebrated.”**

But are there other things about the Mancunian way that are holding us back? Martin Balaam, CEO of SaaS firm **Pimberly** which has based its headquarters in Manchester city centre, thinks there may be more ingrained differences between the North and the South – primarily in attitudes towards credit. He argues that the higher prices of everything from property to salaries in the South of England mean that entrepreneurs are much more prepared to take on debt to fund a venture or start-up.

Likewise, Rob Booth, CEO of global communications software firm **Invosys** which is also based in Manchester, believes our attitude to failure is very different to our US counterparts. “They don’t see failure of a business as the end of a career; they just see it as an opportunity to learn.”

Daniel Keighron-Foster sold his hosting business Melbourne Server Hosting to Iomart in 2012 and has since launched cloud consultancy **Steamhaus**. He says, “In the US, entrepreneurs are seen as risk takers. And risk takers are celebrated.” He adds that culturally we are a bit more suspicious of entrepreneurs and less likely to celebrate their achievements.

### **Dare to fail**

So, perhaps it’s our attitude towards failure and risk-taking that’s holding us back, a symptom of the stereotypical British reserve rather than just being a Northern issue. “You’re never going to create an amazing company if you’re scared it’s going to fail”, says David Grimes, CEO of **Sorted Group**, a delivery management company with a Manchester HQ but global ambitions.

Martin Balaam goes further, believing you’ve got to be prepared to risk things three or four times over to become a unicorn. “Failure is something to learn from not wallow in,” he adds.

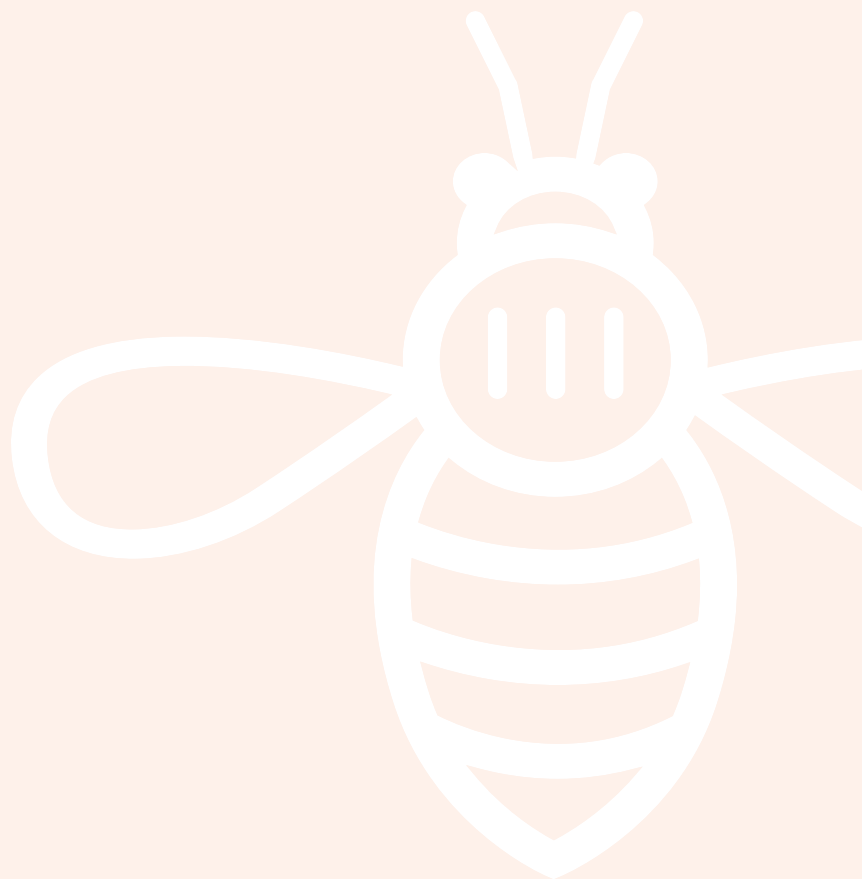
## **“You’re never going to create an amazing company if you’re scared it’s going to fail.”**



Certainly, everyone believes we have a lot to learn from Silicon Valley, hence a recent trade mission from Manchester to San Francisco by a group of North West business leaders. The feeling of Damian Hanson, CEO of CircleLoop, who was part of the delegation, was that US businesses think on a much larger scale from day one.

CircleLoop is a new online phone system aimed at start-ups and small businesses with plans to shake up a tired telecoms industry. The overwhelming impression he took away from Silicon Valley was that of a business community with a sense of collaboration and genuine support – rather than one worrying about how and when a business might fail. “If you’re running a business, you face challenges every day of the week. As Northerners we have a head down mentality which prevents us from sticking our head above the parapet. But what we really need is support from our peers. We should also be passing anything we’ve learnt on to the next generation.”

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# The money

Regardless of how much of a hindrance our attitude to failure is, having access to the finance that gets ideas off the ground is an issue for many Northern tech firms. There are good things happening, with the launch of the Northern Powerhouse fund, the presence of GP Bullhound, as well as the overall investment in Northern tech companies hitting a 10 year high – with £326.9m invested in 2016 according to the first Tech North Investment Index report. But many say that money is still relatively hard to come by.

“There is some good start-up funding available in the North but it’s easier to get funding down South”, says David Grimes. “Tech companies have a high burn rate and need serious investment to scale. So, we need to be talking about bigger numbers than some of the start-up capital that’s on offer here.”

Daniel Keighron-Foster agrees with this. He suggests that many investors here simply don’t understand the levels of investment needed for tech businesses. But he believes that tech entrepreneurs can be equally naïve. “They often start their businesses wanting to change the world but end up selling their soul to get their businesses off the ground, because they’ve underestimated what it’s going to take”.

Pimberly’s Martin Balaam thinks it’s more a question of volume in the South versus the North: “You can meet 50 funds within a few days in London, something that would be impossible to do anywhere else in the UK. US funds also have a very limited grasp of British geography so most foreign funds just automatically head to London.”

**“We need to be talking about bigger numbers than some of the start-up capital that’s on offer here.”**



## **“Historically there haven’t been funds specifically focused on tech companies in the region**

### **More funding afoot**

Things seem to be improving, with the launch of the Northern Powerhouse Fund by Maven, the Greater Manchester Investment Fund managed by Manchester City Council, and other regional funds springing up. “Historically there haven’t been funds specifically focused on tech companies in the region and currently none that can compete or have the same nature of ambition of funding as US funds”, says Paul Billingham. But this is set to change. Paul is himself involved in fund:tmt — a new joint venture between Knight Corporate Finance and Spark Impact – which will offer investments of between £0.5m - £2m.

Damian Hanson agrees that things are improving. His first business, Oneiota – now owned by Sanderson Group – struggled with funding: “I still don’t think money’s easy to come by but it’s a million times better than it was when I was first looking. Initiatives like the Northern Powerhouse Fund are promising, but it will be interesting to see how they guarantee they’re getting the money into the right hands.”

Hanson also argues that the initiative should incorporate a 10% ‘punt’ fund, or a small percentage dedicated to higher risk investments. “It’s something that investors aren’t afraid to do in the US in the hope they’ll find the next Snapchat”.

But Rob Booth thinks that a lack of available finance can sometimes be used as an excuse to mask a bigger problem – essentially that there’s a lack of genuine innovation to warrant the funding: “There’s an illusion that there’s no money around but that’s simply not the case”, he says.

He claims some start-ups confuse doing something with doing something useful and that too much money has been invested in merely ‘reasonable’ ideas – meaning investors can be more risk averse if they haven’t seen good returns in the past.

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# Knowing when to sell

Are confidence and finance linked when it comes to companies selling out? Some argue that North West entrepreneurs sell too quickly which inevitably holds the region back from building tech companies that can compete on the global stage.

There seems to be two camps in this argument: those that have an exit in sight and those that don't. But, in reality, things aren't always as clear cut. Rob Booth is testament to that. When he started Invosys with one of his best friends he envisaged retiring by 35, but when the offer came they turned it down.

"What I wanted changed over time. We received an amazing offer in 2015. I could have sold and never worked again. But I knew that I'd be surplus to requirements and I just didn't want to let it go."

We need to see more of this if the sector is to really flourish. There's an understandable temptation to sell when the going's good, but sticking it out for longer term growth means we'll move beyond being seen as a city of start-ups.

At Knight Corporate Finance, Paul Billingham works closely with businesses in the tech, telecoms and media sector and believes that exit planning is changing for the better. "Business

owners are now looking at the long game and there are a number of tech businesses in Manchester that could very easily sell but are instead trying to build \$bn valuations. The main challenge is that US valuations are typically driven by revenue and based on longer term forecasts, and so if an offer comes in that rewards shareholders today for future delivery, then it is always tempting to sell."

**"If an offer comes in that rewards shareholders today for future delivery, then it is always tempting to sell."**



But some feel it's the fear factor and our risk averse attitude at play again, with Martin Balaam arguing that the bird in the hand mentality is more prevalent in the North – business owners may jump to accept a reasonable offer for fear of failing in the future. Or, as he puts it: “Basically, they feel like they’ve worked bloody hard and want out.”

David Grimes at Sorted thinks there also may be a realisation from CEOs that they’ve taken the business as far as they can and don’t have the skills or bottle to scale it to the next level.

Daniel Keighron-Foster, who set up his first business at 18 and sold it for £7 million agrees, but doesn’t necessarily see this as wholly negative. “I don’t think there’s anything wrong with not wanting to take on more pressure, or not being driven by accruing more wealth. For me it was a simple case of gaining more perspective in my life. That’s why I sold.”

Continuing to develop the skills of our business leaders is essential though, and everyone agrees that mentors are crucial whatever stage you’re at. “You need new perspectives as well as new skills”, says Keighron-Foster. “This inability to open up and share is one of the reasons why so many entrepreneurs suffer with depression.”

This makes initiatives such as the newly launched **Tech Manchester** even more timely and compelling as a way of helping business leaders to scale up. Its vision is ‘to digitally and physically connect tech stakeholders across Manchester, accelerating digital businesses, driving growth and raising Manchester’s profile as a world-class tech hub’.

**“This inability to open up and share is one of the reasons why so many entrepreneurs suffer with depression.”**



# Skills

Manchester isn't alone in suffering from a technical skills shortage, and finding and keeping the right people produces a universal groan across the length and breadth of the UK.

According to the most recent results of **Manchester Digital's annual digital skills audit**, developer roles were the most difficult to fill in the region for the fourth year in succession, with one in three companies saying they had struggled to fill these roles. 51% of Manchester Digital's respondents also said they'd had to inflate salaries to compete, compared to 44% in 2016.

Recruitment, in fact, could be the biggest stumbling block to growth with companies bending over backwards to lure staff, not just from elsewhere in the UK but from their neighbouring businesses.

"With everyone from exciting tech start-ups to established media companies competing for the same people, it's an employees' market," agrees Rob Booth. "Whether you're hiring local talent or bringing people in from overseas you need to make sure that there's something unique that keeps them."

It's true that today's employers need to offer something special to find and retain the best people. The working environment has also become key with some companies feeling compelled to move into the city centre from

the surrounding regions to entice staff. From elaborate office fit-outs to extended holidays, numerous team building initiatives and shared equity schemes – every tech job spec screams 'we're trying very hard to make this the best possible place to work'.

Martin Balaam, who has previously worked in the US thinks it's the right approach. While San Francisco has been accused of being all style over substance he argues that if you're trying to attract talent then you've got to exude confidence. "You've got to make people look and take notice," he says.

Millennials in particular don't necessarily see money as the be all and end all. Environment, location, work/life balance, ethics and feeling valued are all equally important. "Staff want to feel like they're on the journey with you," adds Keighron-Foster who offered equity to all founding employees when Steamhaus launched.

**"Staff want to feel like they're on the journey with you."**

**“There’s a critical mass of companies, big and small, that are creating an incredible energy around digital in the city.”**

### New avenues for recruitment

Creating the best possible environment is one tactic but perhaps companies are also looking in the wrong place. The Manchester Digital study found that the gender gap in the North’s digital technology sector is widening. The male to female split in technical roles is 88:12, up from 70:30 last year. More than half of the businesses surveyed by Manchester Digital said their tech teams were all male.

Surely Manchester, birthplace of Emmeline Pankhurst, can’t sit back and settle for this?

There are plenty of initiatives out there encouraging women to enter the STEM industries. Why not make Manchester the female tech capital of Europe – let’s train and employ more women in the industry than any other city.

I’m also acutely aware that there are no female voices in this piece. The issue probably warrants an entire study in its own right.

There may also be an unconscious habit of recruiting white, male graduates. But some blue chips are already running first-rate apprenticeships, alongside funded degree courses – opening up opportunities to a much broader representation of society.

### How our city can help

Manchester has a student population to rival anywhere in Europe, but we’re still struggling to retain enough talent post-graduation. The city itself has a part to play in changing this. The gap in rent for young people living in London compared to Manchester continues to widen and there is a huge opportunity to publicise this more. Couple that with investments in property, the arts, the media industry and even – fingers crossed – transport and infrastructure, and this becomes a very exciting and attractive place to live.

With the creation of the Metro Mayor role we now have a high profile spokesperson in Andy Burnham to push these messages. Burnham also claims to be committed to the region’s digital vision, going on record to say: “There’s a critical mass of companies, big and small, that are creating an incredible energy around digital in the city. We have to capitalise on that with a policy agenda focused on boosting the skills and infrastructure to support the development of a world-leading digital sector.”

# Case study:

## Renaissance of the North West gaming sector

Our graduates could well provide the answer according to Stig Strand, head of recruitment teams at **Amicus**, a consultancy that specialises in the gaming industry – a sector, which by **Nesta's** last reckoning, was worth £1.7bn to the UK economy.

"The North West games development community continues to grow, with more and more independent developers popping up in Salford Quays. This can only be a good thing for the area, which really suffered in 2005. We saw the closure of EA, Warrington, Runecraft in Leeds and Bizarre Creations in Liverpool all because of the impending recession and certain products not achieving the predicted critical success.

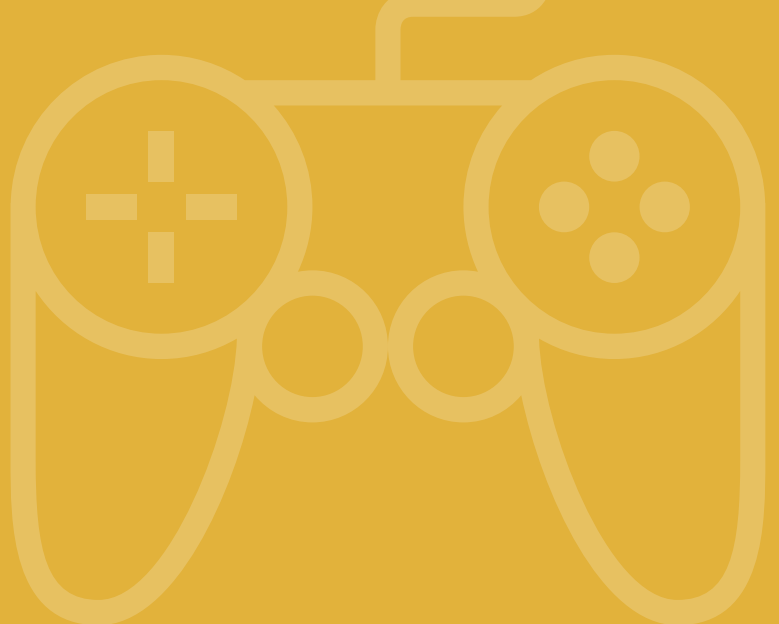
This led to a number of talented and very experienced games developers relocating overseas or to other hotbeds for games development, such as Guildford and Leamington.

Since then the North West has slowly started to recover but we don't have the talent in numbers that we used to. Local companies are finding it hard to convince senior talent to relocate to Manchester because of the higher salaries on offer in the capital.

Companies are having to match those salaries here, as well as providing working environments that offer the same as studios situated outside of the North West.

The issue is being tackled by securing as many graduates from local universities as possible. Partnerships between the academic and commercial worlds and a real desire to nurture young talent is helping to bridge the gap. So hopefully, the tide has turned."

**"Companies are having to match salaries, as well as providing working environments that offer the same as studios situated outside of the North West."**



# Conclusion

Manchester and the North West are buzzing with talent and opportunity. There's a real sense that things are changing, with confidence levels higher than ever before and more money flooding into the region.

There may not be one singularly identifiable issue holding us back from becoming a world leader in tech, but there are cultural and practical factors that we need to tackle together.

Our initial observation, that business leaders don't brag about their companies as much as they should, could have its roots in a cultural 'heads down' approach to doing business, and historically a more risk averse attitude towards debt. A need for constant collaboration and mentoring can help to build this confidence, and eliminate a tentative, sometimes fearful attitude towards failure.

Money is there if we have the right ideas and the right strategies for growth. And the more secure business leaders feel financially, the more likely they are to hold their nerve and extend their vision towards longer-term growth, opposed to a short-term return.

As for building a highly skilled workforce, this also requires collaboration across the board. Businesses, universities and the Greater Manchester local authorities all need to work together to keep people here but they also need to be a collective voice for bringing people into the region.

Ultimately, it's up to us all to brag about what a fantastic place this is to live and work but I'll leave the final word to Tony Walsh, aka Longfella, because he says it best:

**“That Mancunian way to survive and to thrive and to work and to build, to connect, and create and Greater Manchester's greatness is keeping it great.”**





We asked some of our contributors for one piece of advice for tech entrepreneurs. Here's what they had to say:

**"Get a mentor and surround yourself with a support network. Protect against your own self-doubt because it will come, no matter how confident you are. If you're prepared to show weakness and vulnerability, people will help"** – Daniel Keighron-Foster, Steamhaus



**"Work hard but have fun with it – it's important you enjoy what you're doing"** – Damian Hanson, CircleLoop

**"Never underestimate the value of good sales and marketing. We see lots of companies with great technology, but it's the ones who understand the importance of sales execution and delivery that will be most successful."** – Paul Billingham, Knight Corporate Finance



**"Fundamentally it has to be, and continue to be, an awesome product. If it's not then it won't sell, no matter how much marketing money you throw at it."** – Martin Balaam, Pimberly

**"You have to be able to bounce off somebody with ideas and decisions. It's a lot more fun, exciting and rewarding if you can create and grow something alongside your mate!"** – Rob Booth, Invosys



**"Think about sustainability and what you want to achieve, and understand that might not happen too quickly. We have a culture of get big quick but growth can be too quick; sustaining it is the challenge."** – Rupert Cornford, Cater Corson

**"Don't worry about cost. Investing in talent at the right time can save you thousands in the long term. If you set yourself up with the right leaders in the right areas of the business then getting off the ground and hiring future talent should be straightforward."** – Stig Strand, Amiquis



**"Raise more money than you think you'll need!"**  
– David Grimes, Sorted Group



# Thank you

With huge thanks to everyone who contributed:

**Daniel Keighron-Foster**

CEO of Steamhaus

**David Grimes**

CEO of Sorted Group

**Damian Hansom**

CEO of CircleLoop

**Martin Balaam**

CEO of Pimberly and Jigsaw24

**Rob Booth**

CEO of Invosys

**Paul Billingham**

partner at Knight Corporate Finance

**Stig Strand**

head of recruitment teams  
at Amicus Recruitment

**Rupert Cornford**

Carter Corson

