

# Take away the hurdles that slow down our innovators

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George Osborne visits tech firm Unruly Media

## As the economy shows signs of improvement, the government should do more to help those leading the revival, says Hiscox's Steve Langan

HALF rather than full steam ahead may be the best way to describe the health of Britain's economy, but there is little doubt that we are finally making progress, with annual GDP growth now a respectable 1.5%.

The buoyant post-Olympics mood of 2012 is returning, helped by the early summer heatwave and a series of sporting successes. Consumers are spending a little more money and businesses are growing in confidence.

Britain's technology firms are playing their part, with clever thinking and execution underpinning the renewal of our vital financial services and retail sectors, as well as driving the efficiency and effectiveness of our manufacturers and business services.

We are only now getting to grips with the scale of their contribution to the economy. A recent study by the National Institute of Economic and Social

Research suggests that official statistics have underestimated the number of tech firms by some 40%, arguing that there are now at least 270,000 such companies.

This is a positive discovery, and one to capitalise on. Here, the government needs to raise its game. In last year's Tech Track 100, I challenged ministers to take positive, practical action, and I am pleased to see that some progress has been made.

For example, last year chancellor George Osborne was backing the idea of new stock market listing rules to enable more technology companies to tap the public markets for expansion capital.

The changes were launched by the London Stock Exchange in April at the offices of Unruly Media, a viral video firm ranked 10th in last year's Tech Track 100.

The government should now focus on providing an even more supportive

platform to help tech firms to grow — including tackling skills shortages through education policies such as the study of computer science within the national curriculum.

Our recent survey of 3,000 small companies — entitled "DNA of an entrepreneur" — found that such constructive support from government is a crucial factor in how entrepreneurs perceive their chances of success. Lower direct taxation, less bureaucracy and more help accessing finance were all top of their agenda.

But there is a limit to what government can do. It is the individual efforts of companies such as those appearing in this year's league table that make the real difference.

Many are disrupting traditional industry models. For instance, more than a fifth serve the expanding global digital advertising industry.



If you work in London you may have seen our distinctive billboard advertising campaign. Yet Hiscox now spends two-thirds of its marketing budget online, and we are not alone.

The growth of companies such as MVF (No 1), Infectious Media (No 17) and TBG (No 36) reflect this trend. They help advertisers to engage customers online in ways that are more relevant to a new generation of consumers.

While opportunities abound, hurdles and risks also exist. We have seen tech firms being hit with an increasing number of legal claims. One recent example involved a British IT consultancy, insured by Hiscox, that was hired by a big American business to develop and implement a new IT platform.

The consultancy agreed a contract for its client based on a project milestone principle, with work to be completed in stages before work on subsequent phases would be commissioned.

As the IT consultancy approached one milestone and the trigger for a large fee payment, the client unexpectedly pulled the plug, sending a termination letter and starting legal proceedings.

The client alleged that numerous bugs and defects in the consultancy's work amounted to a breach of contract

and a loss of confidence in its work, claiming \$18.5m (£12m) in damages.

We believed the IT consultancy was not at fault and that any issues were normal for a project of this nature. The claim simply appeared to be an attempt to avoid paying outstanding fees.

The IT consultancy issued a counter-claim and we worked with both parties to resolve the situation.

After mediation, there was still a gap between the amounts both sides were willing to accept, so Hiscox paid the difference owed to the IT consultancy, as well as the legal costs. This helped the company end the relationship with its client without suffering significant financial loss.

These types of breach of contract claims, from our data alone, accounted for 62% of all technology claims in 2012 — giving some idea of the scale of the problem and the risks tech firms face.

We think the surge in claims is a legacy of the recession, as they take time to come to fruition, but even with the welcome return of growth to the economy, such tactics will remain a feature of life for tech firms working for clients here or overseas.

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