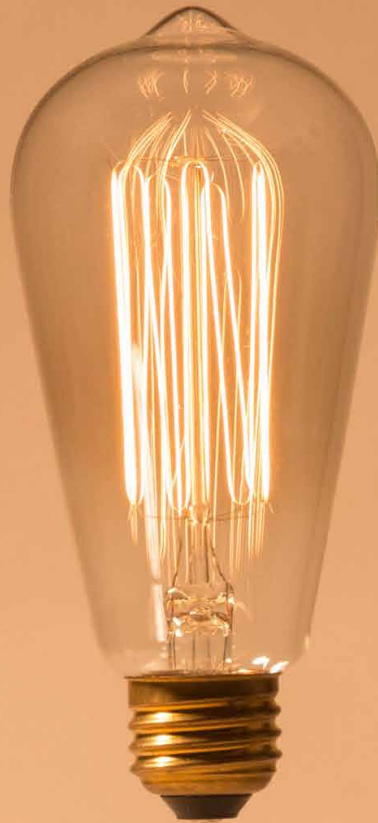


Job Creators

The Immigrant Founders of Britain's Fastest Growing Businesses

SAM DUMITRIU & AMELIA STEWART



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“The data in this report makes a powerful case for keeping Britain open to international talent.”

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14%

OF UK RESIDENTS ARE
FOREIGN-BORN

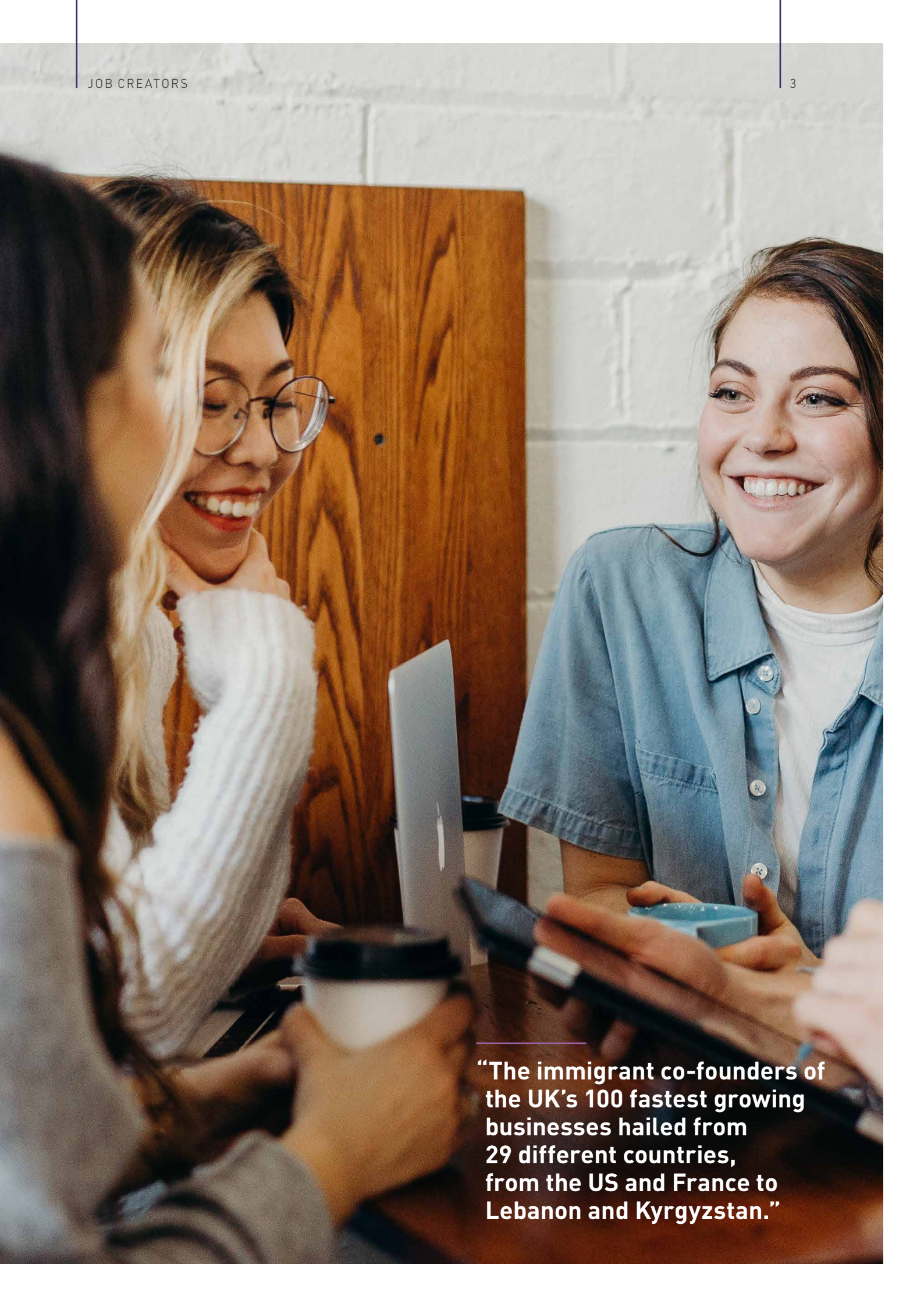
49%

OF THE UK'S FASTEST-GROWING
BUSINESSES HAVE AT LEAST
ONE FOREIGN-BORN
CO-FOUNDER

EXECUTIVE SUMMARY

While just 14% of UK residents are foreign-born, 49% of the UK's fastest-growing businesses have at least one foreign-born co-founder.

- This finding is based on an analysis of SyndicateRoom's Top 100 list, which uses Beauhurst data to identify the 100 startups, scale-ups and fast-growing companies that have seen the largest increase in value over the last three years.
- The Top 100 list includes 7 unicorns (startups with a valuation of \$1bn or more), of which 5 have at least one immigrant co-founder, including Monzo and Deliveroo.
- More broadly, 9 of the UK's 14 startup unicorns have at least one immigrant co-founder, including TransferWise and OakNorth.
- Two of the UK's largest recent IPOs were Just Eat (founded by five Danish entrepreneurs) and Farfetch (founded by Portuguese-born entrepreneur Jose Neves).
- The immigrant co-founders of the UK's 100 fastest growing businesses hailed from 29 different countries, from the US and France to Lebanon and Kyrgyzstan.
- While 38% of the UK's foreign-born population was born in an EU country, 42% of the immigrant co-founders of Britain's fastest growing companies are EU-born. The figure rises to 47% if you include non-EU countries with free movement such as Norway and Switzerland.
- The fast-growing companies co-founded by immigrants in the Top 100 have attracted a combined £3.7bn in investment.
- To retain the UK's status as a leading destination for entrepreneurial talent, the government should:
 - Reinstating the Tier 1 Post-Study Work Visa to allow international students to work in the UK up to two years after graduation before moving on to another visa.
 - Reforming the Tier 1 Investor Visa by lowering the minimum qualifying investment threshold for investment in UK startups, scale-ups, and venture capital funds.
 - Ensuring that the Start Up and Innovator visas are successfully implemented.



“The immigrant co-founders of the UK’s 100 fastest growing businesses hailed from 29 different countries, from the US and France to Lebanon and Kyrgyzstan.”

FOREWORDS



SUKHPAL SINGH AHLUWALIA
Chairman, Dominvs Group
Founder of The Ahluwalia
Family Foundation

Sukhpal Singh Ahluwalia is Founder and Chairman of Dominvs Group, a family-owned real estate, hospitality, aviation and investment company with more than £750 million under management, including a portfolio of hotels across the UK. He is also Founder of the Ahluwalia Family Foundation and Chairman of the Advisory Board of VAR Capital.

Sukhpal previously founded Euro Car Parts. He established the company in 1978 from a single site in Willesden, London, and grew it into the largest distributor of car parts in Europe operating from more than 300 sites across the UK and employing more than 12,000 people. Sukhpal sold the company to LKQ Corporation in October 2011, and went on to serve on LKQ's global Board and serve as Executive Chairman of its businesses in UK, Ireland, and India.

Born in Uganda, Sukhpal came to Britain at the age of 13 as a refugee with his mother, father and two brothers in 1972 after escaping the regime of Idi Amin. Along with his family, Sukhpal spent the first year in the UK in a refugee camp.

Immigration is critical to the success of the UK. We attract many of the brightest, most innovative and entrepreneurial people from around the world. And right now, there is a real need for in-depth and evidence-led research to make people listen to the positive case.

I say this because I am an immigrant. I came to Britain as a refugee with my family at the age of thirteen in 1972, fleeing the brutal regime of Idi Amin in Uganda. Britain gave us sanctuary when many others would not, and I continue to be thankful every day for the welcome and opportunities this country has given me and my family.

Immigrants have an innate desire to better their lives through business and enterprise, not just for themselves, but for their families, communities and adoptive countries. As a youngster, I saw it in the London markets in the 1970s, and four decades later, I'm still seeing it today.

But why, when it's so risky? Because, while starting a business can be hard, it pales in comparison to the risks immigrants take moving thousands of miles to a different country and culture. It's that life experience, tenacity and bravery which gives immigrants the courage to go it alone in business.

The fact that ambitious, talented immigrants aspire to come to the UK to start a business should be no surprise. I truly believe that Britain is unlike anywhere else in the world. It has a stable political system, the best universities on the planet, and remains one of the top places to live, work and found a business.

It attracts the best and brightest employees and entrepreneurs because, compared to so many other nations,

Britain is an open, tolerant, modern country; a land where you can make your own opportunities and live a happy, safe and prosperous life. This is something we should all be proud of.

One of the things I was struck by, in this research, was many how immigrants have gone on not only to start retail and manufacturing businesses but also to found high-tech startups, from AI to fintech. We all benefit from the contribution these businesses make – socially, culturally, and economically in the amount of jobs created and taxes paid – and after Brexit, we will need them even more.

Many people still recognise me from founding Euro Car Parts, but like so many other immigrants I cannot stand still, and today I run Dominvs Group. We are truly a family-run real estate, hotel and hospitality business. But it's the thousands of people – our teams – who make my businesses successful.

I've worked with and employed people from all over the world. Hard working, ambitious and driven individuals have been integral to our success, and many of them have been immigrants. I know how much effort immigrants put in, how much determination they have, and how desperately they want to succeed.

This report boldly presents the positive case for immigration, and I hope it presents a solid foundation for an evidence-led debate on immigration for years to come.



JO JOHNSON
MP for Orpington

Jo Johnson is the MP for Orpington. Until November 2018, he was Minister for Transport and Minister for London. He has also served as Director of the Number 10 Policy Unit and Minister for Universities, Science, Research, and Innovation.

Building a global Britain means embracing talent and innovation from across the world.

For Britain to remain at the economic top table, we need to embrace the gifted students and buzzing young entrepreneurs who wish to contribute to the UK's economic success.

As this report highlights, while just 14% of UK residents are foreign-born, 49% of the UK's fastest growing businesses have at least one foreign-born co-founder.

I am proud of the positive impact immigrants have had on our economy.

Without them, we would not be the dynamic nation of manufacturers, of exporters, of app designers, of innovators, of disruptors that we are today.

While successive governments have acknowledged public concern about levels of immigration, they have failed to make the positive, evidence-based case for embracing foreign-born talent.

This includes failing to fully implement Start Up and Innovator Visas and excessive restrictions on talent from outside of the EU.

In the universities sector, for example, initially well-meaning measures to target exploitation of the post-study work visa have ended up being heavy-handed.

The wholesale removal in 2012 of the right of non-EEA students to live and work in the UK for 2 years after completing their studies was in retrospect a mistake.

This regulation has had a detrimental effect on the UK's competitiveness in the global higher education market and has a particularly damaging effect on graduate entrepreneurs.

With international students facing high salary thresholds to stay in the UK (£20,800 through a Tier 2 General Visa), those looking to found their own business or contribute to other startups are severely hindered.

It is senseless to deny graduate entrepreneurs the chance to set up their business and invest their talents and energy in the country in which they have studied.

I am proud to be working with parliamentary colleagues, with the active support of Home Secretary Sajid Javid, to reintroduce the post-study work visa and to take students out of any future cap on net migration.

By making the positive, evidence-based case for immigrant job creators, the UK can have an informed and economically beneficial immigration policy fit for the future.

Deliveroo and Monzo, which have shaken up the food delivery and banking sectors, are good examples of companies with at least one immigrant founder providing businesses and services from which we all benefit.

A global Britain embraces the aspirational values of international talent.

This report, which sets out measured, reasonable and workable ways to harness it, deserves to be carefully considered as Britain develops its future relationship with the world.

INTRODUCTION

When voters are asked to list the top three most important issues facing Britain, immigration is a constant fixture.¹ Britain's impending exit from the European Union may have pushed it off the top spot recently, but the two issues are closely linked.

A one-sided debate

Too often the immigration debate is negative and one-sided. Analysis by the Migration Observatory at Oxford University found that 69% of articles mentioning EU immigration were negative, only discussing problems associated with migration.² Another study looking at newspaper coverage found that “most common portrayals cast immigrants and asylum seekers in a very negative light”.³ Negative coverage can lead to inaccurate public perceptions. For instance, when words such as ‘flood’, ‘wave’, ‘flock’ and ‘influx’ are used to describe immigration⁴ is it any surprise the public hugely overestimates the proportion of immigrants in the UK? The average guess is 24% while the real number is around half that.⁵

In the years since the EU Referendum, public perception of the economic and cultural effects of immigration has improved.⁶ It's hard to know for sure why, though we can rule out the idea that an expectation of new restrictions shifted views as polling shows similar improvements whether or not someone expects immigration to fall significantly.⁷

One thing we do know is that when voters are told about the benefits, and not just the costs, of immigration, opinions do shift. A recent study found that when a large, representative sample of the US population were presented research evidence showing that immigration doesn't lead to lower wages or fewer jobs for native workers, they were more likely to support allowing more immigration and this effect lasted when the researchers followed up weeks later.⁸ Another study with over 19,000 participants found that when individuals were merely presented with accurate information about the

number of immigrants in the country, they become more willing to donate to a pro-immigrant charity.⁹ It should be noted that polling by IpsosMori finds that opposition to immigration is primarily driven by economic concerns.¹⁰

Entrepreneurs increasingly cite a lack of access to talent as a key barrier to growth. It is essential then to provide an accurate picture of the contribution immigrants make to economic life in the UK. Many immigrants have either co-founded or been key members of staff for the fast-growing new businesses that have created jobs, disrupted markets, and benefited consumers by providing cheaper and better goods and services.

Natural entrepreneurs?

It could be argued that immigrants are natural entrepreneurs. The act of migration itself shows both grit and a willingness to take risks. As outsiders, immigrants are less liable to fall prey to status quo bias and better able to spot opportunities for doing things differently.

Entrepreneurship researchers Peter Vandor and Nikolaus Franke argue that exposure to different cultures stimulates entrepreneurial creativity. They cite the example of Red Bull founder Dietrich Mateschitz, who returned to Germany from Thailand after noticing an energy drink, Krating Daeng, was popular with truck drivers and would make a perfect fit for Germany's growing clubbing scene. Vandor and Franke's research found that students were better able to identify profitable opportunities (as judged by VCs) after a semester abroad.¹¹

1 *Top Issues Tracker*, YouGov.

2 Allen, W. L. (2016). “A decade of immigration in the British press.” Migration Observatory.

3 Blinder, S., & Allen, W. L. (2016). Constructing immigrants: Portrayals of migrant groups in British national newspapers, 2010–2012. *International Migration Review*, 50(1), 3–40.

4 *Ibid.*

5 Skinner, G., Stannard, J. and Self, O.L. *The Perils of Perception 2018*, Ipsos Mori.

6 Ford, R. (2018) *How have attitudes to immigration changed since Brexit?*, Medium.

7 Ford, R. (2018) *Taking back control?*, Medium.

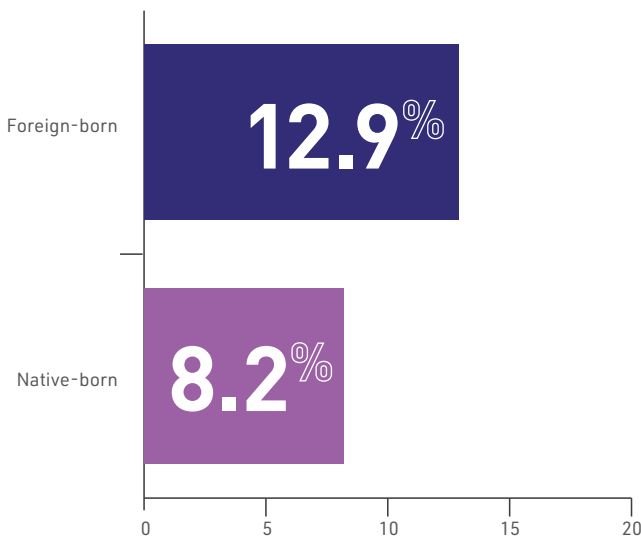
8 Haaland, I., & Roth, C. (2017). Labor market concerns and support for immigration.

9 Grigorieff, A., Roth, C., & Ubfal, D. (2018). Does information change attitudes towards immigrants? Representative Evidence from Survey Experiments.

10 Duffy, B and Frere-Smith, T. (2014) *Perceptions and Reality: Public attitudes to immigration.*, Ipsos MORI: Social Research Institute.

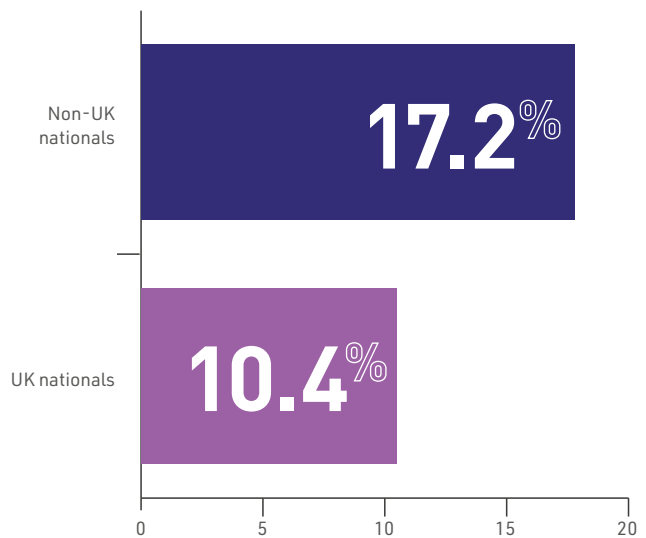
11 Vandor, P. and Franke, N. (2016) “Why Are Immigrants More Entrepreneurial?” *Harvard Business Review*.

PERCENTAGE ENGAGED IN TOTAL EARLY-STAGE ENTREPRENEURSHIP



Source: Global Entrepreneurship Monitor

PERCENTAGE THAT START OWN COMPANIES



Source: Centre for Entrepreneurs

“Many immigrants have either co-founded or been key members of staff for the fast-growing new businesses that have created jobs, disrupted markets, and benefited consumers by providing cheaper and better goods and services.”

Research from Aston University, using the Global Entrepreneurship Monitor (GEM), found that immigrants are significantly more likely to be involved in early-stage entrepreneurial activity (TEA) than natives. In 2017, 12.9% of the UK's foreign-born population were early-stage entrepreneurs compared with 8.2% of the native-born population.¹²

Earlier research from the Centre for Entrepreneurs (CfE), using data from DueDil and Companies House found that 17.2% of non-UK nationals living in the UK start their own company, compared to 10.4% of UK nationals.¹³

Taken at face value, the data is convincing. However, caveats should be made. Entrepreneurship researchers distinguish

between ‘necessity’ and ‘opportunity’ entrepreneurship. Necessity entrepreneurs are pushed into entrepreneurship when job market opportunities dry up, while opportunity entrepreneurs are motivated to become entrepreneurs when they spot profitable opportunities.

High entrepreneurship rates may be driven by less than desirable factors. Immigrants may be more likely to set up businesses when they face discrimination by employers. For instance, non-white Britons are nearly twice as likely to be engaged in early-stage entrepreneurial activity than white Britons (14.5% vs 7.9%).¹⁴ However, GEM data suggests necessity entrepreneurship is a relatively small factor overall: 7.9% of the general population self-identify as opportunity entrepreneurs, while only 1.1% are necessity entrepreneurs.

In recent years, there has been a shift in focus by policymakers from startups to scale-ups. While boosting the overall amount of early-stage activity is still important, there is a growing recognition that high-growth VC-backed businesses can have an outsized impact on jobs, productivity, and innovation.¹⁵ Research from the innovation charity Nesta found that between 1998-2007, startups made a negligible (in fact, mildly negative) impact to total productivity in the UK. The researchers argue that policymakers should prioritise “supporting high-impact entrepreneurship” instead of “increasing the overall number of entrepreneurs”.¹⁶


12 Hart, M., Bonner, K., Levie, J., & Heery, L. (2018) *GEM United Kingdom 2017 Report*.

13 *Migrant Entrepreneurs: Building Our Businesses, Creating Our Jobs*, Centre for Entrepreneurs and DueDil.

14 Hart, M., Bonner, K., Levie, J., & Heery, L. (2018) *GEM United Kingdom 2017 Report*.

15 *Annual ScaleUp Review 2018*, The ScaleUp Institute.

16 Westlake, S. and Bravo-Biosca, A. (2014) *The Other Productivity Puzzle: Business dynamism and productivity growth before the crisis*, Nesta.



“Working in the NHS and now Cydar is proof to me that immigration is good for this country.”

CASE STUDY: CYDAR

Cydar’s founder Tom Carrell came to the UK from New Zealand to study medicine. He worked in the NHS for over 20 years, becoming a consultant surgeon. In 2014, he set up Cydar with his co-founder Graeme Penney to improve patient outcomes. Cydar augments image-guided surgery using computer vision, AI, and cloud computing.

Cydar employs 30 people, has a strong R&D team, and is helping patients in the UK, US, France, Germany and Spain.

The general tone of recent political rhetoric (e.g. “hostile environment”) worries Tom, as he believes “it reinforces a popular false impression that immigration is bad for the UK”. His experiences working in the NHS and founding Cydar are proof to him that the UK benefits from immigration.

He is concerned that the highly-educated and skilled Eastern European individuals he employs to work in computer vision, software design and compliance are unsure about their future in the UK.

For Tom, immigration and entrepreneurship go together logically. “Starting up a technology company is scary: a common analogy is like jumping off a cliff and building an aeroplane on the way down. It is much safer to not take the leap and stay put. I believe that immigrants are generally more willing to take carefully calculated risks in the face of uncertainty, suffer short-term personal costs and persevere through adversity towards success.

CASE STUDY: SUPER AWESOME

Joshua Wohle, co-founder of SuperAwesome was born in the Netherlands and spent 10 years in Switzerland, before moving to London nine years ago to study. "I came to the UK to get a degree in Computer Science from KCL, I stayed for the startup ecosystem."

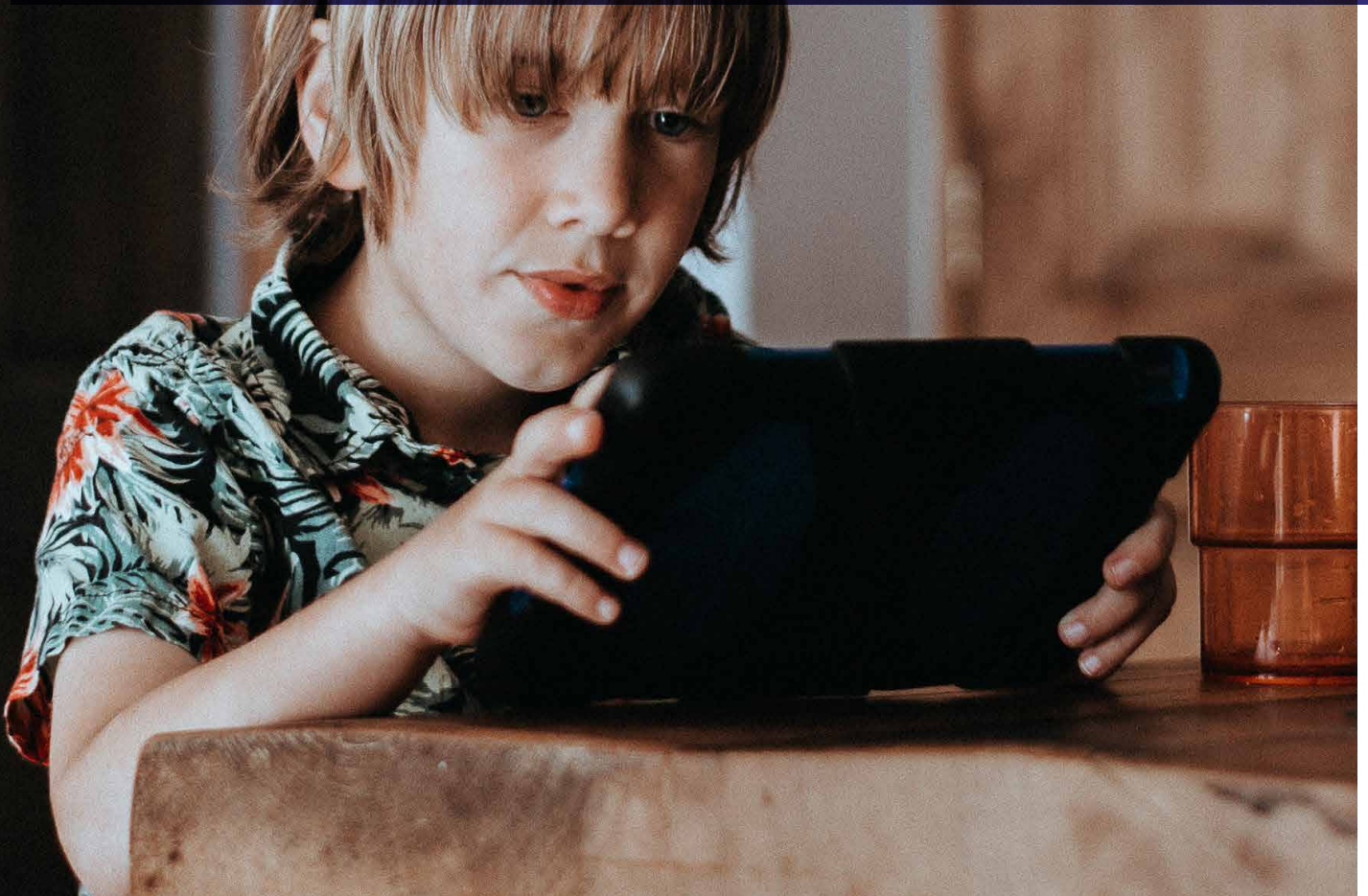
For Joshua, entrepreneurship comes naturally: "I've always been an entrepreneur, constantly unsatisfied with the status quo and thinking of ways things could be done more efficiently. I am very passionate and spend a lot of my time working and learning. This only works in combination with a situation where I get to work on what I think are the most important problems to solve, fuelling my passion, and for this reason, entrepreneurship seemed like the right way to go."

SuperAwesome's products are used by hundreds of brands and content owners, providing safe digital engagement with almost half a billion kids every month, while maintaining the highest data privacy compliance standard of any company operating in the kids sector. It was listed as the number one technology growth company in the UK by the Financial Times and employs over 70 people in the UK.

In a personal capacity, Joshua is using his success to invest back into other startups in the edtech space.

Joshua stresses the importance of freedom of movement in making his decision to move to the UK. "Without freedom of movement, I would never have come to the UK. My thinking was as simple as 'where in Europe can I go that has the biggest potential for me'. At the time, this was London, because of freedom of movement. Without that, London wouldn't have even been part of my decision matrix and I would probably have ended up in Amsterdam, Paris, Berlin or Madrid."

He believes that being an immigrant helped make him a better entrepreneur. "The experience of 'starting from zero', realising you can get your own act together and build up a life around you is one that translates very strongly to entrepreneurship. It builds confidence, resilience and resourcefulness which are all key to any entrepreneur."



On the issue of entrepreneurship quality, one study from the US found that immigrant-owned businesses hired fewer people, paid lower salaries, and were less likely to offer employment benefits. The researchers found that immigrant-entrepreneurs typically started companies in three main sectors: accommodation and food services, retail trade, and professional and technical services.¹⁷

Entrepreneurship is, however, a high variance activity. Most entrepreneurial efforts fail within the first five years.¹⁸ Scale-ups represent just 0.6% of total businesses in the UK.¹⁹ A focus on the 'typical' immigrant entrepreneur may present an inaccurate picture, if immigrants are over-represented among high-growth firms.

Another study, also from the US, suggests this may be the case. They find that immigrants are over-represented as entrepreneurs in tech centres. In Silicon Valley, over half of all engineering and technology companies had at least one immigrant founder.²⁰ The study highlights the importance of international students. More than half of the foreign-born founders of US technology and engineering businesses initially came to the United States to study, few moved to America with the sole intention of starting a company. The researchers found immigrant entrepreneurs typically founded their first company after working and residing in America for an average of thirteen years.

A further US study, using data from the Annual Survey of Entrepreneurs, looking at high-tech entrepreneurship found uniformly higher rates of innovation in immigrant-owned firms for 15 of 16 different innovation measures. This relationship holds even when the researchers controlled for company age, demographics, and human capital characteristics.²¹ One approach to identifying the contribution of immigrants to high-impact entrepreneurship

is to look at datasets of extremely successful entrepreneurs. In SuperEntrepreneurs Nima and Tino Sanandaji built a dataset of over 1,000 individuals who have earned more than \$1bn from entrepreneurship. In their dataset, they found that in the US, immigrants were slightly under-represented among super-entrepreneurs.²²

A project started by the non-partisan policy organisation New American Economy and continued by the Center for American Entrepreneurship, looked at the national origin of the founders of Fortune 500 companies. They found that 43% of companies in the 2017 Fortune 500 were founded or co-founded by an immigrant or the child of an immigrant.

Of the top 25 companies on the list, 52% were founded or co-founded by an immigrant or the child of an immigrant.

“Our initial analysis found that at least 20% of FTSE 100 companies had a first-generation immigrant founder or co-founder.”

In a similar vein, we looked at the founders of companies in the FTSE 100. Our initial analysis (using publicly available information) found that at least 20% of FTSE 100 companies had a first-generation immigrant founder or co-founder. These include budget airline EasyJet (founded by Greek immigrant Stelios Haji-Ioannou), Associated British Foods, who own Twinings, Ryvita, Silver Spoon and Primark (founded by Canadian businessman W. Garfield Weston),

and supermarket chain Marks and Spencers (Michael Marks was a Polish-Jewish refugee from Belarus).

The FTSE 100 is an admittedly imperfect list. Many of the companies listed are the results of multiple mergers and as a result have foreign-born, but not immigrant, founders. It also includes recently privatised companies such as the Royal Mail. Also, the FTSE 100 isn't a particularly useful metric for understanding the impact of recent immigrants on entrepreneurship and innovation in the UK. Many of the companies on the list were founded pre-20th century.

17 Kerr, S. and Kerr, W (2018) "Immigrant entrepreneurship in America: Eight important facts from the survey of business owners.", *VoxEU*.

18 Dumitriu, S. (2019) *Management Matters*. The Entrepreneurs Network.

19 Sources: ScaleUp Institute, BEIS, Business Population Estimates.

20 Wadhwa, V., Rissing, B. A., Saxenian, A., & Gereffi, G. (2007). "Education, entrepreneurship and immigration: America's new immigrant entrepreneurs, Part II."

21 Brown, J. David, et al. (2019) "Immigrant Entrepreneurs and Innovation in the US High-Tech Sector." No. w25565. *National Bureau of Economic Research*.

22 Sanandaji, T. and Sanandaji, N. (2014) *SuperEntrepreneurs – and how your country can get them*, Centre for Policy Studies.

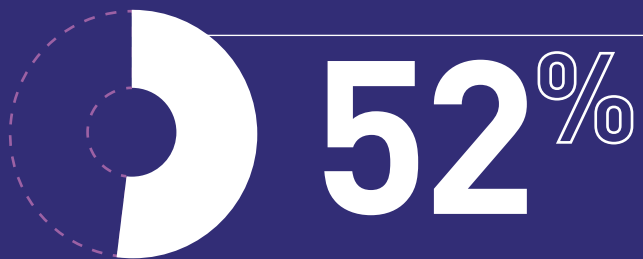
IMMIGRANT FOUNDED OR CO-FOUNDED COMPANIES IN THE TOP 25 OF THE FORTUNE 500

*Second-generation immigrant

				
*		*		*
				
	*	*	*	*
				
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FORTUNE 500
FOUNDED BY A 1ST/2ND GENERATION IMMIGRANT

TOP 25
FOUNDED BY A 1ST/2ND GENERATION IMMIGRANT



The immigrant founders of Britain’s fastest growing companies

A better approach to identifying the impact of recent immigrants on entrepreneurship and innovation would focus on the proportion of the UK’s fastest growing companies which have at least one immigrant co-founder, as these are the firms that will have the biggest impact on employment and productivity.

To identify the UK’s fastest growing companies, we used SyndicateRoom’s Top 100. The Top 100 uses data provided by Beauhurst to track the 100 startups that have had the greatest growth in valuation between July 2015 and July 2018. The list excludes companies that had raised in total less than £25,000, had a pre-money valuation of less than £1m in 2015, or that gave away a majority stake in their pre-July 2015 equity transaction.

While we recognise that any metric designed to identify the UK’s fastest-growing companies will have drawbacks, we nonetheless believe the Top 100 is a useful snapshot of the UK’s most innovative and high-growth startups and scale-ups. For instance, the list includes 7 unicorns (startups with a valuation of \$1bn or more). To supplement the list, we have also included data on the UK’s 14 unicorn startups (pre-IPO).

To identify immigrant founders, we took a three-stage approach. First, we contacted the companies directly via email and phone. Second, for those who didn’t respond we used Companies House data to identify foreign nationals. Third, for those who we still couldn’t confirm as immigrants we used a mix of media reports and information on company websites. For the purposes of the report, we define anyone born outside the UK as an immigrant.

CASE STUDY: OVERLEAF

Canadian entrepreneur John Lees-Miller has always been interested in science and mathematics.

"I got my first software job at age 13 during the dot com boom, and then I studied computer science at university and went on to do a PhD in engineering mathematics at the University of Bristol."

In 2012, he co-founded Overleaf, which he describes as "Google Docs for scientists". His platform for the online, collaborative writing of scientific papers now has over four million users.

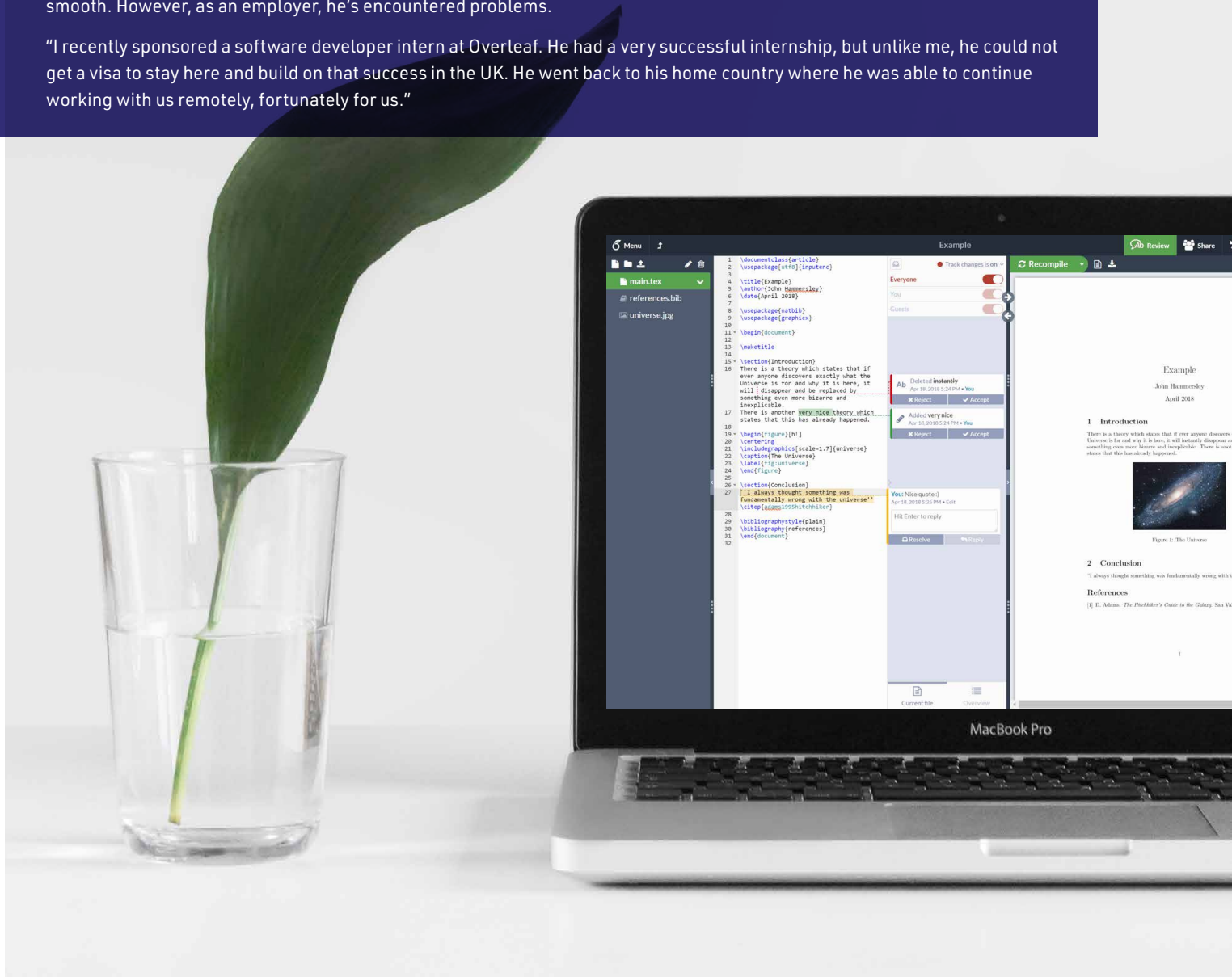
Lees-Miller argues that "the major medical and technical innovations we all rely on start with scientific papers." His mission at Overleaf is to "make the whole process of writing a scientific paper easier and faster" in order to help "science go faster".

Highlighting the importance of making the visa system easier to use for startups, Lees-Miller came to the UK for a 16-month internship at a startup, where he helped build the Heathrow Pod, the world's first driverless taxi system.

"I'm extremely proud of what we've built to reach a global community of over four million authors, supported by a team of 40 talented and dedicated Overleafians."

Lees-Miller's experience with the visa system has been mixed. As he qualifies for an ancestry visa, the process was relatively smooth. However, as an employer, he's encountered problems.

"I recently sponsored a software developer intern at Overleaf. He had a very successful internship, but unlike me, he could not get a visa to stay here and build on that success in the UK. He went back to his home country where he was able to continue working with us remotely, fortunately for us."



“Entrepreneurial spirit is the lifeblood of any well-functioning economy as it is these new businesses and innovations that drive tomorrow’s growth and economic activity.”

CASE STUDY: TAKUMI

Finnish serial entrepreneur Mats Stigzelius is the co-founder and executive chairman of Takumi, a platform that connects Instagram influencers with brands and agencies. The venture-capital backed startup is headquartered in London and has offices in Berlin and New York.

Mats moved to the UK to study Aerospace Engineering at the University of Manchester and decided to stay as he felt “very much at home in the UK”. After 10 years of what he calls the “golden handcuffs of a successful corporate career” he finally made the jump into entrepreneurship.

For the past ten years, he’s been a founding Partner of Rainmaking, which over the last decade has helped to build and scale over 720 startups through startupbootcamp, as well as building 27 of its own startups (with 9 exits to date). As of today, Rainmaking has 15 partners and 250+ team members across 9 offices across the globe.

He is proud of setting up Rainmaking Loft (one of the UK’s first co-working spaces) and his impact, alongside his partners at Rainmaking, on the UK startup scene.

He believes “entrepreneurial spirit is the lifeblood of any well-functioning economy as it is these new businesses and innovations that drive tomorrow’s growth and economic activity. There is always more that the government can do to help true entrepreneurs in making the UK their home, though I feel the UK is much better at this already than most other countries.”

KEY FINDINGS

49% of the UK’s fastest-growing startups have at least one immigrant co-founder.

Half of the UK’s fastest growing startups have at least one immigrant co-founder.²³ The fast-growing immigrant co-founded startups include app-based delivery service Deliveroo, co-founded by Will Shu (US), video game technology company Improbable, co-founded by Herman Nerula (India), and small business lender iwoca, co-founded by Chris Rieche (Germany).

From AI and Cybersecurity to Fintech and Food & Drink, immigrants have founded or co-founded 48 of the companies in the *Top 100* list. The immigrant co-founders listed come from a wide range of backgrounds. Some came to the UK to study, others to work, and some even fled conflict.

The immigrant co-founders of the UK’s fastest growing businesses come from 29 different countries.

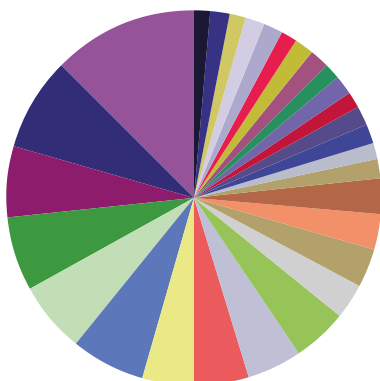
The immigrant co-founders of the UK’s fastest growing startups are a diverse group, hailing from 29 different countries and five different continents. The US was the most common place of birth, with 8 co-founders in the *Top 100*, followed by France (5), India (4), Russia (4), Germany (4), and Australia (4). Other well-represented countries include Ireland (3) and Sweden (3).

While 38% of the UK’s foreign-born population was born in an EU country, 42% of the immigrant co-founders of Britain’s fastest growing companies are EU-born.

EU-born immigrant co-founders are slightly overrepresented on the *Top 100* list compared with the rest of the UK’s foreign born population. 38% of the UK’s foreign-born population were born in another EU country, yet EU-born migrants make up 42% of the immigrant co-founders of the UK’s fastest growing businesses.

The figure rises to 47% of immigrant co-founders on the *Top 100* list, if you include non-EU countries within the EU’s free movement of workers treaties, such as Norway and Switzerland.²⁴

THE IMMIGRANT CO-FOUNDERS OF THE UK’S FASTEST GROWING BUSINESSES COME FROM 29 DIFFERENT COUNTRIES



- USA Australia Portugal UAE South Africa Greece
- France Sweden Netherlands Turkey Slovenia Finland
- Russia Norway Canada Switzerland New Zealand Bulgaria
- India Lebanon Belgium Sri Lanka Mexico Austria
- Germany Ireland Vietnam Spain Kyrgyzstan

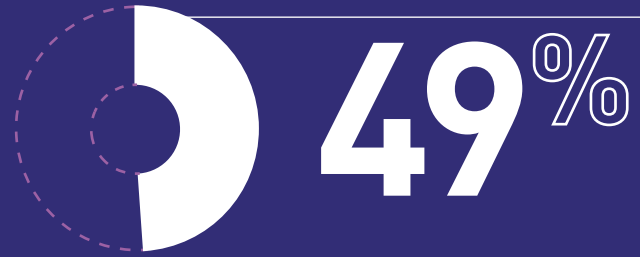
²³ To calculate this, we removed Blippar (ceased trading) and Workable (US-based, despite raising investment in the UK) from the list. Both Blippar and Workable have foreign-born founders.

²⁴ Norway and Switzerland born residents make up a combined 0.45% of the UK’s population.

UK POPULATION
Foreign Born



TOP 100
Companies with at least one foreign-born co-founder



THE IMMIGRANT CO-FOUNDERS OF THE UK'S FASTEST GROWING BUSINESSES COME FROM 29 DIFFERENT COUNTRIES



SYNDICATEROOM'S TOP 100

Africa Mobile Networks

Behavox**BenevolentAI**

Bink

Black Sheep Coffee

Blu Wireless Technology

BrewDog

Buddies Pet Insurance

Bulb

Celixir

CensorNet

Centtrip

Chorus Intelligence

Clinova

Clippings

CloudMargin

CMR Surgical

Crowdstacker

CrowdVision

Cydar**Cytora****Darktrace****Deliveroo****Divido****DoPay****Duco****Elevate Direct****Elvie****Enertechnos**

Expend

Farmdrop

FATMAP

First Light Fusion**Flyt****FourEx**

Glider Yachts

Globe Business Media

Gousto**Grind & Co****Healx**

HiLight Semiconductor

Hostmaker**Improbable****Inchora****iwoca**

Leon

Lyst

Mallzee

Mastered

Monzo

Movidiam

M Restaurants

novastone

Nutmeg

Ogury

Old Northampton Group

Optalysys

Overleaf**OxeHealth****Oxford Space Systems**

OxSyBio

Paddle

Perkbox

Perspectum Diagnostics

Poq

Pots & Co

Push Doctor

Quiq

Receipt Bank

Recycling Technologies

ReViral

Rocco Forte Hotels

SAM Labs**Seedrs****Signal**

SilkFred

SmartUp

Sonovate

Sthaler

Streetbees**SuperAwesome****Sweatcoin****Takumi**

Tantalum

Telensa

The Cotswolds Distillery

The Hut Group

The Ink Factory

Threads Styling

Tokamak Energy**Topia****toucanBox**

Truman's Beer

Vantage Power

Veryan Medical

WeSwap

what3words

Zedsen

**COMPANIES WITH AT LEAST
ONE FOREIGN BORN
FOUNDER ARE BOLDED**

One explanation for the high proportion of EU-born founders within the *Top 100* list could be the fact that European Economic Area migrants typically have higher levels of educational attainment compared with native Brits and non-EEA migrants. In the Migration Advisory Committee's report on EEA Migration in the UK, Oxford Economics estimated "that 63% of adult migrants from EU13+ countries have completed a qualification in higher education or equivalent, while the proportion is 55 per cent of those from non-EEA countries. The level is lower for adult migrants from NMS [New member states, e.g. 2004 EU expansion], at 41 per cent. UK-born are lower than both with only 36 per cent of the adult population having completed higher education or equivalent."²⁵

In many ways, this should be a surprising outcome. The visa system for non-EEA migrants is designed to prioritise skilled migration, imposing strict quotas and selection criteria to reduce unskilled immigration. One possible conclusion to draw from this is that the lack of bureaucracy and greater predictability of free movement is attractive to skilled/educated graduates. This finding also hints at problems with the UK's decision to revoke the Post-Study Work visa route.

There are 7 unicorns in the UK's 100 fastest growing companies, 5 have at least 1 foreign-born co-founder.

Within SyndicateRoom's *Top 100*, there are seven startup unicorns.²⁶ Of the seven, five have at least one foreign-born co-founder. The immigrant co-founded unicorn startups include: Monzo, Deliveroo, Darktrace, BenevolentAI and Improbable.

More broadly, nine of the UK's 14 privately-held startup unicorns have at least one immigrant co-founder. Revolut, OakNorth, TransferWise, and Checkout.com are also immigrant co-founded.

Immigrants were at the heart of two of the UK's biggest recent success stories. Online fashion retailer Farfetch, which raised \$885m from an IPO in 2018 at a \$5.8bn valuation, was founded in 2008 in London by Portuguese entrepreneur José Neves. While five Danish entrepreneurs founded Just Eat. The food delivery business now operates in 13 different countries and floated on the London Stock Exchange in 2014 with a £1.5bn valuation.

The fast-growing startups co-founded by immigrants in the Top 100 have attracted a combined £3.7bn in investment.

In recent years, Britain has been a hotbed of venture capital activity. Data from Tech Nation's 2019 report revealed that the UK attracted 5% of global scale-up investment, more than any other EU nation. Only the US, India, and China attracted more investment in scale-ups. The UK excels in fintech in particular, ranking as the number one destination worldwide for investment in fintech.²⁷ It is hard to imagine the UK keeping its fintech crown without the contribution of immigrant co-founded companies like Monzo, Revolut, TransferWise, OakNorth, iwoca, and Onfido.

Immigrant-founded startups attract substantial investment. The immigrant co-founded startups in the *Top 100* alone have raised a combined £3.7bn in investment.²⁸

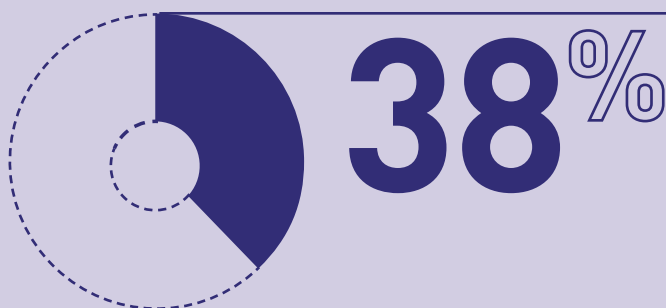
25 Migration Advisory Committee. (2018). *EEA migration in the UK: Final report*.

26 Beauhurst, *UK Start Up Unicorns: The complete List*.

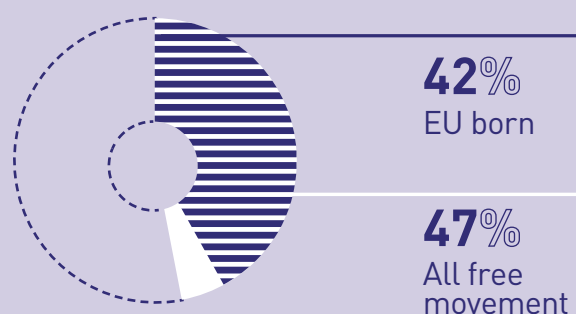
27 Tech Nation (2019) *UK Tech On The Global Stage: Tech Nation Report 2019*.

28 As of May 2019.

EU BORN UK POPULATION



IMMIGRANT FOUNDERS OF THE TOP 100



LIST OF IMMIGRANT-FOUNDED TOP 100 STARTUPS BY INVESTMENT

1	Deliveroo	£1.5 billion	25	Poq	£17 million
2	Improbable	£461 million	26	Clippings	£16.1 million
3	iwoca	£216 million	27	Black Sheep Coffee	£14.1 million
4	Monzo	£211 million	28	Perkbox	£13.8 million
5	Darktrace	£173 million	29	Grind & Co	£10.3 million
6	BenevolentAI	£136 million	30	Celixir	£10 million
7	CMR Surgical	£115 million	31	OxeHealth	£9.72 million
8	Topia	£79.9 million	32	DoPay	£9.58 million
9	Behavox	£73 million	33	Oxford Space Systems	£9.56 million
10	Gousto	£72.6 million	34	Healx	£9.43 million
11	Lyst	£60.9 million	35	Cydar	£9.11 million
12	Tokamak Energy	£56.3 million	36	FourEx	£8.77 million
13	Ogury	£48.7 million	37	SAM Labs	£8.4 million
14	Elvie	£37.4 million	38	Takumi	£7.59 million
15	Cytora	£36.8 million	39	SmartUp	£6.05 million
16	First Light Fusion	£34.3 million	40	novastone	£5.99 million
17	SuperAwesome	£33.1 million	41	Overleaf	£5.95 million
18	Quip	£28.9 million	42	The Cotswolds Distillery	£5.78 million
19	Seedrs	£25 million	43	Sweatcoin	£4.78 million
20	Duco	£23.8 million	44	toucanBox	£4.29 million
21	Hostmaker	£22.6 million	45	Elevate Direct	£2.97 million
22	Signal	£21.9 million	46	Enertech	£2.1 million
23	Streetbees	£19.4 million	47	Flyt	£1.8 million
24	Divido	£17 million	48	Inchora	£547,000

“Data from Tech Nation’s 2019 report revealed that the UK employs 5% of all scale-up employees globally, ahead of Japan, France and Indonesia.”

POLICY: HOW TO RETAIN THE UK’S STATUS AS A TOP DESTINATION FOR ENTREPRENEURIAL TALENT

Immigrant entrepreneurs play a vital role in driving the UK economy forward. By creating jobs, attracting foreign investment, and disrupting tired, old industries, immigrant founders make an important contribution to life in the UK.

The good news is that Britain is a top destination for entrepreneurial talent. Data from Tech Nation’s 2019 report revealed that the UK employs 5% of all scale-up employees globally, ahead of Japan, France and Indonesia.²⁹ Research from London and Partners found that London is Europe’s top destination for European tech workers.³⁰

But we can’t rest on our laurels. Policymakers should make preserving the UK’s status as a top destination for entrepreneurial talent a key priority. Britain’s planned exit from the European Union and the proposed end of free movement for EU nationals risks reducing the flow of entrepreneurial talent into the UK. The government should work to streamline the visa process and ensure there are clear paths open for entrepreneurial talent and investors in risk capital to come to the UK.

In this section, we propose three key reforms to the immigration system to enable more immigrant entrepreneurs to move to the UK and start new high-growth businesses.

Restore the Tier 1 Post-Study Work Visa and allow international students to work in the UK up to two years after graduation before moving on to another visa.

Many of the entrepreneurs in the *Top 100* moved to the UK to study at one of our world-leading higher education institutions. For instance, the co-founders of Oxford Space Systems, Vincent Fraux and Juan Reveles, both first came to the UK to study. Today, they employ over 35 people, export to the US, Europe and Asia, and invest heavily in research and development to create intellectual property.

In the US, more than half of all foreign-born founders of high-growth technology and engineering companies moved to the US initially to study. In many cases, they needed time to settle down, build contacts, and identify an opportunity for disruption. In fact, they typically founded their company 13 years after immigrating.³¹

29 Tech Nation (2019) *UK Tech On The Global Stage: Tech Nation Report 2019*.

30 London and Partners (2019) “London is Top European Hub for Global Tech Talent”.

31 Wadhwa, V., Rissing, B. A., Saxenian, A., & Gereffi, G. (2007). *Education, entrepreneurship and immigration: America’s new immigrant entrepreneurs, Part II*.

In 2012, in response to concerns around so-called ‘bogus colleges’, the Post-Study Work Visa route was closed. Before 2012, graduates were able to stay and work for two years after graduation. Under the current system, non-EEA international students need to find a job that qualifies for another visa, such as the Tier 2 General Visa, after graduating. This means meeting strict minimum salary thresholds. In the case of the Tier 2 General Visa, graduate entry jobs are subject to a £20,800 minimum threshold. Under these rules, graduates are restricted to working for employers with a Tier 2 sponsor license. The compliance costs and complexity associated with becoming a Tier 2 sponsor, in particular for SMEs, act as an additional barrier to international students remaining in the UK.

Last year, the Government published its white paper *The UK's future skills-based immigration system*, which set out its proposed post-Brexit immigration policy. The white paper confirmed the Government's intention to end free movement of workers with the EU and apply the same immigration rules to all future immigrants. Under the new system, all international graduates of UK universities would need to find a job earning at least £20,800 per annum. International graduates will be granted 6 months of post-study leave to stay in the UK while searching for a graduate role. While an improvement on the status quo for non-EU nationals, this will significantly reduce the ability of EU nationals to stay in the UK after graduation. It seems unrealistic to expect the average graduate career journey to lead to a solid Tier 2 sponsored role within the six month post-study work window, as many graduates often experiment with internships and temporary work.

International graduates must transition within three years into a job paying £30,000 per annum. Groups representing startups have also raised concerns that the £30,000 annual salary minimum threshold will be too high for many SMEs and doesn't take into account the possibility of young workers trading a lower salary for greater equity in the company. Home Secretary Sajid Javid has recently written to the Migration Advisory Committee asking them to consider alternatives to the £30,000 threshold.

In 2015 we produced a report in collaboration with the National Union of Students (NUS). It revealed that while nearly half (46%) of international students intend to start a business once they leave university, only a third of those (14%) intend to do so in the UK. The lack of a post-study work visa was a key issue. Only 18% thought that the UK has better post-study processes

in place for international students than other countries; while 32% thought the UK is worse than other countries.³²

“To enable more international students to stay and create businesses in the UK and to allow startups to meet skills shortages by employing recent international graduates, the government should reinstate the Post-Study Work Visa and allow international graduates to work in the UK for up to two years.”

Paul Blomfield MP (Lab), Chair of All-Party Parliamentary Group on International Students, argues that the removal of the Post-Study Work Visa route has made studying in the UK less attractive. He states “students value post-study work highly and will invest their time, money and human capital elsewhere if it is not available, which is why our competitors have put in place sensible post-study work regimes.”³³

Since the Post-Study Work Visa route was withdrawn the UK's global market share of international students has fallen from 12% in 2010 to 8% in 2016. In light of concerns that the UK may no longer meet its educational export targets in 2020, a cross-party group of MPs has called for the 2-year Post-Study Work Visa to be reinstated. The group includes; Nicky Morgan MP, former Secretary of State for Education (Con), Jo Johnson MP, former Universities Minister (Con), Angela Rayner MP, Shadow Education Secretary (Lab), Robert Halfon MP, Chair of the Educational Select Committee (Con), Norman Lamb MP, Chair of Science and Technology Select Committee (LD), and Rachel Reeves MP, Chair of the BEIS Select Committee (Lab).³⁴

To enable more international students to stay and create businesses in the UK and to allow startups to meet skills shortages by employing recent international graduates, the government should reinstate the Post-Study Work Visa and allow international graduates to work in the UK for up to two years before moving onto another visa route.

32 The Entrepreneurs Network & NUS (2015) *Made in the UK: Unlocking the door to international entrepreneurs*.

33 Johnson, J. (2019) *UK will miss education export targets without change to Immigration Bill*, Medium.

34 *Ibid*.

CASE STUDY: OXFORD SPACE SYSTEMS

Juan Reveles and Vincent Fraux are the co-founders of Oxford Space Systems. In the space of 6 years, the company has grown from four co-founders (“in a shed”) to over 40 full-time staff and has attracted £12m in private investment.

Oxford Space Systems is part of the UK’s fast-growing £15bn space industry.¹ Its ambition is “to become the leading global supplier of innovative deployable space antennas and structures in the new space age”.

Juan Reveles is the CTO of Oxford Space Systems. He came to the UK from Mexico to study for an MSc and PhD. He’s lived in the UK for 18 years and is married to a British national with two children. He speaks highly of the investment on offer in the UK: “The UK has provided the right investment mechanisms to allow this to happen so it’s up to companies like ours to make the most of these opportunities and propel the UK to a leading position in this sector.”

On his contribution to the UK, he says “We are developing technology which is critical to national security.” He believes recent changes to the visa system would have prevented him from coming to the UK.

Vincent Fraux is Oxford Space Systems Head of Design, he says “I first came to the UK as a student via an exchange programme setup by my university in France to develop my language and engineering skills. I ended up staying to study and work longer than originally planned and fully integrated into the society.”

“Passionate about engineering and innovation”, when he saw an opportunity to start a business with his founding team in the space sector, he “seized it and never looked back”.

Vincent is proud to contribute to the UK by creating jobs, IP, exporting to global markets, and paying taxes. “The UK welcomed me years ago and allowed me to grow as part of the society and I am happy to be returning the favour by contributing to the growth of the UK economy.”

He speaks highly of free movement with the EU and believes that “by making this process more complicated, the UK runs the risk of stopping future entrepreneurs making their first step and settling in the UK.”

He believes the UK made a mistake by withdrawing the Post-Study Work Visa. He complains the process has become more difficult, “resulting in international students with potential leaving the UK right after finishing their degree.”

¹ *Size and Health of the UK Space Industry 2018: A report to the UK Space Agency, (2019)* London Economics.



“Before Brexit, I never thought of myself as being an immigrant.”

CASE STUDY: POQ

Founded by a team of four, three of whom were born outside the UK, Poq is an app commerce company that helps top British brands such as Oasis, Warehouse, Misguided, Neal’s Yard, and Holland and Barrett build native apps.

Poq employs over 100 people, has raised \$21m, and has represented UK startups in the Tech City Upscale program, as well as being named in the Deloitte UK Technology Fast 50.

Co-founder & CEO, Oyvind Henriksen, spoke to us about his experience as immigrant entrepreneur in the UK.

Oyvind argues that the UK doesn’t have the right visa system for attracting talented entrepreneurs from overseas. He states “people who would come here to create something successful are being discouraged to come.”

Oyvind came to the UK from Norway to study for a Masters’ in Technology Entrepreneurship at UCL and ended up staying because he “met like-minded people and saw a great opportunity in the market.”

He says “before Brexit, I never thought of myself as being an immigrant.”



Reform the Tier 1 Investor Visa by lowering the minimum qualifying investment threshold for investment in UK startups, scale-ups and venture capital funds.

The Tier 1 Investor Visa has come under significant criticism in recent years. Nicknamed the ‘Golden Visa’, the Tier 1 Investor Visa grants the right to live and work in the UK to any foreign national who makes a qualifying investment of £2m or more in the UK. In response to concerns that some corrupt individuals were using the scheme to launder ‘dirty’ money, the scheme’s auditing requirements were increased significantly recently.

But once the security concerns are addressed, there is a strong case for reforming the visa. It is right that the government should try to incentivise foreign investors to provide capital to UK businesses, but the existing system could do significantly more to channel capital to scale-ups.

The number of granted Tier 1 investor visas peaked in 2014 (1,172). In 2017, the figure stood at 350, with the highest numbers going to Chinese and Russian investors.³⁵

Recent moves to restrict the number of qualifying investments are reasonable. Traditionally, the most common form of investment for Tier 1 investors was in gilts. However, this provided negligible economic benefit to the UK. Professor Sir David Metcalf, then chair of the Migration Advisory Committee (MAC), noted in 2014 that “the

annual aggregate loan via the investor route is equivalent to less than two days of our budget deficit”. Under new rules, investments in government bonds no longer qualify. This follows a change in 2014 that prevented investments in property from qualifying.

In order to promote job and wage growth in the UK and to keep the Tier 1 Investor Visa internationally competitive, the Tier 1 Investor Visa should be reformed to direct more investments into startups and scale-ups.

Startups often struggle to prove their viability when seeking equity investment as they lack collateral or a track record. The additional due diligence costs associated lead to an equity shortfall affecting firms seeking equity investments of between £250,000 and £5 million.

To channel investment into startups, the government uses a series of powerful tax incentives. For instance, the Seed Enterprise Investment Scheme (SEIS) grants investors 50% tax relief on their investments in early-stage startups, as well as offering generous loss protection (e.g. the maximum loss on a £10,000 investment would be £2,750 for a top rate tax payer). Other schemes, such as Venture Capital Trusts (VCTs) and the Enterprise Investment Scheme (EIS) offer less generous, but still significant, reliefs for investments in companies beyond seed-stage or in venture capital funds. In light of concerns that investors were using the schemes as tax shelters by investing in low-risk capital preservation schemes,

35 (Dec 2018) Investor visa scheme halted in money laundering crackdown, BBC News.

the government introduced a principles-based risk-to-capital test. Investments in companies through EIS and SEIS are also restricted to exclude connected persons, such as relatives or employees.

To promote investment into UK startups and scale-ups, the government should relax the minimum qualifying investment threshold for the Tier 1 Investor Visa for any investments into venture capital funds and businesses that would qualify for either EIS or SEIS tax relief. A higher threshold should be maintained for lower risk investments.

The government should also remove additional barriers to foreign investments in risk capital. In a recent submission to the Migration Advisory Committee, the law firm Fragomen has argued that the requirement to top up an investment if the value of an investment declines, pushes investors towards low-risk investments. In Kingsley Napley's submission, they point out that if the requirement to top-up an investment was maintained for riskier investments, then the costs of "topping up an investment into a start-up business which begins struggling, for example, would be unknown and possibly very large."³⁶

A reformed Tier 1 Investor Visa would unlock additional investment and help more UK firms to scale.

Ensure that the Start Up and Innovator Visas are implemented successfully.

It is vital that the UK is open to entrepreneurial talent from around the world. In recent years, there were two main paths for non-EU entrepreneurs who wished to move to the UK to start or grow their business.

The Tier 1 Entrepreneur Visa allowed individuals with over £200,000 (£50,000 in special cases) in funds to establish or take over a business in the UK, provided they created at least two jobs for settled workers and passed a genuine entrepreneur test.

If you lacked the funds to qualify for the Tier 1 Entrepreneur Visa, but held a UK-recognised bachelor's degree or above, you could have applied for a Tier 1 Graduate Entrepreneur Visa. To qualify, you needed to have had a credible business idea endorsed by either a UK higher education institution or the Department for International Trade. Last year, 1,160 Tier 1 Entrepreneur Visas and 315 Tier 1 Graduate Entrepreneur Visas were granted.³⁷

A data-matching exercise by the Migration Advisory Committee found that out of the 13,746 individuals granted Tier 1 Entrepreneur and Tier 1 Graduate Entrepreneur visas since 2008 there were 1,580 companies registered, creating 9,850 jobs and generating a combined turnover of £1.45bn. However, they also found "a large proportion of Tier 1 entrepreneurs were not operating in highly skilled or innovative industries".³⁸

"It is vital that the UK is open to entrepreneurial talent from around the world."

Both of these routes had significant flaws. The Genuine Entrepreneurs Test was created in response to concerns that the Tier 1 Entrepreneur Visa was prompting unsuitable applications as it was seen as a 'budget' investor visa. However, this reform made the system overly bureaucratic, leading to delays and necessitating costly legal advice. Civil servants are ill-suited to judging the viability of individual business plans, which has led to many entrepreneurs getting wrongly rejected, in some cases for rather bizarre reasons. For instance, an entrepreneur was recently rejected by the Home Office because they disagreed with his assessment that the "UK is a very stable country with very little risk of fluctuation in business markets", given the UK's planned exit from the European Union.³⁹

The Tier 1 Graduate Entrepreneur Visa had its own problems. Our survey of international students found that the visa was not fit for purpose. Awareness of the availability of the visa was low, with less than half of respondents believing their institution was certified to endorse them, and only 2% of international students intending to start a business after graduation applied for it. We shouldn't blame higher education institutions for failing to promote the scheme, they are understandably risk-averse. If it turned out that graduate entrepreneurs were not actually running their businesses, then there was a significant risk that they could have lost their Tier 4 license, which enables them to accept international students.⁴⁰

To address these issues, the government has recently replaced the Entrepreneur and Graduate Entrepreneur visas with new Innovator and Start Up visas. Under the new system, incubators, accelerators, and venture capital firms will be

36 Responses to the MAC consultation on the Tier 1 Investor route, November 2018.

37 Immigration Statistics, Office for National Statistics.

38 Migration Advisory Committee (2015) *Migration Advisory Committee (MAC) review: Tier 1 Entrepreneur and Graduate Entrepreneur routes*.

39 O'Brien, J. (2019) "Foreign Entrepreneur Rejected By Home Office Because He Thinks Brexit UK Is Stable" LBC.

40 Salter, P. (2019) *Here's how to fix the UK's visa system*. Medium.



CASE STUDY: GOUSTO

Timo Boldt is the founder and CEO of Gousto, the recipe box company. Sending almost 2 million meals to customers each month, Gousto is scaling fast with consistent year on year growth.

The German-born entrepreneur is proud of employing 500 people in the UK. "We offer employment opportunities with good wages, benefits and a strong company culture which I believe is intrinsic to the success of Gousto". He's also proud of his company's efforts to reduce food waste. "With precise ingredients delivered to your door and no supermarket temptations we are drastically reducing household food waste". Timo believes that having lived in five different countries and being immersed in different cultures, gives him a "perspective on what makes a successful company". He was attracted to the UK for "its diversity and opportunities within business". He intends "to make the most of it by making Gousto the best company it can possibly be, from both a business and environmental perspective."

Gousto is a diverse employer, with 30 different nationalities represented in the team. He is concerned that "Brexit is causing broad uncertainty", however for the time being "we've not seen the bite: we are still hiring for lots of technology and data science roles in London and fulfilment roles in Lincolnshire."

He believes "it's important the language of future legislation is inviting of the talent we require."

CASE STUDY: DUCO

Christian Nentwich moved to the UK from Austria aged 19 to study Computer Science at University College London. After completing his PhD, he founded multiple companies, one of which became Duco, whose mission is to “make managing data easy”.

Primarily focused on financial services (“for now”), Duco “makes it easy for non-technical people to detect data quality problems that can have a big impact on their business”.

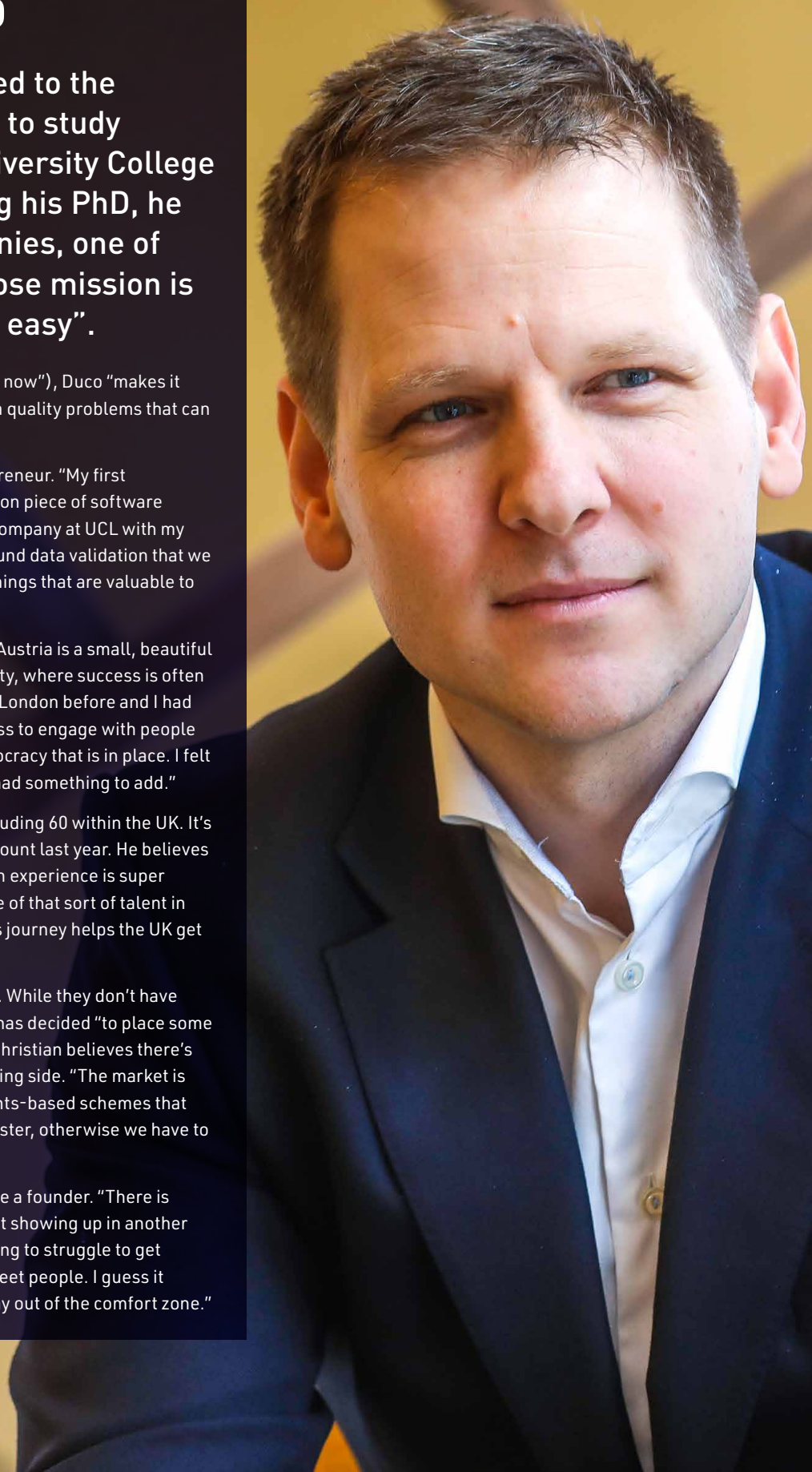
Christian didn’t set out to become an entrepreneur. “My first summer job was writing an invoice automation piece of software for a marketing agency, and then I set up a company at UCL with my professors because we saw a real issue around data validation that we thought we could solve. We just go and do things that are valuable to companies and help people, why not?”

He chose to move to the UK because while “Austria is a small, beautiful country, it is also one with limited opportunity, where success is often determined by who you know. I had been to London before and I had been impressed by the openness, willingness to engage with people from other countries, and the relative meritocracy that is in place. I felt that anyone would give you a chance if you had something to add.”

Duco employs over 100 people globally, including 60 within the UK. It’s growing fast too – they doubled their head count last year. He believes taking more people through the “fast growth experience is super important.” He adds that “there is a shortage of that sort of talent in the UK, and every company that goes on this journey helps the UK get skills that are in short supply.”

He thinks Brexit has harmed the UK’s image. While they don’t have direct problems with the visa regime, Duco has decided “to place some bets elsewhere” as a result of uncertainty. Christian believes there’s a talent shortage in London on the engineering side. “The market is hot. We would always highly encourage points-based schemes that allow us to bring the best and brightest in faster, otherwise we have to spread our hiring globally.”

Being an immigrant helped Christian become a founder. “There is definitely something very motivational about showing up in another country with nothing but a suitcase and having to struggle to get ahead, to learn, and to heavily network to meet people. I guess it forces one to be creative in ways that are way out of the comfort zone.”



given a key role as external endorsing bodies. They will be responsible for assessing applications (including individual business plans), monitoring the progress of the business at specified checkpoints, and even assessing applications for permanent residence.

In our submission to the Migration Advisory Committee's consultation and at a series of roundtables, we argued in favour of moving to such a system as it shifted the power to endorse candidates to groups that are more knowledgeable and better incentivised to ensure that the most promising international entrepreneurs are granted visas.⁴¹ The involvement of accelerators also helps remove another neglected problem with the way visas are marketed to entrepreneurs around the world. For example, the lack of communication has historically been an issue for the Tier 1 (Exceptional Talent) Visa. Accelerators are naturally incentivised to promote their schemes to entrepreneurs overseas.

However, concerns have been raised, notably by law firms, about the implementation of the new system. Nicolas Rollason, partner at law firm Kingsley Napley, writes "none of [the endorsing bodies] appear to be ready to endorse any applications". He points out that apart from TechCity UK (which will start accepting applications in September 2019) "none of the other endorsers [had] any information on their websites" at the time the previous Tier 1 Entrepreneur visa route was closed.⁴² It has created a situation where the UK is the only major developed economy without an entrepreneur visa route. In the short-term, it would be sensible to temporarily re-open the Tier 1 Entrepreneur visa route, while the new system beds in.⁴³

A further issue hampering the implementation of the Innovator and Start Up Visas is the requirement that endorsing bodies get approval from two different government departments, the Home Office plus one other. Fragomen's Alexander Finch told us: "This guidance is not part of the immigration rules laid before Parliament and was announced only after the scheme had been live for 2 months and without any pre-warning, and after a number of bodies had already applied to become endorsers."⁴⁴

The Home Office also restricts endorsing bodies from charging fees when considering or issuing an endorsement to applicants. As Fragomen's Alexander Finch states: "The fundamental issue here is that in order to endorse an applicant, the endorsing body must input several hours of work in assessing the business plan. But the endorsing bodies are commercial enterprises, and will only put this work in if it is in their financial interests."

If endorsing bodies are unable to charge fees, they will only have a financial motivation to endorse an applicant if they are taking loan or share capital in the new business. Finch argues that "in practice this means it is unlikely that genuine entrepreneurs who have their own capital, or capital from bodies other than the small pool of pre-approved endorsing

bodies, will be able to obtain endorsement and enter the route. This is a fundamental design flaw in the new scheme, and one that only emerged out of Home Office guidance, not based in the immigration rules."

In the past three months, four of the 30 initial endorsing bodies for the Innovator and Start Up visas have withdrawn their programmes.⁴⁵

Alongside resolving the issues mentioned, the Home Office should also collaborate more with

Local Enterprise Partnerships, cities, and business groups to ensure that sponsoring organisations have a wider geographic spread and better represent the UK's entrepreneurial ecosystem. At the very least, the Home Office should ensure that the Innovator and Start Up Visas match the economic benefits of the previous system, based on the Migration Advisory Committee's 2015 estimates. The law firm Fragomen estimates that, as it's currently implemented, fewer than 100 Innovator Visas will be granted each year and told us they believe "it is hard to see how even the very minimal test of replicating the benefits of the old scheme will be met".

The Innovator and Start Up visas are positive steps and in the long run they will enable more entrepreneurial talent to move to the UK to found companies. Ensuring that the schemes are properly implemented should be a major priority for the Home Office.

“The Innovator and Start Up visas are positive steps and in the long run they will enable more entrepreneurial talent to move to the UK to found companies.”

41 Migration Advisory Committee (2015) *Migration Advisory Committee (MAC) review: Tier 1 Entrepreneur and Graduate Entrepreneur routes*.

42 Alongside TechNation, MedCity, which specialises in life sciences, had an FAQ and contact up from day one.

43 Nicolas Rollason (2019) *It's official: The UK is closed for new business*. Kingsley Napley.

44 Email correspondence.

45 Evans, P. (2019) "Tech visas 'not fit for purpose'" *The Times*.



CASE STUDY: FOUREX

Fourex's founder Oliver duToit believes London was the logical place to start his company. Moving to the UK from South Africa, he has lived in over four countries. As a serial entrepreneur he has spent his life developing ideas to bring to market.

In 2013, he developed Fourex, which uses image recognition technology to automatically evaluate and exchange cash into pounds, euros, or dollars.

"Being a serial entrepreneur, I have always gone down the path of development, design and the entrepreneurial spirit, to develop something that is out of the ordinary and unique and benefits a wide audience".

He is proud of building a small company that not only designs, but also "develops, assembles and manufactures" in Kent and employees over 50 people.

Oliver believes that the UK visa system is extremely difficult to use, however "London was the only place in the globe to be able to launch a product such as Fourex".

“We are basically training the best people in the world, paying for part of their PhD with taxpayer’s money and then telling them they have to leave the country the moment they finish.”

CASE STUDY: SIGNAL AI

Miguel Martinez is the co-founder and Chief Data Scientist of Signal AI, “a fast-growing UK company that analyses, in real-time, millions of news articles per day in order to improve the quality of business intelligence and decision making across organisations”.

Signal AI “has grown from 3 people (in a London garage) to 120+ people in the UK, US and Asia and raised almost \$30m in funding.”

Miguel came to the UK from Spain to study for a PhD at Queen Mary’s University. He was looking to take advantage of the “unmatched opportunities to develop and research” machine learning and text analytics that the UK offers.

Miguel says he “decided to make the risky decision of doing the last year of my PhD and the first year of a startup simultaneously.” He believes his decision was vindicated: “10 years on, I am still in London, now with a PhD and a company with 120+ people in 3 continents, so I would argue it was the right decision to be made.”

He is especially proud of the company’s reputation for doing real research and collaborating with universities. He believes it proves “the impact of the fantastic UK academic ecosystem.”

Miguel is concerned about the end of free movement. He believes the lack of bureaucracy within free movement has made the UK attractive to startups. He argues that any additional bureaucracy within a new visa system will have a big impact on startups.

“Even with a perfect visa process, if we focused on the startup ecosystem, employees and founders are already overstretched, with people acting simultaneously in a multitude of roles. Any visa sponsorship programme adds additional complexity and requires significant effort. Also, it is likely to have a cost for the company, and while this will not be a problem for large companies, it is likely to be prohibitively high for a startup.”

In a recent article, he highlighted how the strict Tier 2 Visa Cap nearly prevented him from hiring a UK-educated Mexican data scientist.¹ He was eventually able to use the Tier 1 Exceptional Talent Visa, which took 3 months and is also capped at 2,000 per year.

Voicing his frustration at the UK’s irrational approach to post-study work, he said: “We are basically training the best people in the world, paying for part of their PhD with taxpayer’s money and then telling them they have to leave the country the moment they finish.”

Commenting on the high proportion of immigrants among the founders of fast-growing companies, he believes that “being an immigrant pushes people outside their comfort zone in many different ways and knowing how to manage and grow in this situation is definitely a skill needed for entrepreneurs. I am not sure if being an immigrant made me more likely to become an entrepreneur, but I do believe the experiences it provided me helped me being more prepared for the challenges during the entrepreneurship journey.”

¹ Hellard, B. (Feb 2019), *The visa system is failing the tech industry*, ITPro.



EVERYONE IS
WELCOME

CONCLUSION: THE CASE FOR KEEPING BRITAIN OPEN

Entrepreneurship drives Britain forward. Entrepreneurs create jobs, develop better goods and services, and ultimately pay the taxes necessary to fund high quality public services.

But not all entrepreneurs make the same impact. Startups that are backed by investment from venture capital, such as the companies featured in this report, have an outsized impact on jobs, productivity, and growth. As Small Business Minister and Scale Up Champion Kelly Tolhurst MP points out: “High growth businesses are a critical part of our economy and make a significant contribution to economic growth and national productivity.”⁴⁶

The 2018 ScaleUp Review puts it in stark terms. “A one per cent boost to the UK scale-up population would create an additional 238,000 jobs and £38bn in Gross Value Added (GVA), and over time generate an additional £225bn in (net) GVA.”⁴⁷

The data in this report makes a powerful case for keeping Britain open to international talent. From restoring the Post-Study Work Visa to ensuring the Start Up and Innovator visa are successful, it should motivate policy makers to make the

necessary reforms to the visa system to attract entrepreneurial talent to the UK.

The scale-ups on the *Top 100* list are exemplary. In the space of a few years, they’ve increased their valuation by between 10 times to over 100 times. The fact that 49% of the great businesses on the list have at least one immigrant co-founder highlights the valuable contribution that immigrants make to the UK. The list features 7 unicorns: that 5 have an immigrant co-founder is a powerful counterpoint to the media narrative that focuses on jobs taken (not created) and benefits received (not taxes paid). This report presents a clear picture of the massive impact in terms of jobs, growth, and innovation of the UK’s immigrant population. The job is now for politicians to make the positive argument for immigration and fix the visa system to remain open to entrepreneurial talent.

⁴⁶ *Annual Scale Up Review 2008*, The ScaleUp Institute

⁴⁷ *Ibid.*

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ABOUT THE ENTREPRENEURS NETWORK @TENTHINKTANK

The Entrepreneurs Network is independent, non-profit and non-partisan. We support entrepreneurs by:

- Producing cutting-edge research outlining the benefits of easing unnecessary burdens upon enterprise;
- Hosting regular events to bridge the gap between the aspirations of the entrepreneurial community and policy makers;
- Building a network of entrepreneurs who are keen to improve the public policy debate;
- Championing entrepreneurship and making the case for a more entrepreneurial society.

We are also the Secretariat of the APPG for Entrepreneurship. The APPG for Entrepreneurship was set up to encourage, support and promote entrepreneurship and to engage with entrepreneurs; and to ensure that Parliament is kept up to date on what is needed to create and sustain the most favourable conditions for entrepreneurship.

Individuals

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Organisations

Adam Smith Institute, Coadec, Fragomen, IMiX, Kingsley Napley, The Ahluwalia Family Foundation and Universities UK.



ABOUT THE DOMINVS GROUP @DOMINVSGROUP

Established in 2011, Dominvs Group is a family-run real estate and investment company with divisions specialising in hospitality, residential property, commercial property, aviation, private equity and wealth management. Dominvs manages over £700 million worth of assets including an extensive portfolio of hotels across the UK.



ABOUT THE THE AHLUWALIA FAMILY FOUNDATION

Established by the Ahluwalia family in 2019, the Ahluwalia Family Foundation supports charities and projects in the UK, India and worldwide with a special focus on homelessness, education, migration, and children's and women's rights.



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