UNIVERSITY OF CAMBRIDGE

Bennett School of Public Policy Cambridge

Bennett School of Public Policy

Start-ups and scale-ups in UK technology sectors

Nghi Nguyen
Professor Diane Coyle

Bennett Institute for Public Policy Cambridge

Policy brief

This report is authored by:
Nghi Nguyen
Bennett School of Pubilc Policy

Professor Diane Coyle
Bennett School of Public Policy

September 2025

Suggested Citation
Coyle, D. and Nguyen, N. (2025). ***Start-ups and scale-ups in UK technology sectors.*** **Bennett School for Public Policy, University of Cambridge.**

DOI: **https://doi.org/10.17863/CAM.121131**

About the Bennett School of Public Policy
The Bennett School of Public Policy is Cambridge University's flagship, multi-disciplinary policy school, which encompasses the research activities of the Bennett Institute for Public Policy, teaches postgraduate programmes, and engages with key collaborators and decision-makers to ensure the right kind of growth is fairly shared. Our work connects political thinking, economics, the humanities, health, technology, engineering and science.

More information: **bennettschool.cam.ac.uk**

Acknowledgements
We are grateful to John Lourenze Poquiz, Filip Mandys and Rebecca Leam for their thoughtful comments and editorial assistance with this policy brief.

We would also like to acknowledge the support of The Kahin Fund, and The Productivity Institute (TPI). TPI is an organisation that works across academia, business and policy to better understand, measure and enable productivity across the UK. It is funded by the Economic and Social Research Council (grant number ES/V002740/1).

Table of Contents

1. Introduction

The UK's Modern Industrial Strategy 2025 has set a new course for long-term growth by enhancing supply-side strengths and the business environment, focusing on eight 'growth-driving' sectors: advanced manufacturing; clean energy industries; creative industries; defence; digital and technologies; financial services; life sciences; professional and business services. At its core, the strategy aims to boost business investment and overcome lagging productivity in the United Kingdom (UK) by empowering domestic firms to scale up, create high-quality jobs, and bolster economic security. The recent Industrial Strategy White Paper acknowledged the UK's low level of business investment compared to other advanced economies, and highlighted the government's ambition to "deliver strong, secure, and sustainable economic growth to boost living standards for working people in every part of the UK" (Department for Business and Trade (DBT), 2025, p.18).[1]

Start-ups are crucial to fulfilling this growth mission, contributing in three ways: innovation, job creation, and market competition. On innovation, start-ups are not only vehicles for knowledge commercialisation, they are often also the drivers of disruptive technologies. For example, Kolev et al. (2023) found that start-ups located near top research universities in the United States (US) generated patents with significantly more forward citations (citations from future patents) than those from either universities themselves or incumbent firms, and were 40% more likely to produce high impact 'outlier' patents. Their inventions also scored higher on measures of originality and generality, rivalling those from elite academic institutions.

In terms of job creation, small to medium sized enterprises (SMEs) account for 60% of the total employment in the UK.[2] With more than 2.9 million students in higher education as of 2023/24 (25% rise from 2014/15[3]) enabling these small and young firms to survive and grow is vital for unlocking the potential of the UK's growing graduate population. Additionally, start-ups (especially in frontier technologies and the eight Industrial Strategy sectors (Advanced Manufacturing, Clean Energy, Creative Industries, Defence, Digital and Technologies, Financial Services, Life Sciences, and Professional and Business Services) can provide diverse high-quality jobs, reducing the mismatch in the UK labour market whereby 30% of UK graduates are employed in non-graduate jobs.[4]

The Competition and Markets Authority (CMA Microeconomics Unit, 2024) has noted a 10% rise in cost markups in Great Britain and a decline in business dynamism in the UK over the last 25 years. In this aspect, new entrants can disrupt the incumbents' market power, increase competition and contribute to consumer welfare. The CMA (2015) has previously documented positive relationship between competition and productivity, through three main mechanisms: discipling management and boosting within-firm efficiency; reallocating market share to more productive firms; and driving firms to innovate. Start-ups and scale-ups are the drivers of business dynamism.

Finally, in this era of geopolitical upheaval, the Industrial Strategy paper stated: "Supply chains are increasingly volatile, security threats are rising, and partnerships are changing" (DBT, 2025, p.40).

[1] https://www.gov.uk/government/publications/industrial-strategy
[2] https://www.gov.uk/government/statistics/business-population-estimates-2024/business-population-estimates-for-the-uk-and-regions-2024-statistical-release#composition-of-the-2024-business-population
[3] https://www.hesa.ac.uk/data-and-analysis/students/whos-in-he
[4] https://niesr.ac.uk/publications/vertical-horizontal-mismatch-uk?type=discussion-papers

Supporting domestic companies, especially in these key sectors, to grow and scale is a strategic imperative in order to strengthen national supply chains and ensure economic resilience.

An overview of UK start-ups

Compared to many of its peer countries, with the exception of the US, the UK is well placed in terms of start-up activity. For example, the Global Startup Ecosystem Report 2025 (Startup Genome, 2025) ranks London as the third leading start-up ecosystem in the world, behind only Silicon Valley and New York City (NYC). The ranking considers six 'success factors': performance; funding; market reach; talent and experience; AI-native transition; and knowledge.[5] Between 2019 and 2024, London consistently shared second position with NYC although it has recently dropped to third place. Among European peers, London remains the strongest hub for entrepreneurship (third place globally) compared to Paris (12th), Amsterdam-Delta (20th) and Berlin (24th). In particular, the UK tech sector is the third most valuable in the world, valued at $1.2 trillion, behind only the US ($27.6 trillion) and China ($5.8 trillion), according to Dealroom (2025).

Looking at company births, the UK saw an increase of 11.2% in the number of company incorporations at Companies House – totalling 890,684 incorporations – between financial year (FY) 2024 and FY 2023. The UK company birth rate is higher than recorded for the European Union (EU) in 2022 (10.5%) and outperforms the US's recent decline in business formations (-4.8% between 2023 and 2024).[6][7] Figure 1 shows the number of companies registered at Companies House from financial year ending (FYE) 1988 to 2024.

However, most UK start-ups tend to have short lives. The average company registered with the Companies House is 8.7 years old.[8] Data from the Office for National Statistics (ONS) shows a five-year survival rate of 39.4% for UK businesses born in 2018,[9] compared with a survival rate of 51.9% for US businesses (US Bureau of Labor Statistics).[10]

[5] The 'Performance' metric evaluates the quantity of high-value exits, the ecosystem's value and start-up success. 'Funding' assesses early-stage funding volume and growth, and local investor quality. The 'Market reach' measurement includes local and global market reach, e.g. log of GDP of the country. 'Talent and experience' gauges the cost, quality and access to tech and life-sciences talent, as well as scaling and start-up experience. 'AI-native transition' measures the proportion of AI companies within all tech start-ups and their associated VC funding in 2023-2024. Finally, 'knowledge' assesses ecosystem patent production.

[6] https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20241025-2

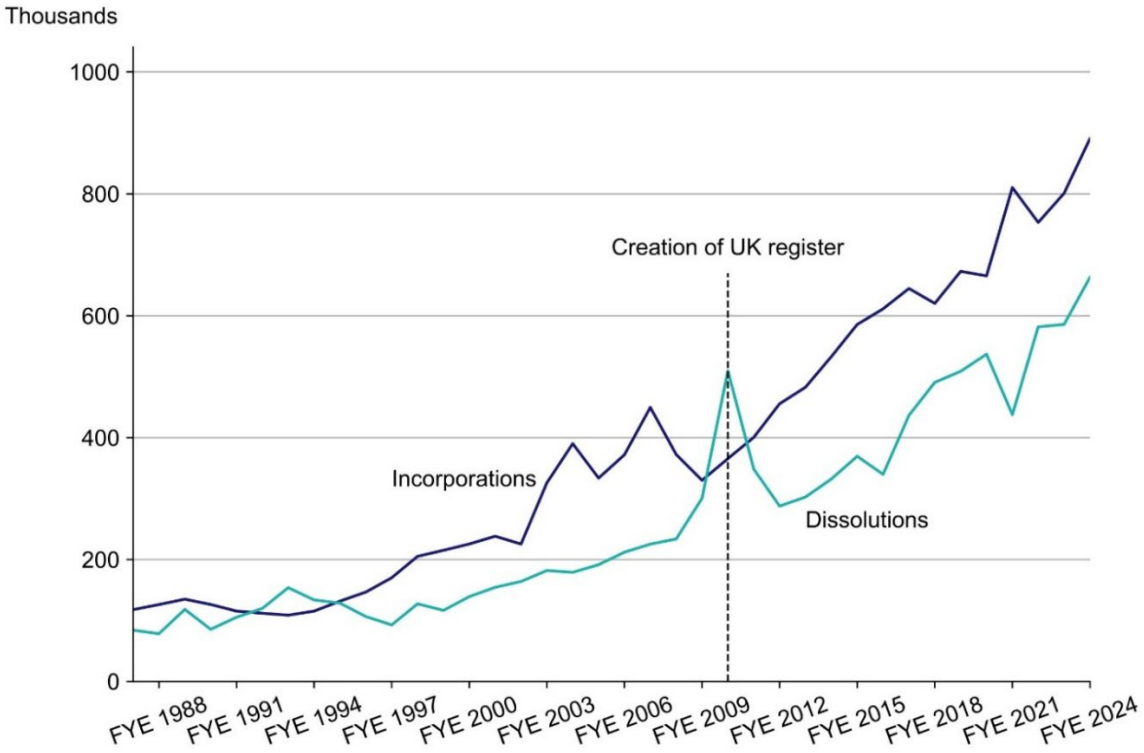
[7] https://fred.stlouisfed.org/series/BABATOTALSAUS#

[8] https://www.gov.uk/government/statistics/companies-register-activities-statistical-release-april-2023-to-march-2024/companies-register-activities-april-2023-to-march-2024#main-points

[9] https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2023

[10] https://www.bls.gov/bdm/us_age_naics_00_table7.txt

Figure 1: Company incorporations and dissolutions in the UK from FYE 1988 to FYE 2024



Source: Companies register activity, Companies House.[8]

The UK also ranks fourth globally in the number of unicorn companies – that is, start-ups with a valuation over $1.0 billion – with 53 as of 2024, trailing only behind the US (656), China (168) and India (71), according to the World Population Review.[11] As these three are much larger countries, in per 100,000 population terms, the UK's unicorn rate (0.076) is surpassed by the US (0.189) and exceeds that of both China (0.012) and India (0.005). Some well-known UK unicorns include Revolut, Wayve, Checkout.com, Monzo and Starling Bank.

The UK also fares well in terms of start-ups in high value, research and development (R&D) intensive sectors, as tables 1-4 show.

Table 1: Number of operational AI start-ups in selected countries, June 2025

Country	Number of operational AI start-ups	Rate of AI start-ups per 100,000 population
United States	15,209	4.38
United Kingdom	4,029	5.79
Germany	2,226	2.65
France	1,893	2.84
Sweden	631	5.92
Japan	379	0.31

Source: Analysis of data from Dealroom[12] *and Worldometer.*[13] *Note: 'Start-ups' here are defined as tech companies that are non-mature and founded since 1990; 'Country' refers to headquarter location.*

[11] https://worldpopulationreview.com/country-rankings/unicorns-by-country
[12] https://dealroom.co/
[13] https://www.worldometers.info/

Table 2: Number of operational deep-tech start-ups in selected countries, June 2025

Country	Number of operational deep-tech start-ups	Rate of deep-tech start-ups per 100,000 population
United States	11,288	3.25
France	2,790	4.19
United Kingdom	2,709	3.89
Germany	1,883	2.24
Sweden	666	6.25
Japan	391	0.32

Source: Analysis of data from Dealroom[12] and Worldometer.[13] Note: 'Start-ups' here are defined as tech companies that are non-mature and founded since 1990; 'Country' refers to headquarter location.

Table 3: Number of operational biotechnology start-ups in selected countries, June 2025

Country	Number of operational biotechnology start-ups	Rate of biotechnology start-ups per 100,000 population
United States	10,167	2.93
United Kingdom	1,620	2.33
France	1,058	1.59
Germany	993	1.18
Canada	836	2.08
Switzerland	496	4.65

Source: Analysis of data from Dealroom[12] and Worldometer.[13] Note: 'Start-ups' here are defined as tech companies that are non-mature and founded since 1990; 'Country' refers to headquarter location.

Table 4: Number of operational pharmaceutical start-ups in selected countries, June 2025

Country	Number of operational pharmaceutical start-ups	Rate of pharmaceutical start-ups per 100,000 population
United States	2,483	0.71
United Kingdom	404	0.58
Canada	234	0.58
France	212	0.32
Germany	202	0.24
Switzerland	140	1.31

Source: Analysis of data from Dealroom[12] and Worldometer.[13] Note: 'Start-ups' here are defined as tech companies that are non-mature and founded since 1990; 'Country' refers to headquarter location.

Where are start-up investments located in the UK?

Across the UK, funding and investment activity remain highly regionally concentrated. In 2024, around 58% of equity investment was (unsurprisingly) secured by London-based companies, followed by those based in the North West of England (10%), East of England (8%), South East of England (7%), Scotland (5%) and other UK regions (Beauhurst, 2025). Additionally, the British Private Equity and Venture Capital Association (BVCA) reports that almost half (49%) of the companies supported at the

venture-capital stage by its member general partners are located in London (2025).[14] Outside of London, Cambridge and Oxford also emerge as strong regional ecosystems for start-ups and innovation, receiving $1.2 billion and $675 million in VC investments respectively in 2024, just after London (Dealroom.co, 2025).

Regional disparities have implications for regional productivity growth and the availability of quality job opportunities. However, the uneven distribution in the UK might be seen as an industrial strategy opportunity with scope to develop strong regional entrepreneurial hubs around universities with commercialisable research strengths of different kinds. Elsewhere, early-stage companies might have lower operating costs than in London, but developing ecosystems depends on more ingredients than costs alone. The policy challenge is one of coordinating the factors needed to encourage more start-ups and scale-ups in frontier technologies.

This report

The next section explores these crucial ecosystem-building factors: market structure and scale; talent; and knowledge clusters and networks. In Section 3, we analyse data on venture capital (VC) investment in the UK and discuss some of the common explanations for the VC funding gap between the US and the UK. Section 4 turns to the exit strategies favoured by UK technology companies, focusing on alternative exits via IPOs and acquisitions. Finally, we end with a discussion and policy recommendations.

2. Ecosystem building

As the previous section showed, the UK performs well by international standards in terms of start-ups in leading technology areas, a strength widely considered to be due in part to the country's outstanding research base (Breschi, Lassébie and Menon, 2018; Audretsch, Belitski and Caiazza, 2021). The Global Startup Ecosystem Report 2025 scored London higher than both Silicon Valley and New York City in terms of 'knowledge', measured through the volume and complexity of patent registration (Startup Genome, 2025). But start-ups need to grow and survive, which is where the UK does less well; scaling up continues to be a key policy challenge (Mason, 2018; Asthana Gibson and Bhattacharya, 2023).

The making of a strong entrepreneurial ecosystem requires many different coordinated components, including adequate financing, a deep and diverse pool of talent, a consistent policy environment, and economic stability. In this section, we focus on three crucial components contributing to the development of a start-up ecosystem – the system-building factors: markets, talent, and knowledge.

Access to markets

In a survey of over 800 UK scale-up CEOs (ScaleUp Institute, 2024), market access is indicated to be the most significant challenge to growth (62%). While market access often refers specifically to a

[14] BVCA General Partners consist of Private Equity (PE) and Venture Capital (VC) firms.

company's ability to sell goods or services in export markets, in this report we discuss it in terms of both the domestic market and international markets.

Domestic market

The scale of the domestic market is a key issue.

Venture capital-backed Tract was an AI-powered platform founded in 2023 in hopes of addressing Britain's housing crisis by speeding up the planning permission process. It closed in March 2025 after two years without revenue and committed customers. The founders later explained what went wrong.[15] Among other reasons, they stated: "The British market was too small, fragmented, and resistant to change for us to progress at the speed and scale our investors required," and encouraged other founders to enter the US market where: "Even niche industries are large enough for venture-scale companies to exist."

This specific case is one illustration of a critical challenge for UK start-ups wanting to scale up. The question for policymakers is how to foster a domestic market that is sufficiently large, dynamic, and receptive to innovation to support the scaling up of knowledge-based companies, particularly against a backdrop of sluggish economic and productivity growth. In this respect, the effects of real wage stagnation (Machin, 2024) and the cost-of-living crisis on UK consumers together shape business prospects through changing consumption, saving and investment patterns. For example, from January 2021 to May 2024, UK consumer prices rose by 23%, far exceeding the inflation rate observed in Germany (21%), the US (19%) and France (17%).[16] Moreover, the rising costs of food shopping, fuel and energy bills, and rent and mortgages have prompted adults in Great Britain to spend less on non-essentials, shop around more and use less energy at home.[17]

Although every new venture needs to be able to address a large enough market, the problem of reaching minimum viable scale is particularly challenging in the tech sector and in other knowledge-intensive sectors such as life sciences. For different reasons in each case (online 'chicken and egg' growth dynamics for digital platforms; high initial fixed costs and lengthy research and development pipelines in life sciences and pharmaceutical), the scale needed to operate profitably may be large. Countries such as the US and China with vast domestic markets are more easily able to grow domestically before they need to expand into export markets, a more difficult exercise.

The challenge of being able to address a sufficiently large domestic market is exacerbated when large incumbents have significant market shares and are able to sustain barriers to entry against small or new challengers. This makes appropriate competition policy and enforcement an important enabler of domestic ecosystem growth; we turn below to the implications of dominant incumbents for the potential for UK start-ups to scale up.

International markets

Access to international markets is therefore particularly important in high-tech sectors, given the inherent limit to the scale of domestic markets. Scaling up has to occur in overseas markets from an early point in the company's life. Cannone and Ughetto (2014) found that a small domestic market

[15] https://buildwithtract.com/
[16] https://commonslibrary.parliament.uk/research-briefings/cbp-9428/
[17] https://commonslibrary.parliament.uk/research-briefings/cbp-10100/

and scalable products are positively associated with a start-up's likelihood to internationalise right from its establishment. The ScaleUp Institute reported that seven out of ten UK scale-ups were focused on expanding to global markets in 2024 (ScaleUp Institute, 2024). In 2023, small to medium sized enterprises (SMEs) account for 25% of the total UK export trade value (£422.5 billion), while businesses under 10 years old make up for 5% of the total.[18] In this respect, the UK government can play an important role in initiating efforts to support UK tech companies' growth, such as actively negotiating trade agreements that reduce barriers for these services and establishing readily-accessible support programmes in key overseas markets. Such forms of assistance may include providing legal assistance, regulatory navigation, export guarantee finance, and local network access.

Given the legacy of Brexit in damaging trading links with the EU, along with recent shocks from US trade policy, diverse international partnerships and stronger trade ties with the EU and other key global markets apart from the US have become even more critical for UK start-ups. France's Mistral AI is an example of successful global expansion. Founded in 2023, the start-up has raised $1.05 billion in funding in two years,[19] a figure that rivals the $1.32 billion raised over eight years by Wayve, a UK-based unicorn founded in 2017.[20] Much of Mistral's rapid growth can reportedly be attributed to a small number of contracts with large customers such as IBM and BNP Paribas, with each contract worth over $100 million.[21] Assisting UK start-ups to expand internationally at an early stage will be an important element of industrial strategy.

Access to talent

The UK benefits from its many world-class universities, attracting more than 700,000 overseas students in 2022/23.[22] However, a critical disconnect exists as this pipeline of international talent does not consistently translate into accessible human capital for UK start-ups. An analysis involving more than 1,400 interviews with UK businesses (commissioned by the HM Revenue and Customs) found that the majority of the businesses faced difficulties in attracting and recruiting skilled talent, especially among medium-sized and scale-up companies (Stratton *et al.*, 2022). Echoing this finding, Tech Nation's survey revealed that more than half of UK start-up chief executive officers (CEO) and directors reported it was 'reasonably' to 'very' difficult to recruit the talent needed, with engineering and development skills being the hardest to hire (Tech Nation, 2024). The survey further pointed to the high cost of living, limited budget for senior hires, competition with largest tech companies and restrictive immigration rules as the top four reasons for these recruitment challenges.

The UK's 2024 Immigration White Paper proposes further tightening the possibility for overseas students to work for UK companies by shortening the Graduate Visa from two years to 18 months and extending settlement qualification from five years to ten years. These stated measures aim to reduce dependency on foreign labour and build a domestic talent base across the UK economy. Yet at a time when the US is limiting immigration and undergoing considerable upheaval in its universities, policies perceived as restrictive could mean the UK missing a crucial opportunity to attract highly skilled

[18] https://www.gov.uk/government/statistics/uk-trade-in-goods-by-business-characteristics-2023/uk-trade-in-goods-by-business-characteristics-2023#export-summary-statistics
[19] https://tracxn.com/d/companies/mistral-ai/__SLZq7rzxLYqqA97jtPwO09jLDeb76RVJVb306OhciWU
[20] https://tracxn.com/d/companies/wayve/__go5_Z58BAb4tRQ9srOvG14MIffdlqtv-Xbv6nI1E3eg
[21] https://on.ft.com/4nktCaj
[22] https://commonslibrary.parliament.uk/research-briefings/cbp-7976/

individuals. In rapidly innovating tech sectors, where the role of highly skilled talent is essential, such opportunity costs will likely widen the competitive gap between the UK and other leading economies. Looking further ahead, efforts to cultivate a domestic talent pipeline must also overcome affordability barriers. In 2022/23, annual tuition fees for undergraduate degrees in England (over $9,500) far exceeded other developed countries such as Japan, France, Germany and Sweden ($0 to $6,000) when adjusted for purchasing power parities (OECD, 2024). High tuition and visa fees also deter the international students who contribute to the start-up ecosystem, while their ability to stay on in the UK after graduation has been restricted. The IS-8 sectors all require a skilled talent pool in order to thrive.

For immigrants contribute not only as skilled labour but also act as vital sources of entrepreneurship. For instance, an analysis from the Institute for Progress indicated that 60% of top US-based artificial intelligence (AI) start-ups (listed in Forbes' AI 50) were founded or cofounded by immigrants.[23] Similarly, research by Stanford's Venture Capital Initiative found 44% of US unicorn founders were born outside the US.[24] Restricting UK start-ups to a smaller talent pool, while competitors in some other countries access a global one, places them at a distinct disadvantage in both domestic and international markets. In the domestic competition for talent and leadership, start-ups and scale-ups often cannot match the salaries, benefits packages or established reputation of larger corporations, nor can they as easily navigate visa sponsorship processes.

Knowledge clusters and networks

The US benefits from co-located knowledge clusters of universities, start-ups, Big Tech firms, and investors. These dense networks foster rapid information exchange and knowledge spillovers, accelerating the commercialisation of new ideas. Despite modern communications technologies, geographic proximity remains crucial for networking, collaboration and innovation. One explanation is that the transmission of tacit knowledge (such as understanding of market timing for start-ups) could not be formulated in writing or measurable units, and is most effective through face-to-face interactions (Collins, 1974). Salazar Miranda and Claudel (2021), studying how physical proximity affected scholarly collaboration at the Massachusetts Institute of Technology (MIT), found that moving researchers to the same building increased their likelihood to collaborate. Similarly, investigating a large co-working hub that hosted 251 start-ups, Roche et al. (2022) pointed out knowledge spillovers (proxied by the adoption of a peer start-up's web technology) among these companies were most likely to occur within very short physical distances (20 meters), with spillovers driven by social interactions.

For investors, dense networks and an interconnected ecosystem reduce friction in identifying and vetting high-potential companies – thanks in part to shared networks and talent visibility. The abundance of capital amplifies this effect: larger funding rounds are associated with a higher likelihood of successful exits, and those exits in turn create a positive feedback loop by validating the ecosystem, replenishing VC funds, and attracting new capital. Furthermore, the concentration of

[23] https://ifp.org/most-of-americas-top-ai-companies-were-founded-by-immigrants/
[24] https://news.crunchbase.com/venture/foreign-born-entrepreneurs-drive-americas-unicorn-boom-strebulaev-stanford/

investors and sectoral knowledge within these clusters could influence the perceived value and growth potential of resident companies, potentially impacting exit valuation.

Understanding how different sectors are related and connected to each other could be pivotal to regional growth and cluster/specialisation development. For example, Selvi and Garling (2024) explored sectoral relatedness in the emerging economy of East Anglia (Cambridgeshire, Norfolk, Suffolk and Peterborough) and identified three most prominent and connected sectors: Life Sciences, Net Zero, and Research and Consulting in Physical Science and Engineering. They found that firms in these key sectors are highly concentrated around Greater Cambridge (Cambridge City and South Cambridgeshire) and the neighbouring areas. Given that talent and leadership is crucial for business development, the density and proximity of related economic activities could also facilitate talent recruitment through social networks.

Discussion

If UK policymakers are asking, "Why haven't we produced a Google or Microsoft?", the answer may lie in the structural differences between the US and UK. Besides market size, the US has built an environment highly conducive to winner-take-all dynamics, where firms can rapidly scale (see 'blitzscaling' in Section 3), attract large amounts of capital and can exploit their early-mover advantage to dominate global markets. Beyond funding, dense ecosystems support start-ups through mentorship, operational expertise, and fast access to legal, technical, and regulatory know-how. A 2024 survey of over 1,500 global entrepreneurs and VC investors by Techstars – a global start-up accelerator and venture capital firm based in New York – found that most of current founders are serial entrepreneurs, with 79% having worked at other start-ups in the past (Techstars, 2024), highlighting the self-sustaining characteristic of a start-up ecosystem. While the UK has strong innovation hubs – particularly the 'golden triangle' of London, Oxford, and Cambridge – these clusters are significantly smaller in scale than their US counterparts.

Arguably, too little attention is paid in UK policy to the supporting supply chain and broader start-up business environment. Start-ups need a supportive ecosystem to grow. There is a policy coordination role in ensuring that firms are plugged into appropriate networks (including internationally), can access the necessary public goods (such as skills, prototyping production facilities, or trade shows), and in establishing a policy environment such that financing is available to support the firms' business models. Illustrating this, Selvi and Garling (2025) highlighted Business Support Services as a key knowledge-intensive sector that contributes to the development of UK regional innovation economies such as Cambridge, Leeds and Manchester. Furthermore, the Techstars survey identified Venture Capital/Angel Investors, Community/ Proximity to Other Startups and Accelerator Programs as key drivers of innovation in an ecosystem currently and five years from now (Techstars, 2024).

At a global level, differences in ecosystem characteristics compound into a cumulative advantage for the large US and Chinese players. In a world of finite venture capital and entrepreneurial talent, the US has continued to attract a disproportionate share – both because of the magnetic effect of past success and because it offers the best infrastructure for future winners (although this US advantage may now start to evaporate).

It is also important to recognise that knowledge clusters can take several forms, with the Silicon Valley tech cluster being only one model. Even in the US, previous attempts to replicate the Silicon

Valley model of star entrepreneurs and bottomless VC finance (for example in Atlanta) have failed. Daniel Breznitz (2021) argues that there are three other successful models of innovation clusters: one focusing on design, prototyping and production engineering stages rather than frontier innovation, with Taiwan being the exemplar; another where the innovation focuses on second generation products (such as the application layer for generative AI) or components; and finally a model exemplified by China's Pearl River Delta focused on innovation in modes of production, assembly and logistics. Each model has different ecosystems and policy needs. Recognising that start-up cluster needs vary depending on the location and model will be key to achieving a broader geographical base for UK start-up ecosystems.

3. Funding

In 2024, venture capital (VC) investments in the UK reached $16.4 billion, representing a decline of 57% from the record high of $38.2 billion in 2021 – in line with a global decline in VC markets. The UK nevertheless remains the third largest venture capital market in the world, after the US ($191.5 billion) and China ($38.4 billion). Table 5 shows the total amount of VC investment and the number of VC funding rounds in tech companies in the US, UK, China, Germany, France and India – the top five VC markets in 2024.

Table 5: Total VC investments (US$) and number of VC fundraising rounds in tech companies in 2024 by country

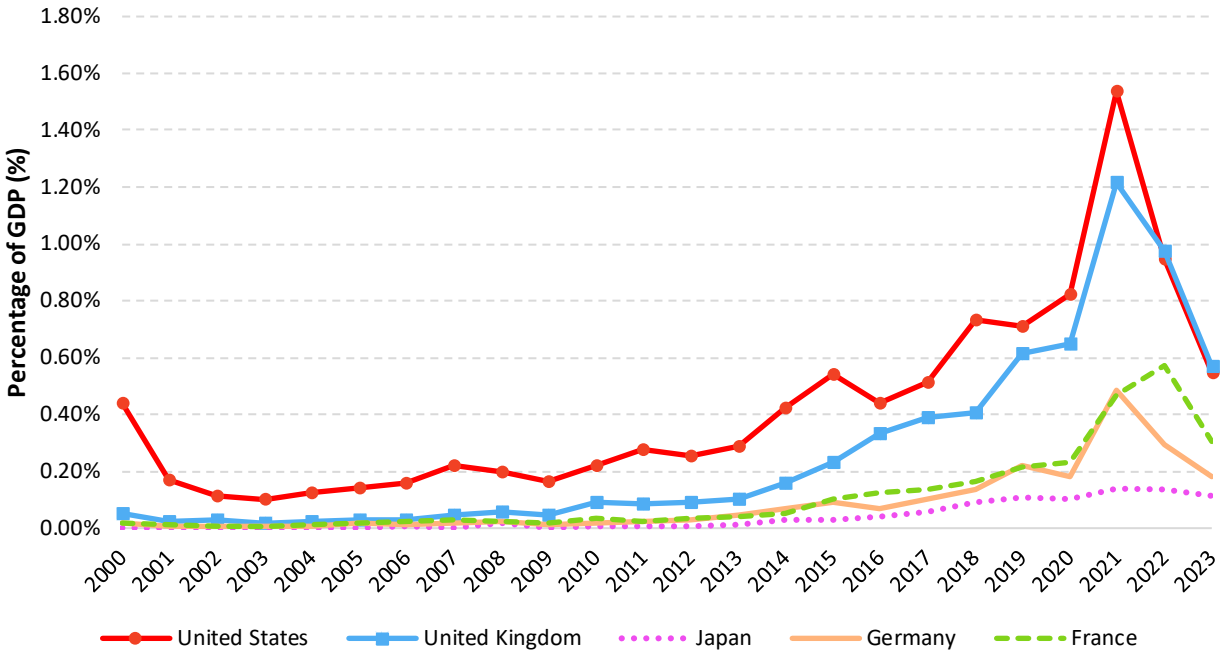
Country	Total VC investments in USD	Number of rounds
United States	$191.0 billion	9,342
China	$38.4 billion	2,672
United Kingdom	$16.4 billion	2,236
India	$13.6 billion	1,447
Germany	$8.2 billion	1,590
France	$7.9 billion	916

Source: Analysis of data from Dealroom.[12]

The US's VC market dwarfs that of the UK by both scale and quantity, with the total amount of VC investment in the US more than 11 times higher than in the UK in terms of absolute number. But taking into account the size of each economy, figure 2 shows total VC investments as a percentage of GDP in selected countries from 2000 to 2023; the UK on this metric is not far out of line with the US.

In 2023, total VC investment amounted to 0.57% and 0.55% of GDP in the UK and the US respectively. A prior large gap in VC investment as a share of GDP (between the two countries from 2000 to 2022) seems to have narrowed between 2019 and 2023. Figure 2 also illustrates that the decline in the VC market is not limited to the UK but is a global occurrence after the outlier years of 2021 and 2022. Nonetheless, there is a huge disparity in absolute funding amounts between the US and the UK, and absolute scale does matter to investors for reasons of funding costs and portfolio risk management.

Figure 2: Total VC investments in tech companies as a percentage of GDP in selected countries, from 2000 to 2023



Source: Analysis of VC investment data (USD) from Dealroom[12] and GDP in current prices data (USD) from the World Bank.[25]

Why is there a gap in VC investment between the US and UK?

There are four potential factors to explain the US-UK gap:

1. Market size

The simplest explanation is that the US's larger market with abundant capital enables *greater absorption* and *more diverse demand* for innovative ideas and products. The deep pool of capital in the US, especially Silicon Valley, also allows for practices such as 'blitzscaling' – when a start-up scales really quickly to capture the market and prioritises speed over efficiency in an environment of uncertainty (Hoffman and Yeh, 2018; Kuratko, Holt and Neubert, 2020). Notable examples of successful 'blitzscalers' include Airbnb, Uber, PayPal and Flexport. This aggressive growth strategy allows these companies to maintain their first-mover advantage and establish market power. Such funding and scaling strategies might not only influence where entrepreneurs choose to build their start-ups but also where VC and angel investors go looking for the next potential 'unicorn'. The promise of massive returns in a blitzscaling-friendly environment may perpetuate the concentration of venture capital in tech ecosystems such as Silicone Valley.

The scale of capital, however, might be enabled by high wealth concentration in the US. As of September 2024, there are 801 US-based billionaires with a combined wealth of $6.22 trillion – nearly double the UK's 2023 GDP ($3.38 trillion).[26] Complementing this argument, Gomez (2025)

[25] https://data.worldbank.org/
[26] https://inequality.org/article/billionaire-wealth-keeps-growing/

confirmed that wealthy households disproportionately invest in equity. Saez and Zucman (2016) documented that the US top 1% wealthy foundations – proxies for very rich households due to similarity in wealth and investment portfolio – possessed a large and growing amount of business assets in private equity and venture capital funds.

The US also has more affluent consumers, who spend more, than in other economies: the top 10% of earners account for more than 23% of personal consumption expenditures in the US in 2023, compared to 18% of household final consumption expenditures in the UK.[27] Moody's Analytics estimated that the share of all consumer spending by the tenth income decile in the US could reach 50%.[28] This concentration of purchasing power creates a unique consumer base that early-stage and niche businesses could leverage, especially when they are still navigating pricing and cost challenges related to economies of scale. It may also signal a receptive market to the novel innovation (especially Business-to-Consumer and premium products) typically backed by VC funds, bolstering investor confidence in the start-ups' future growth and profitability in the US market.

2. Capital allocation

A frequently cited concern within the UK's start-up funding landscape is the comparatively low participation of domestic pension funds in venture capital and private market investments. According to the Association of British Insurers, 11 of the UK Defined Contribution (DC) schemes currently allocate nearly £800 million to unlisted equities (only 0.36% of their total DC funds).[29] This issue is compounded by a broader 'home bias' problem: only 22% of UK workplace DC was invested in domestic assets such as UK gilts, corporate bonds and equities, as compared to 44% in New Zealand and 55% in Australia in 2023. Additionally, UK private DC allocated only 8% of its total equity investment to domestic equities, significantly lower than the US estimate (82%).

Recognising this gap as a missed opportunity for both pension fund returns and domestic growth capital, new policy initiatives are underway. For instance, the British Business Bank's 'British Growth Partnership' aims to channel hundreds of millions of pounds from UK pension funds into VC.[30] In the recent Mansion House Accord, 17 UK pension providers (managing 90% of active DC pensions) have pledged to invest 10% of their portfolios to private markets to boost growth, with at least 5% ringfenced for the UK.[31] Furthermore, the National Wealth Fund, with a commitment to mobilise private investment, intends to target strategic sectors like green hydrogen, carbon capture, and gigafactories, which could further stimulate VC activity in these areas.[32]

3. Risk attitude

The US has fostered a strong culture of risk-taking among investors and founders alike, demonstrating a greater willingness to back risky early-stage companies. Failure is not a stigma, as it is in some other countries. Historical legacies and cultural differences likely play a significant role in shaping risk appetites at both institutional and individual levels. Additionally, the scale of capital available for investments in the US might also lower the cost of risk-taking, particularly relevant for investments in risky start-ups.

---

[27] https://www.bennettinstitute.cam.ac.uk/blog/whose-economic-growth/
[28] https://www.wsj.com/economy/consumers/us-economy-strength-rich-spending-2c34a571
[29] https://www.abi.org.uk/news/news-articles/2024/7/mansion-house-compact/
[30] https://www.british-business-bank.co.uk/finance-providers-equity-finance/british-growth-partnership
[31] https://www.gov.uk/government/news/pension-schemes-back-british-growth
[32] https://www.gov.uk/government/publications/national-wealth-fund-mobilising-private-investment

Drawing on the risk-sensitivity theory (Pickard, Dohmen and Van Landeghem, 2024), economic inequality in the US could incentivise risk-taking among aspiring entrepreneurs who perceive themselves as needing bold action to advance, potentially enlarging the supply of high-risk-high-rewards investment opportunities.[33] While this theory may help explain the pipeline of ventures, it does not necessarily explain the demand from investors, as a direct link between national inequality and the risk-taking behaviour of institutional VCs themselves is not firmly established.

While directly comparing national risk attitudes is empirically challenging, available evidence is suggestive. A study by Ferreira (2018) showed that at the same level of perceived risk (towards financial investments), UK individuals displayed a lower likelihood to take risks (risk-taking propensity) than their US peers. In other words, US individuals are more risk tolerant on average. Surveying undergraduate students in 53 countries, Rieger et al. (2015) indicated that while UK students were slightly *less* risk-averse when facing potential gains compared to US counterparts, they were also more likely to avoid ambiguity or uncertainty. Although it is unclear how these individual traits translate to institutional behaviour, the evidence points towards a tangible difference in risk tolerance between the US and the UK.

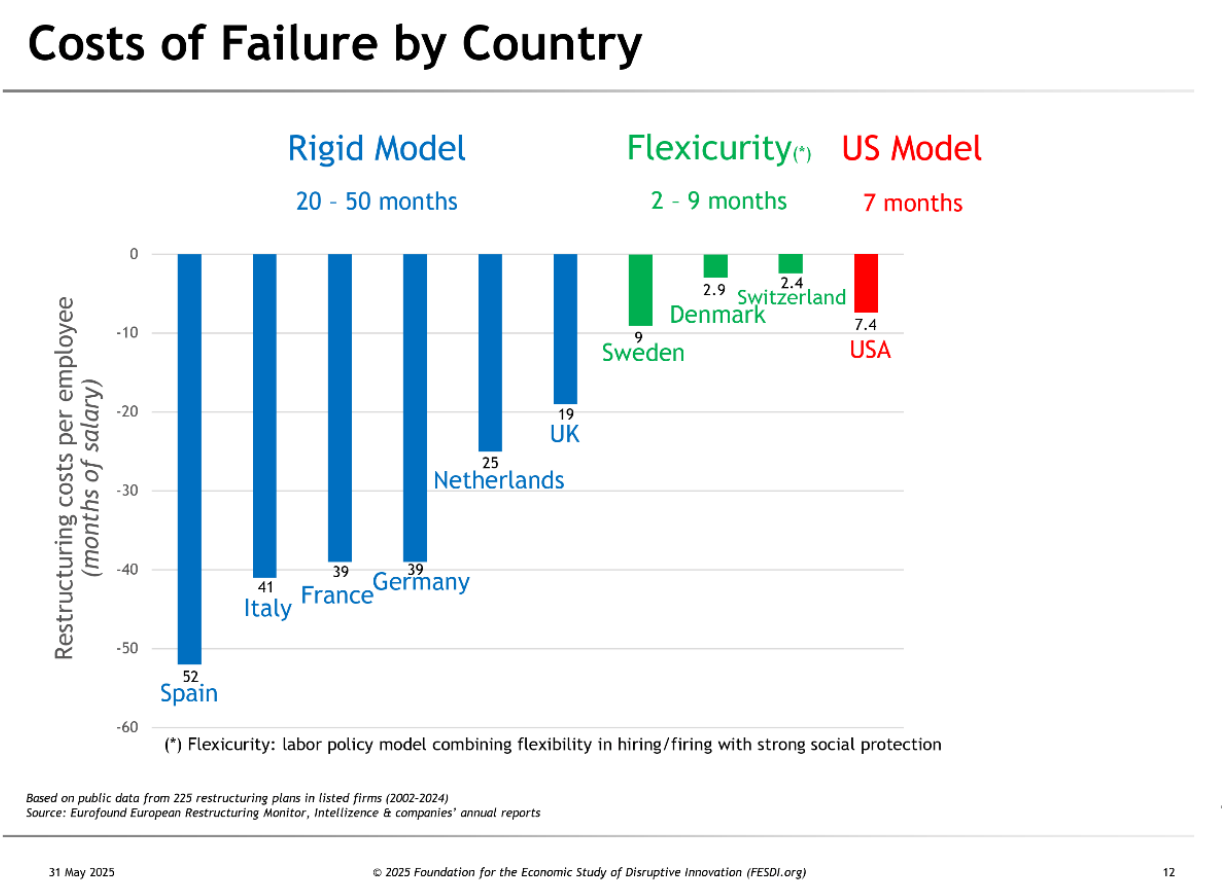
4. Costs of failure

Coatanlem and Coste (2024) argue that Europe's high restructuring costs (driven by restrictive employment protection law and prolonged transition process to another business model) has raised the cost of failure associated with innovation, requiring a higher *ex ante* Return on Investment (ROI) and discouraging investments in risky or disruptive projects. Start-ups are affected as investors or acquirers often price in expected workforce restructuring costs, reducing exit valuations and, by extension, the profitability of VC funds. The paper further suggested the lower profitability of European VC funds as a factor for the lower VC funding level in Europe compared to the US. It is also implied that these high restructuring costs can impede the growth of innovative firms in Europe, as the costs from employment protection law become more applicable as they scale up.

Figure 3 shows the cost of failure (restructuring costs) as months of salary per employee in selected countries with different models of employment protection law (estimates by Oliver Coste, presented at the Festival Internazionale dell'Economia 2025 Conference). According to these estimates, UK firms face an average restructuring cost of 19 months of salary per employee, compared to 7.4 months in the US and the substantially lower levels in countries with a 'flexicurity' model (Sweden – 9 months, Denmark – 2.9 months, and Switzerland – 2.4 months). 'Flexicurity' is defined as combining flexibility in hiring and firing with strong social protection. Table 6 outlines some basic information on redundancy law in the US, UK, Switzerland, Sweden and Denmark, showing large differences in redundancy pay.

[33] https://wid.world/world

Figure 3: Restructuring costs per employee in months of salary by country



Source: Presentation slides by Oliver Coste and Marc Onetto for the Festival Internazionale dell'Economia 2025 Conference in Turin (Italy)[34]

Table 6: Redundancy law in selected countries

Country	Statutory Notice Period	Statutory Redundancy Pay	Consultation on Collective Redundancy
United States	None$^{\phi}$	None	No
United Kingdom	1 – 12 weeks	Conditional on 2+ years of service (capped at £21,570)	Yes
Switzerland	1 – 3 months	Only in limited cases$^{\delta}$	Yes
Sweden	1 – 6 months	None	Yes
Denmark	1 – 6 months	Conditional on 12+ years of service	Yes

Note: $^{\phi}$ 60-day notice required in case of mass layoffs under the US Worker Adjustment and Retraining Notification (WARN) Act; $^{\delta}$ employees who are over 50 years old with 20+ years of service.

In a recent working paper, Coatanlem and Coste (2025) analysed 250 restructuring plans (involving more than 100 layoffs) by listed companies in the US and ten European countries. They found a negative correlation (R-squared coefficient of 0.93) between the restructuring costs in months of salary and Research and Development (R&D) intensity in tech and biotech sectors – sectors

[34] https://www.europetechandwar.com/post/festival-internazionale-dell-economia

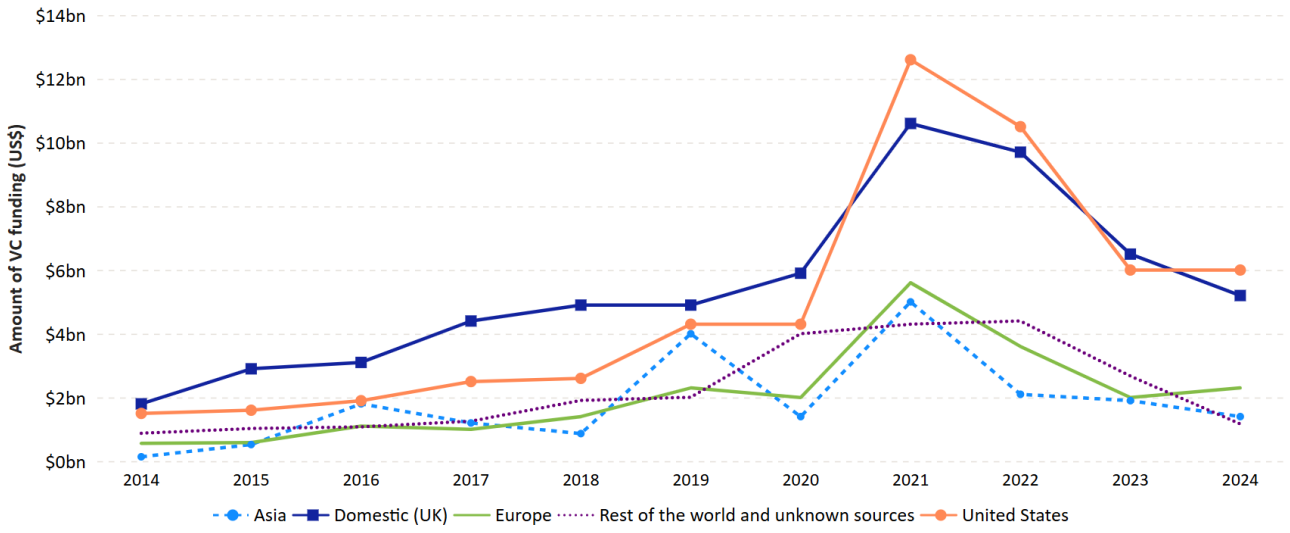
considered to represent disruptive innovations. Additionally, using Denmark as an example, the private gross domestic expenditure on R&D (GERD) in Demark saw a significant jump following the start of its 'flexicurity' model in 1995. Over eight years around this inflection point, GERD in Demark went up by 125%, compared to 40% in Germany, 75% in Spain and 60% in the US.

The idea that some forms of strong employment protection raise the cost of failure – and thereby discourage investment in disruptive or high-risk innovation – raises several policy considerations. A key question is whether this relationship is due to the absolute burden of such protections, or whether it is primarily a matter of relative disadvantage (in spite of other market factors). If the US, for instance, were to adopt stronger labour protections, would venture capital activity shift to other more flexible jurisdictions? In that case, the issue would not be labour protection itself, but the existence of alternative economies with more permissive rules, leading to global arbitrage. The degree and type of employment protection is clearly a key policy choice potentially involving trade-offs between equally valid aims, but the contrast between the UK and the Scandinavian economies – which are considered to have strong labour protections – is suggestive.

Where do VC investments in the UK come from?

In 2024, $6 billion of VC investments into UK start-ups came from US investors, followed closely by domestic (UK) investors – $5.2 billion. Figure 4 shows the amount of VC investment into UK start-ups by investor location from 2014 to 2024. Up until 2020, domestic investors had been the largest contributor of VC funding for start-ups; however, US investors have often overtaken domestic investments since 2021.

Figure 4: Amount of VC investment into UK start-ups by investor location, from 2014 to 2024



Source: Analysis of data from Dealroom.[12]

Between 2014 and 2024, the share of total VC investments into UK start-ups by US investors increased from 30.8% to 37.5% (+6.7 percentage points), while the proportion of domestic VC investments saw a decline from 36.9% to 32.4%. Over the same period, UK start-ups also received a surge in interest from investors in Asia and Europe, from whom the amount of VC investments grew

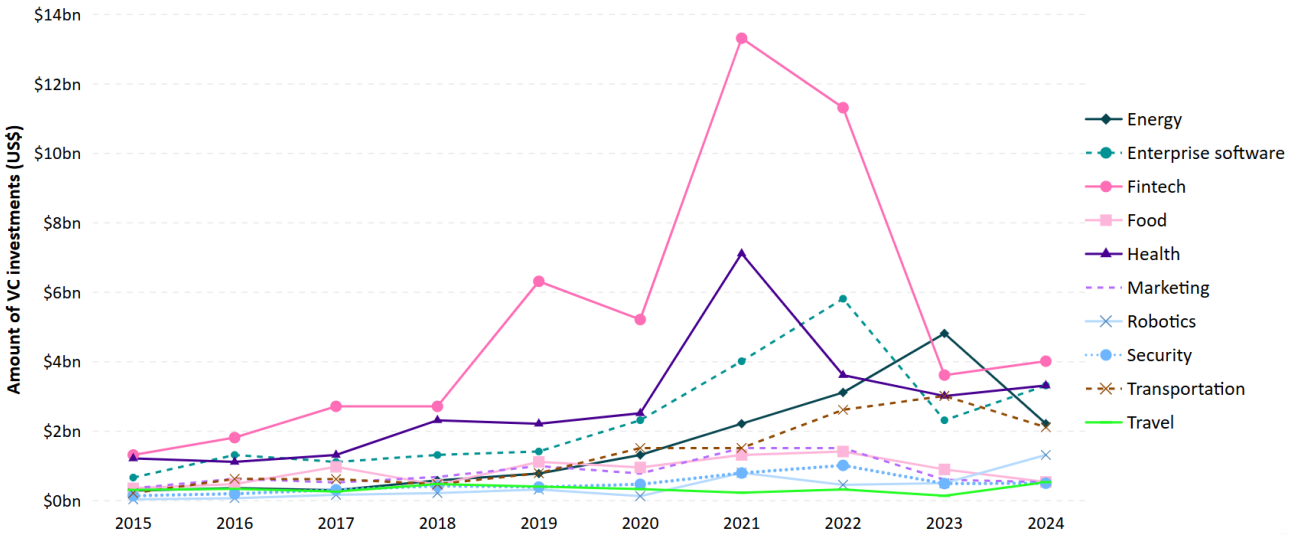
over ten times and four times respectively. Their share of total VC investments went up by nearly 6% for investors in Asian and 3% for investors in Europe.

Why does the source of funding matter? With the emerging global tensions and changes in the political landscape in many countries, the reliance on funding from overseas might expose UK start-ups and scale-ups to more geopolitical risks, resulting in heightened business uncertainty and lowered confidence. Moreover, Quas et al. (2022) suggested that foreign investments are very likely to lead to foreign acquisitions, which may ultimately result in a relocation of high-growth innovative companies out of the UK. A suggestive 2024 study of 11,000 start-ups from 17 different economies found that one of 10 VC investments from the US leads to headquarters relocation (Weik, Achleitner and Braun, 2024).

Destination of funding by sector

Fintech has consistently been one of the strongest sectors in the UK in terms of attracting VC finance. In 2024, UK-headquartered fintech start-ups secured $4.0 billion in VC investments, followed by enterprise software companies ($3.3 billion), health ($3.3 billion), energy ($2.2 billion) and other industries (figure 5). Between 2023 and 2024, travel and robotics companies saw the largest increase in the investment amount, by 4.2 times (to $518.0 million) and 2.7 times (to $1.3 billion) respectively. Meanwhile, the energy industry suffered the steepest decline of around 54%.

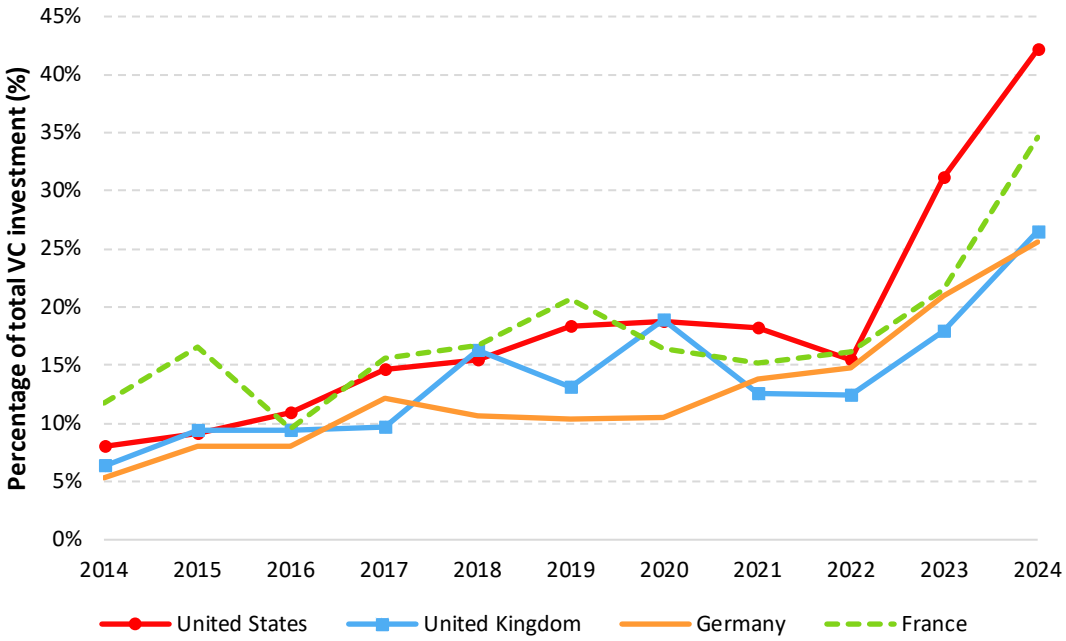
Figure 5: Top 10 industries by amount of VC investments raised from 2015 to 2024



Source: Analysis of data from Dealroom.[12]

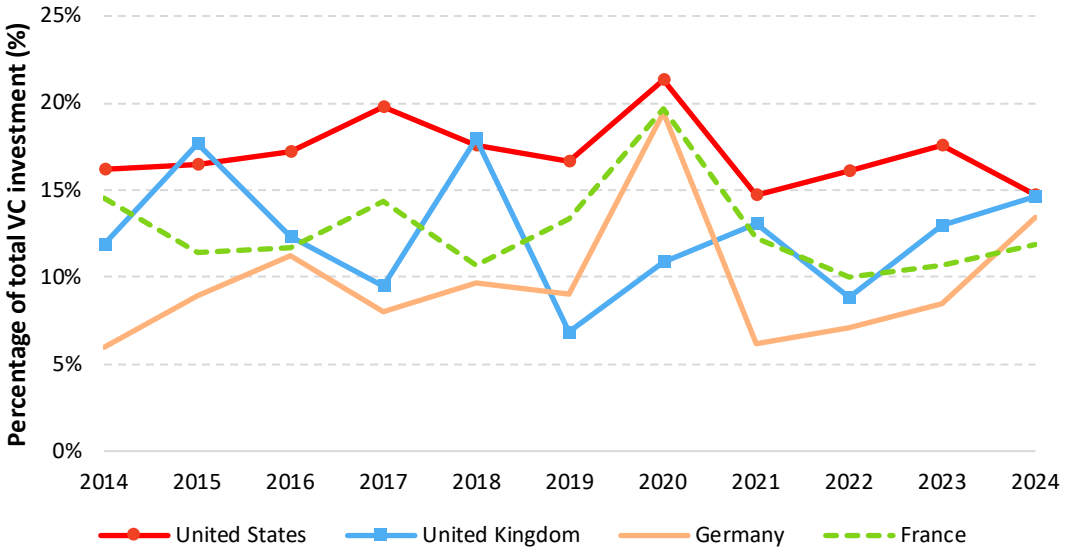
According to Beauhurst (2025), software companies account for 50% of the number of equity investment deals made across the UK in 2024. Software-as-a-service (SaaS) and AI companies accounted for 25% and 20% to all deals respectively. The cleantech sector secured 235 UK deals (12%), placing itself just below the life sciences sector. Figure 6 and 7 show VC investment in AI and biotechnology start-ups as a share of total VC investments in selected countries.

Figure 6: VC investment in AI start-ups in selected countries, as a share of total VC investments in each country



Source: Analysis of data from Dealroom.[12]

Figure 7: VC investment in biotechnology start-ups in selected countries, as a share of total VC investments in each country



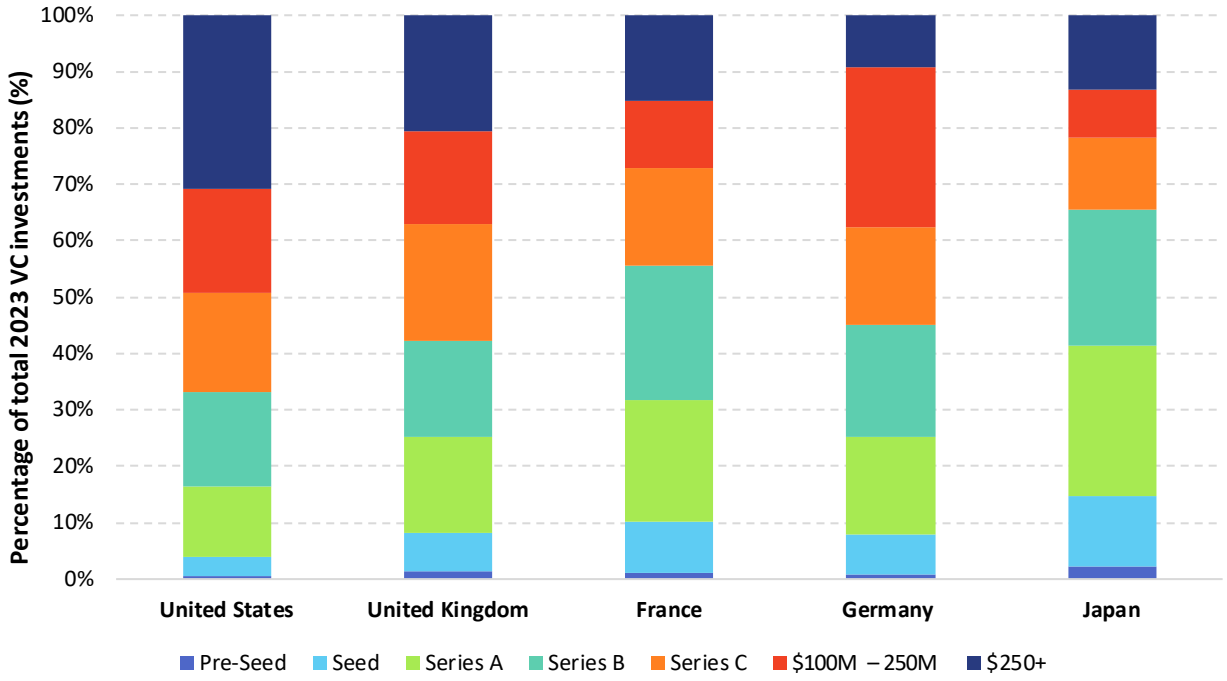
Source: Analysis of data from Dealroom.[12]

Funding by stages

Series funding refers to the staged process through which start-ups raise capital as they grow. It typically begins with pre-seed or seed funding – used to develop early ideas or prototypes – and

progresses through Series A, B, C, and beyond. Figure 8 breaks down the total 2023 VC investments by these stages in selected countries. UK start-ups raised more in later rounds (series C and beyond) than their French and German counterparts, both in absolute terms and as a share of each country's total VC. Specifically, 58% of all VC secured by UK start-ups in 2023 was in Series C or later rounds. However, this still positions the UK approximately nine percentage points behind the US in the proportion of late-stage funding.

Figure 8: Composition of series funding stages in selected countries in 2023



Source: Analysis of data from Dealroom.[12]

The time required to raise funding also reveals a critical divergence for UK start-ups. While the British Business Bank (2024a) reports that UK companies initially outpace US counterparts – taking 5.3 fewer months to secure the first funding round and 2.8 fewer months for the second round – this advantage reverses at later stages. For their sixth funding round, UK businesses take 2.8 months longer than US businesses (14.8 months). It thus suggests that UK companies face comparative challenges not only not only in the *amount* of capital raised but also in the *time* it takes to secure later-stage finance.

As of 2024, the UK was home to 34,180 scale-ups, a 27% increase from 2013 (ScaleUp Institute, 2024). Supporting scale-up growth is a widely embraced vision among policymakers and academics for revitalising the UK economy via enhanced productivity and economic growth. Amidst broader concerns about 'job scarcity' due to digital disruption (Brown, Lloyd and Souto-Otero, 2018; McGuinness, Pouliakas and Redmond, 2023; Eloundou *et al.*, 2024), scale-ups are seen as potentially vital creators of high-quality, skilled employment. Additionally, analysis by the ScaleUp Institute suggests that UK scale-up companies are more productive than all other firms in every sector, with a productivity premium reaching as high as 114% in the wholesale and retail sector.[35] However, evidence on the contribution of start-ups and scale-ups to the UK's aggregate productivity performance remains limited.

[35] https://www.scaleupinstitute.org.uk/scaleup-review-2023/the-scaleup-landscape/

An increasingly pressing policy concern is that without suitable alternative financing for growth, high-potential start-ups may fail to realise their potential or exit the UK in search of more lucrative options somewhere else, taking with them quality job opportunities and innovations (Asthana Gibson and Bhattacharya, 2023). Investors and founders of UK-founded growth companies are likely to seek their exit by selling to an overseas buyer rather than remaining UK-owned and listed (see Section 4 below). This seems to be particularly the case in the tech sector (Furman and Seamans, 2019). Recent high-profile examples include Darktrace, Oxford Ionics, Deliveroo and Alphawave Semi.

The Scaleup Institute's survey revealed that while access to finance is a persistent barrier to growth (as indicated by 47% of scale-up CEOs), access to market (62%) and talent and leadership (54%) remain more significant challenges. Using data on over 8,000 SMEs between 2007 and 2012, Brown and Lee (2019) suggested that UK high-growth firms found it no more difficult than other SMEs to access external finance. They also suggested that debt financing was more popular with high-growth firms as compared to equity financing over this period, contradicting the common belief in the dominance of equity financing. Hence the other challenges faced by start-ups and scale-ups should not be overlooked.

Performance of Venture Capital funds

Some research has cited the lower returns to UK VC funds as a reason for the gap in VC investments compared to the US (Lerner *et al.*, 2013; Arundale, 2018). Mason (2018) suggested the underperformance of UK VC funds and the lack of 'patient capital' had created a negative feedback loop, leaving the UK less attractive to top talent and stifling scale-up opportunities.

The British Business Bank (2024b) indicates that the UK appears competitive as 49% of UK VC funds generate a TVPI (Total Value to Paid-In capital) between one and two,[36] slightly higher than that proportion for US funds (45%) and Rest-of-Europe funds (47%). However, the UK lags behind in producing outliers at the top of the performance distribution – VC funds with a TVPI multiple of three or higher. The BVCA (2025) reported a 10-year horizon return rate of 11% per annum for UK VC funds, lower than the pooled 10-year performance of US VC funds (14.57%) disclosed by Cambridge Associates LLC.[37]

Nonetheless, data on VC returns and performance multiples are prone to limitations and biases. Hence, it is advisable to interpret it with caution. For instance, US investors account for 37% of the total VC investments in UK tech companies in 2024 – five percentage points higher than the share of domestic investors. Performance multiples, therefore, might not be a meaningful indicator of UK portfolio companies' potential and capability but more so of the size of UK VC funds and the experience of UK general partners.

[36] TVPI (Total Value to Paid-In capital) multiple is calculated by dividing realised and unrealised profits of an investment by the total capital contributed by limited partners. A TVPI multiple over one indicates positive investment returns.

[37] https://www.cambridgeassociates.com/wp-content/uploads/2025/03/2024-Q3-USVC-Benchmark-Book.pdf

4. Exits or scaling up

Exits represent the primary mechanism for start-up investors and founders to monetise their ventures and realise returns. Given that most VC funds operate on a finite lifecycle (typically around 10 years), successful exits are crucial for VC-backed firms to meet investor liquidity demands and funds' deadlines (Yao and O'Neill, 2022). This exit pressure also distinguishes VC-backed innovative start-ups from 'lifestyle' companies, which are typically intended for long-term operation (Pisoni and Onetti, 2018a). In 2024, Dealroom data finds 291 exits by VC-backed tech and non-mature firms in the UK, measuring up to 22% of all exits by tech companies (both VC-backed and non-VC-backed).

Table 7 reports the total exit value (USD) and the number of exits by tech and non-mature companies in 2024 in selected countries.

Table 7: Total exit value (US$) and number of exits of tech and non-mature companies in 2024, by country

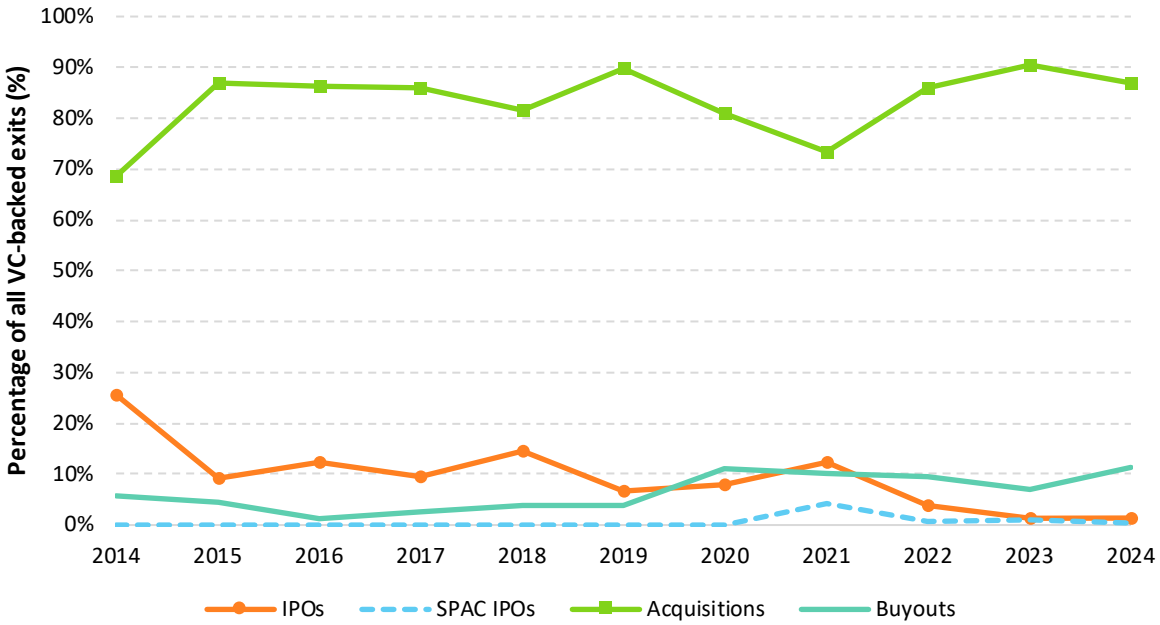
Headquarter country	Total exit value in USD	Number of rounds
United States	$182.7 billion	1,336
United Kingdom	$15.7 billion	291
France	$5.7 billion	150
China	$4.5 billion	71
Germany	$4.3 billion	145

Source: Analysis of data from Dealroom.[12]

Figure 9 illustrates the relative stability of different exit routes for VC-backed UK tech companies, showing each as a share of all VC-backed exits. Acquisitions remained the most popular exit strategy across all years. While the proportion of IPO (Initial public offering) exits has declined over the years, figure 10 (see also Section 4.1) indicates this trend is not unique to the UK. Buyouts gained momentum and overtook IPO exits in 2020, signalling the growing private equity market. Broader market data for 2024, encompassing 1,316 exits by UK-headquartered tech companies (both VC-backed and non-VC-backed), reinforces the dominance of acquisitions (91%), followed by buyouts (8%). In this cohort, Dealroom recorded 10 IPOs, of which four are VC-backed. From 2021, SPAC IPOs and direct listings also emerge as alternative options to traditional IPO exits (Payne and Martins Pereira, 2023).

To focus on the exit market for start-ups and newer SMEs, our analysis excludes companies categorised as 'mature' on Dealroom (e.g Virgin Money UK), which typically include companies that were founded before 1990 or are well-established with more than 500 employees.

Figure 9: Exit routes undertaken by VC-backed tech and non-mature companies in the UK, as a share of all VC-backed exits



Source: Analysis of data from Dealroom.[12] *Note: Data excludes companies categorised as 'mature'.*

A key concern, highlighted by Mason (2018), is that the UK's lack of scale-ups might be partly due to high-potential UK firms being acquired prematurely by larger businesses. Our analysis of Dealroom data finds that 62% of acquisition deals involving VC-backed UK tech companies in 2024 occured at the seed or early growth stages, aligning with this concern. However, this rate is only slightly higher (by approximately 2 percentage points) than for US firms. The small difference compared to the US suggests it may not be the most dominant factor explaining (if any) scale-up gap with the US, or it perhaps indicates a common characteristic of mergers and acquisitions (M&A) practices.

A key concern remains that acquisitions and buyouts of UK firms by foreign businesses and investors could lead to the relocation of these businesses, or their highest value activities such as R&D, out of the UK and result in a lack of UK 'home-grown' companies. The canonical example may be DeepMind's acquisition by Google; while DeepMind remains an important company employing around 2,000 people in the UK (in London),[38] its leadership moved to California and was merged with Alphabet's other AI activities in 2023.[39] For multinationals, the home market will always ultimately be the most important. Furman et al. (2019) found exit by acquisitions to be common among UK digital start-ups, and a matter of concern both for founders themselves, and because it implied a high degree of concentration in UK digital markets.

The next sections further discuss IPOs (and M&A exits in depth due to the significance of the choice between these two exit strategies.

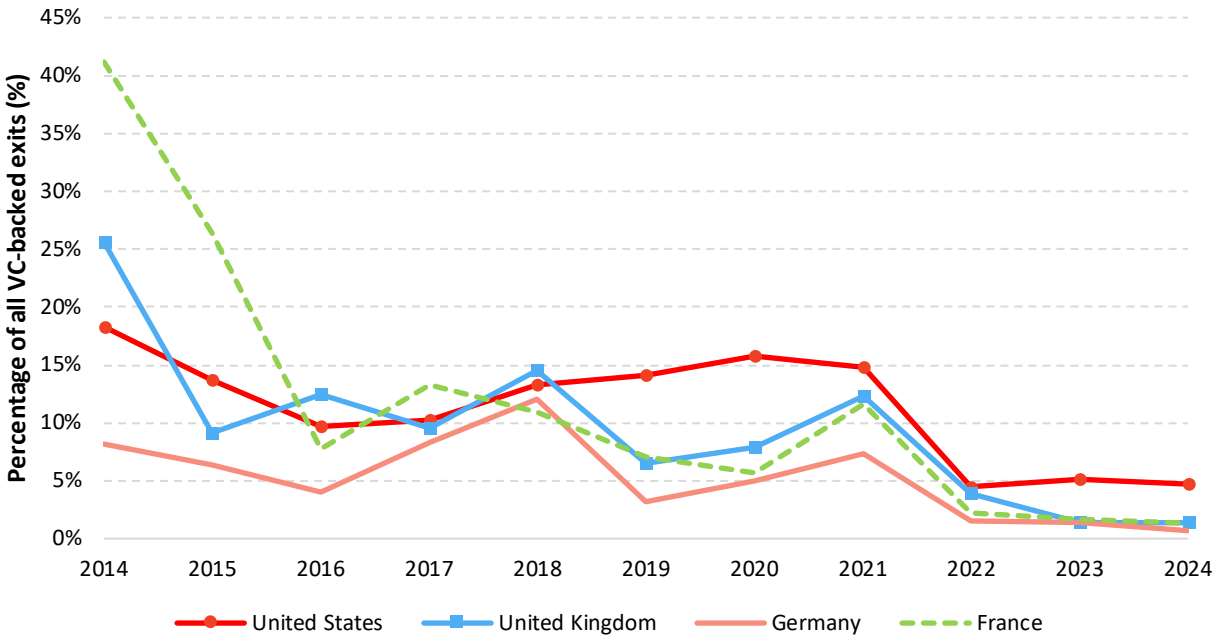
[38] https://techcrunch.com/2025/04/26/googles-deepmind-uk-team-reportedly-seeks-to-unionize/
[39] https://www.reuters.com/technology/google-combine-ai-research-units-google-research-deepmind-2023-04-20/

IPOs

An IPO (Initial public offering) marks the first sale of a company's shares to the public. This significant milestone provides access to substantial public capital, enhances visibility, and builds public recognition (Nelson, 2003), signalling the firm's readiness for further growth. A robust IPO market is also crucial for the venture capital (VC) ecosystem, creating a positive feedback loop that attracts further investment (Vermeulen, 2015).

However, over the past decade (2014-2024), IPOs as an exit route for VC-backed tech companies have declined, both in absolute numbers and as a proportion of all exits (figure 10). This trend is not unique to the UK but is observed across all selected major economies. During this 10-year period, the number of VC-backed IPOs plummeted by 87% for UK firms. While also experiencing a significant decrease, the drop in the US was less severe at 65%. In 2024, IPOs constituted only 1.4% of all VC-backed exits in the UK, compared to 4.7% in the US, 1.3% in France, and 0.7% in Germany.

Figure 10: IPO exits undertaken by VC-backed tech and non-mature companies in selected countries, as a share of all VC-backed exits in each country



Source: Analysis of data from Dealroom.[12] *Note: Data excludes companies categorised as 'mature'.*

This downward trend in IPO exits is also documented in the literature of IPOs, supporting our observation of Dealroom data. Some papers add that the IPO decline is driven by small firms (Ritter, Signori and Vismara, 2013; Lux and Pead, 2018). While a definitive consensus on the causes remains elusive, current research points to several contributing factors, with three common explanations:

- ***Stringent listing regulations***: Globally, overregulation has been frequently cited as a deterrent. The Sarbanes-Oxley Act (SOX) of 2002 in the US, for instance, is often blamed for "imposing stiff legal requirements on listed companies, particularly with regard to their auditing and internal control processes" (Vermeulen, 2015). In the UK, concerns about its listing competitiveness led to UK Listings Review[40] and subsequent reforms to the Listing Rules by

[40] https://www.gov.uk/government/publications/uk-listings-review

the FCA (Financial Conduct Authority). These changes, however, are deemed 'modest' and limited in its efficiency to revitalising the UK public equity market (Cheffins and Reddy, 2023; Payne and Martins Pereira, 2023). The overregulation hypothesis was challenged by Gözlügöl (2024), who argued against deregulation and attributed the London Stock Exchange's competitive disadvantages to UK-specific capital market factors like liquidity and valuation. Moreover, the paper compared the UK legal regime against the US one and found that the UK system was no more stricter (or even less strict in some cases).

- ***The role of private equity***: An alternative explanation is the increasing attractiveness of acquisitions and the ample supply of private capital for this purpose. Refuting the overregulation argument, Gao, Ritter and Zhu (2013) proposed the economies of scope hypothesis – positing that smaller firms can achieve greater profits through an acquisition by another firm. This is due to benefits from economies of scale (e.g., lower cost per unit) and faster market capture – especially critical in rapidly innovating tech sectors. This hypothesis seems consistent with figure 9 (above) which shows a rising prevalence of acquisition and buyout exits. Moreover, start-ups increasingly prefer to remain private for longer, potentially responding to management's desire to retain decision-making control and ownership of their company (Ewens and Farre-Mensa, 2017; Payne and Martins Pereira, 2023). This is facilitated by the expanding private equity market (with recent entrants like mutual and hedge funds), offering start-ups substantial financing alternatives to public markets (Ewens and Farre-Mensa, 2017).

- ***Macroeconomic conditions***: The macroeconomic explanation contends that the overall economic climate affects business and industry performance, equity valuation, stock market volatility and economic policy, leading to uncertainty and thus influencing the decision to go public (Tran and Jeon, 2011; Angelini and Foglia, 2018; Nguyen Thanh, 2020). Angelini and Foglia (2018), studying the UK market between 1996 and 2016, found a long-run relationship between external factors such as stock market volatility, industrial production, and interest rates, and the number of IPOs. However, it is debatable whether macroeconomic conditions alone can fully account for the widespread IPO decline across all selected countries (figure 10), especially given the concurrent rise in total VC investments, VC-backed exits and alternative exit options.

Nevertheless, macroeconomic factors may offer insights into the IPO share gap between the US and UK, which emerged from 2019 onwards (figure 10). This divergence could stem from the combined and differential impacts of Brexit (2016/2020), the COVID-19 pandemic and the Russia-Ukraine war (from 2022). Brexit, in particular, likely introduced more significant shifts to the UK's economic outlook and policy landscape, influencing the IPO decisions. Additionally, as figure 2 demonstrated, VC investments in UK companies (as a share of GDP) only showed some convergence to the US level in 2020. This could imply that many UK start-ups are backed by capital from less mature VC funds. As a result, many of UK tech companies included in the analysis might be at an earlier stage in their lifecycle compared to their US counterparts, thus having had less time to exit. Another alternative explanation is that the gap in funding scale and amount (discussed in Section 3) between the US and the UK has formed a loop that affects the exit options in each country, as studies have found that funding and investment amounts are positively associated with the probability of an IPO exit (Guo, Lou and Pérez-Castrillo, 2015; Shuwaikh *et al.*, 2024).

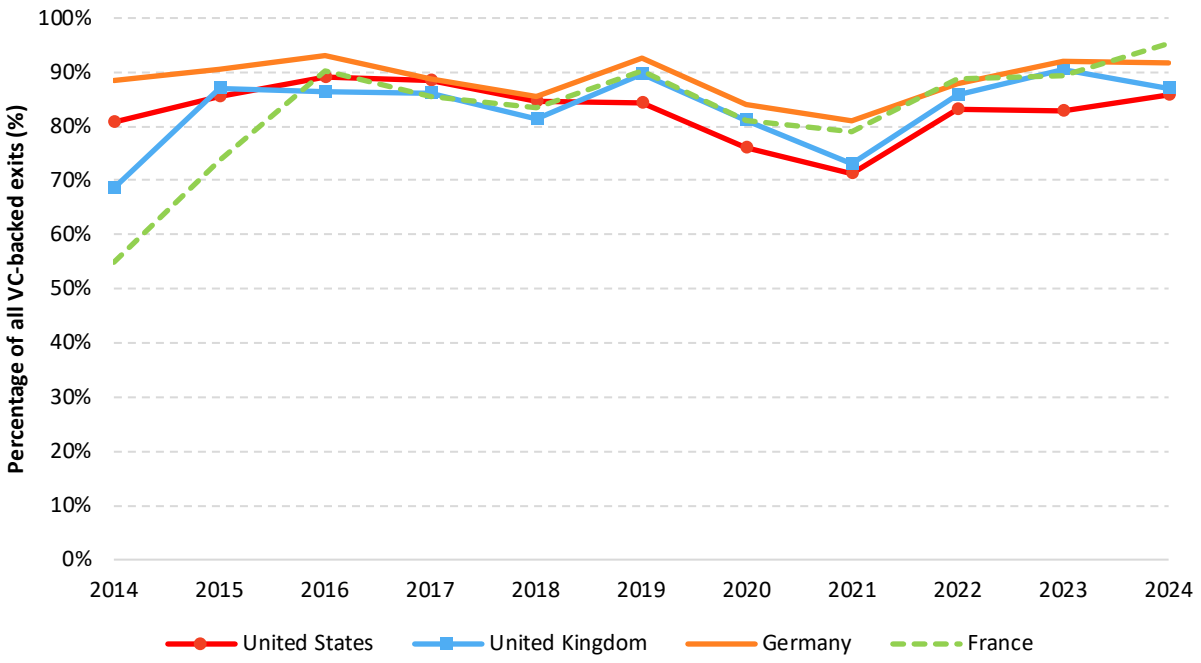
Innovative UK companies are also moving to the US for their IPO listing. While there are no official statistics on the number and trend in cross-border listings by UK companies, there are reports of a number of UK unicorns, such as Monzo and Revolut, which are debating an IPO listing location between London and New York.[41] [42]

Acquisitions

Acquisitions are among the most popular and important exit strategies for start-up founders and investors. Similar to IPOs, selling to an acquirer allows VC fund investors and start-up founders to realise returns on their investments. Additionally, acquisitions frequently serve as the only viable exit for VC-backed start-ups that, despite creating valuable products or services, cannot achieve independent commercial success. These companies are generally not strong enough candidates for an IPO, making acquisition the primary route to mitigate losses for investors (Reilly, Sokol and Toniatti, 2023).

During the 2014-2024 period, the majority of VC-backed tech and non-mature firms exited via acquisitions, in all selected major economies (figure 11). The share of exits by acquisition in these countries more or less move in tandem with each other, especially among the three European economies. In 2024, there were 253 acquisitions of VC-backed tech companies in the UK (87% of all UK VC-backed tech exits), as compared to 1,147 deals in the US (86%), 142 in France (95%) and 133 in Germany (92%). Between 2023 and 2024, the slight drop in the share of acquisition exits in the UK is linked to an increase in buyout exits, which grew as a proportion of all VC-backed exits.

Figure 11: Acquisition exits undertaken by VC-backed tech and non-mature companies in selected countries, as a share of all VC-backed exits in each country



[41] https://www.finextra.com/newsarticle/45974/monzo-inches-towards-ipo
[42] https://www.ft.com/content/8a3867fe-c114-46ef-93f0-277dd9b4a292

Source: Analysis of data from Dealroom.[12] *Note: Data excludes companies categorised as 'mature'.*

Although official statistics on the characteristics of UK start-up acquirers are lacking, the ONS reports data on mergers and acquisitions (M&A) transactions involving UK companies worth £1 million or more.[43] Out of 686 inward acquisitions in 2024 (foreign companies acquiring UK companies), US and EU entities account for 37% and 32% of transactions respectively. Interestingly, inward acquisitions of UK companies by US entities have a total value of £10.01 billion, nearly double the acquisition value from EU acquirers (£5.67 billion). In the same year (2024), there were 864 domestic acquisitions (UK companies acquiring UK companies) with a total value of £14 billion. Pisoni and Onetti (2018b) underscore the strong interest of US corporations in acquiring European innovation and ideas, with US acquirers responsible for 44% of European start-up acquisitions between 2012-2016.

While acquisitions provide attractive returns, offering a pivotal exit option for start-up founders and VC fund investors, their increasing popularity raises important policy considerations regarding innovation and competition.

The impact of start-up acquisitions on innovation has garnered increasing attention. Some argue that the prospect of acquisition fosters innovation by encouraging the creation of start-ups and facilitating the commercialisation of start-up ideas with the incumbent's advantage in implementation costs (Fons-Rosen, Roldan-Blanco and Schmitz, 2021). Acquisitions by large corporations such as Google and Microsoft might also attract more investments in a certain industry segment due to the positive signals associated with these corporations' reputation (Prado and Bauer, 2022). On the other hand, these acquisitions could be the "killer" of innovation as incumbents seek to avoid competition threats (Furman and Seamans, 2019). Cunningham et al. (2021) studied such cases in the US pharmaceutical industry, showing that acquirers were more likely to terminate acquired drug development projects the more these projects overlapped with their own products, even if the new projects were superior to existing ones. In a similar spirit, Callander and Matouschek (2022) found that the prospect of being acquired led new market entrants to pursue incremental (rather than disruptive) and less novel technologies. This strategy aims to make their products more directly threatening to an incumbent's existing offerings, thereby increasing their attractiveness as an acquisition target for incumbents seeking to remove future competition and improving the perceived value of the acquisition.

The acquisition of start-ups, particularly by established large incumbents, presents significant and escalating threats to market competition. This concern is especially acute in technology sectors where network effects and data advantages can rapidly cement market power. Serial acquisitions, even of seemingly small start-ups, can widen the gap between a dominant acquirer and its rivals. Over time, this can transform into monopolies or tight oligopolies, reducing consumer choice and potentially leading to higher prices or reduced quality of service. This pattern has led to competition policies in the EU and UK (with the Digital Markets, Competition and Consumers Act 2024 (DMCC) Act of 2024) aimed at ensuring that new entry is possible in digital markets. However, research and evidence specific to the UK's competition environment and tech companies remain limited. While the Competition and Markets Authority (CMA) has noted a 10% rise in cost markups and a decline in business dynamism in Great Britain over the last 25 years – both indicators of weakening competition – it also suggested that the concurrent rise in M&A activity was not a major determinant for industry-level variation in cost markups (2024). For instance, the Information and Communication sector saw a

43 https://www.ons.gov.uk/businessindustryandtrade/changestobusiness/mergersandacquisitions/datasets/mergersandacquisitionsuk

significant increase in M&A deals but minimal changes to cost markups. This highlights the need for more granular research into the specific impact of start-up acquisitions on innovation within the UK's key technology sectors.

In new and rapidly evolving markets, such as AI and commercial space technologies, the acquisitions of promising start-ups can disproportionately shape the future trajectory of the entire sector. A concentrated market will not only impact consumer benefits but also mean that the few dominant companies become the de facto benchmarks for regulation, technical standards, and even ethical guidelines. This creates a feedback loop: early market dominance achieved through acquisitions can influence the regulatory environment in ways that further solidify that dominance. Remarkably, start-ups acquiring other start-ups has become a somewhat more frequent occurrence, not only to accelerate growth but also to broaden their technological capabilities. For instance, OpenAI is looking to buy fellow AI start-up, Windsurf, for $3 billion,[44] and io (a hardware start-up) for $6.4 billion.[45]

The interplay between IPOs and acquisitions is a delicate one. The popular route of exit by acquisition not only limits the growth of small but innovative UK companies but also concentrates the market power into a few dominant firms (often foreign), further ensuring the tech industry remains a winner-take-all environment (Lemley and McCreary, 2019). The interaction between exit by acquisition and market dominance presents a significant barrier to the scaling up of UK start-ups in digital and other advanced technology sectors, and hence to the stickiness of innovation and high quality jobs in the UK.

5. Discussion

This overview of start-ups in the UK's focus high technology sectors paints a mixed picture of strengths and weaknesses. The global position of leading UK research universities helps support a healthy number of start-ups, but is threatened by immigration restrictions that threaten to narrow the pipeline of essential talent. London, Cambridge and Oxford dominate, suggesting unrealised opportunities in other locations. The amount of VC funding in the UK is high and now compares in proportionate terms with the US but much of it is from overseas and may be volatile. This type of funding also encourages relatively early exits, too often by acquisition by a large overseas buyer. Particularly given the importance of scale and the dominance of some markets by incumbents, UK start-ups need to sell overseas early in their lifespan to gain economies of scale, but trade opportunities have been significantly disrupted by Brexit and now by the broad uncertainty about tariffs and trade deals.

This report has argued that encouraging the start-up and scale-up landscape in the UK needs to be thought of in terms of developing and strengthening ecosystems, centred around different specialisms and knowledge bases, but also involving a broad view about distinctive financing needs, market structures and opportunities, talent pools, specialised support services and so on. This implies not just a need to focus on specific policies but also the need for greater policy coordination than has

[44] https://www.reuters.com/business/openai-agrees-buy-windsurf-about-3-billion-bloomberg-news-reports-2025-05-06/
[45] https://www.theguardian.com/technology/2025/may/21/openai-iphone-io

characterised the UK in the past. The Industrial Strategy (IS) offers an opportunity to bring stability and coherence to the policy environment for its target sectors.

A range of specific policy actions follow from these conclusions, some of them addressed in the Industrial Strategy, but others relating to the broader economic and policy environment.

- **Addressing demand-side challenges**: Stagnant real wage growth and a high cost of living influence how consumers consume, save and invest, potentially making the domestic market less addressable by innovations. This might signal weaker future growth potential to investors and can dampen funding for start-ups and scale-ups. These macro challenges can also affect skilled-labour supply and demand in the UK.

- **Enhancing international market access:** Given the UK's relatively small domestic market, high-tech firms often have the need or incentive to internationalise early. The government can support this by negotiating trade agreements to reduce market entry barriers and by expanding support programmes in key overseas markets, such as regulatory navigation assistance or local network access. Given the challenging international trade environment, a focused effort on key markets for different types of goods and services seems more likely to succeed.

- **Reviewing immigration policy to improve talent access:** Reconsidering proposed restrictions – such as reduced Graduate Visa durations and longer settlement timelines – will be essential to attracting and retaining global talent, particularly in high-growth sectors that rely heavily on specialist skills.

- **Developing specialised clusters of knowledge:** Geographic proximity is important for knowledge sharing and spillovers, hence, recognising that start-up cluster needs vary depending on the location and model of innovation (e.g., design, prototyping and production engineering; second generation products or components; modes of production, assembly and logistics) will be key to achieving a broader geographical base for UK start-up ecosystems, reducing the dominance of London and the South East. In the IS-8 sectors, these clusters will mostly form around universities. Higher education policy does not form part of the Industrial Strategy but given the unsustainability of the current financial model for universities it will be important to align it with the UK's supply side ambitions.

- **Increasing support and funding for start-ups and scale-ups:** While the UK performs well in seed and early-stage funding, it lags behind the US in late-stage investment. Continuing and expanding initiatives like the British Business Bank's 'British Growth Partnership' and the Mansion House Accord can increase the availability of scale-up capital and help UK start-ups realise their growth potential.

- **Exploring the cost of failure related to Employment Protection Law in the UK:** Coatanlem and Coste (2024) proposed that high restructuring costs driven by restrictive employment protection law and prolonged transition process to another business model raised the cost of failure associated with innovation, discouraging investments in innovative projects. These high restructuring costs consequently lower start-up acquisition prices, negatively affecting VC-fund returns and future investments. More research is needed to inform any future reforms

to employment protection policies and how these affect start-up and scale-up firms in frontier technology sectors.

- **Understanding the impact of start-up acquisitions on innovation in key tech sectors:** As start-up exits via acquisitions by overseas companies have been increasing in number, UK-specific research is critical to understand their long-term effects on innovation, competition, and market dynamics, especially in key tech sectors. The weakness of the IPO market is widely noted but little has yet been done to influence its attractiveness as an exit route.

References

Angelini, E. and Foglia, M. (2018) 'The Relationship Between IPO and Macroeconomics Factors: an Empirical Analysis from UK Market', *Annals of Economics and Finance*, 19(1), pp. 319–336.

Arundale, K. (2018) *Exploring the difference in performance between UK/European venture capital funds and US venture capital funds*. PhD thesis. University of Glasgow.

Asthana Gibson, J. and Bhattacharya, A. (2023) *Full scale: How to ensure more British firms grow to their potential*. Available at: https://www.smf.co.uk/publications/full-scale-british-businesses/ (Accessed: 14 May 2025).

Audretsch, D.B., Belitski, M. and Caiazza, R. (2021) 'Start-ups, Innovation and Knowledge Spillovers', *The Journal of Technology Transfer*, 46(6), pp. 1995–2016. Available at: https://doi.org/10.1007/s10961-021-09846-5.

Beauhurst (2025) *The Deal 2024*. Available at: https://www.beauhurst.com/research/the-deal-2024/ (Accessed: 24 March 2025).

Breschi, S., Lassébie, J. and Menon, C. (2018) *A portrait of innovative start-ups across countries*. 2018/02. Paris. Available at: https://doi.org/10.1787/f9ff02f4-en.

Breznitz, D. (2021) *Innovation in Real Places: Strategies for Prosperity in an Unforgiving World*. New York: Oxford University Press. Available at: https://doi.org/10.1093/oso/9780197508114.001.0001.

British Business Bank (2024a) *Small Business Equity Tracker 2024*. Available at: https://www.british-business-bank.co.uk/about/research-and-publications/small-business-equity-tracker-2024 (Accessed: 25 June 2025).

British Business Bank (2024b) *UK Venture Capital Financial Returns 2024*. Available at: https://www.british-business-bank.co.uk/about/research-and-publications/uk-venture-capital-financial-returns-2024 (Accessed: 25 June 2025).

British Private Equity & Venture Capital Association (BVCA) (2025) *Report on Investment Activity 2024*.

Brown, P., Lloyd, C. and Souto-Otero, M. (2018) *The Prospects for Skills and Employment in an Age of Digital Disruption: A Cautionary Note*. 127.

Brown, R. and Lee, N. (2019) 'Strapped for cash? Funding for UK high growth SMEs since the global financial crisis', *Journal of Business Research*, 99, pp. 37–45. Available at: https://doi.org/10.1016/j.jbusres.2019.02.001.

Callander, S. and Matouschek, N. (2022) 'The Novelty of Innovation: Competition, Disruption, and Antitrust Policy', *Management Science*, 68(1), pp. 37–51. Available at: https://doi.org/10.1287/mnsc.2021.4101.

Cannone, G. and Ughetto, E. (2014) 'Born globals: A cross-country survey on high-tech start-ups', *International Business Review*, 23(1), pp. 272–283. Available at: https://doi.org/10.1016/j.ibusrev.2013.05.003.

Cheffins, B.R. and Reddy, B. V. (2023) 'Will Listing Rule Reform Deliver Strong Public Markets for the UK?', *The Modern Law Review*, 86(1), pp. 176–213. Available at: https://doi.org/10.1111/1468-2230.12758.

CMA Microeconomics Unit (2015) *Productivity and competition: a summary of the evidence*.

CMA Microeconomics Unit (2024) *The State of UK Competition Report 2024*. Available at: https://www.gov.uk/government/publications/the-state-of-uk-competition-report-2024 (Accessed: 17 July 2025).

Coatanlem, Y. and Coste, O. (2024) *Cost of Failure and Competitiveness in Disruptive Innovation*.

Coatanlem, Y. and Coste, O. (2025) *Cost of Failure, Disruptive Innovation and Targeted Flexicurity: more evidence supporting targeted reforms*.

Collins, H.M. (1974) 'The TEA Set: Tacit Knowledge and Scientific Networks', *Science Studies*, 4(2), pp. 165–185. Available at: https://doi.org/10.1177/030631277400400203.

Cunningham, C., Ederer, F. and Ma, S. (2021) 'Killer Acquisitions', *Journal of Political Economy*, 129(3), pp. 649–702. Available at: https://doi.org/10.1086/712506.

Dealroom.co (2025) *UK innovation 2025 forward look*. Available at: https://dealroom.co/reports/uk-innovation-forward-look-for-2025 (Accessed: 13 March 2025).

Department for Business and Trade (2025) *The UK's Modern Industrial Strategy*. Available at: https://www.gov.uk/government/publications/industrial-strategy (Accessed: 18 July 2025).

Eloundou, T. *et al.* (2024) 'GPTs are GPTs: Labor market impact potential of LLMs', *Science*, 384(6702), pp. 1306–1308. Available at: https://doi.org/10.1126/science.adj0998.

Ewens, M. and Farre-Mensa, J. (2017) 'The Evolution of the Private Equity Market and the Decline in IPOs'.

Ferreira, M. (2018) 'Risk Seeker or Risk Averse? Cross-Country Differences in Risk Attitudes Towards Financial Investment', in A. Samson (ed.) *The Behavioral Economics Guide 2018*, pp. 86–95.

Fons-Rosen, C., Roldan-Blanco, P. and Schmitz, T. (2021) *The Effects of Startup Acquisitions on Innovation and Economic Growth*. 23–02. Available at: https://doi.org/10.2139/ssrn.3785485.

Furman, J. *et al.* (2019) *Unlocking digital competition, Report of the Digital Competition Expert Panel* . Available at: https://www.gov.uk/government/publications/unlocking-digital-competition-report-of-the-digital-competition-expert-panel (Accessed: 16 July 2025).

Furman, J. and Seamans, R. (2019) 'AI and the Economy', *Innovation Policy and the Economy*, 19, pp. 161–191. Available at: https://doi.org/10.1086/699936.

Gao, X., Ritter, J.R. and Zhu, Z. (2013) 'Where Have All the IPOs Gone?', *Journal of Financial and Quantitative Analysis*, 48(6), pp. 1663–1692. Available at: https://doi.org/10.1017/S0022109014000015.

Gomez, M. (2025) 'Wealth Inequality and Asset Prices', *Review of Economic Studies* [Preprint]. Available at: https://doi.org/10.1093/restud/rdaf008.

Gözlügöl, A.A. (2024) *The Decline of Stock Markets in the UK: Is Regulation to Blame and Deregulation a Fix?* 21/2024. Available at: https://doi.org/10.2139/ssrn.5054771.

Guo, B., Lou, Y. and Pérez-Castrillo, D. (2015) 'Investment, Duration, and Exit Strategies for Corporate and Independent Venture Capital-Backed Start-Ups', *Journal of Economics & Management Strategy*, 24(2), pp. 415–455. Available at: https://doi.org/10.1111/jems.12097.

Hoffman, R. and Yeh, C. (2018) *Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies*. 1st edn. HarperCollins.

Kuratko, D.F., Holt, H.L. and Neubert, E. (2020) 'Blitzscaling: The good, the bad, and the ugly', *Business Horizons*, 63(1), pp. 109–119. Available at: https://doi.org/10.1016/j.bushor.2019.10.002.

Lemley, M.A. and McCreary, A. (2019) *Exit Strategy*. 542. Available at: https://ssrn.com/abstract=3506919 (Accessed: 29 May 2025).

Lerner, J. *et al.* (2013) *Atlantic Drift: Venture capital performance in the UK and the US*. Available at: https://www.nesta.org.uk/report/atlantic-drift/ (Accessed: 19 May 2025).

Lux, M. and Pead, J. (2018) *Hunting High and Low: The Decline of the Small IPO and What to Do About It*. 86.

Machin, S. (2024) 'Wage Controversies: Real Wage Stagnation, Inequality and Labour Market Institutions', *LSE Public Policy Review*, 3(2). Available at: https://doi.org/10.31389/lseppr.103.

Mason, C. (2018) *Evidence Review: Productivity and the UK's Deficiency in Scale-ups*. Available at: https://productivityinsightsnetwork.co.uk/app/uploads/2018/07/Evidence-Review_Productivity-and-the-UK_s-Deficiency-in-Scale-ups.pdf (Accessed: 19 May 2025).

McGuinness, S., Pouliakas, K. and Redmond, P. (2023) 'Skills-displacing technological change and its impact on jobs: challenging technological alarmism?', *Economics of Innovation and New Technology*, 32(3), pp. 370–392. Available at: https://doi.org/10.1080/10438599.2021.1919517.

Nelson, T. (2003) 'The persistence of founder influence: management, ownership, and performance effects at initial public offering', *Strategic Management Journal*, 24(8), pp. 707–724. Available at: https://doi.org/10.1002/smj.328.

Nguyen Thanh, B. (2020) 'Macroeconomic uncertainty, the option to wait and IPO issue cycles', *Finance Research Letters*, 32, p. 101100. Available at: https://doi.org/10.1016/j.frl.2019.01.012.

OECD (2024) *Education at a Glance 2024: OECD Indicators*. Paris. Available at: https://doi.org/10.1787/c00cad36-en.

Payne, J. and Martins Pereira, C. (2023) 'The future of the UK IPO', in I. Chiu and I. MacNeil (eds) *Research Handbook on Global Capital Markets Law*. Edward Elgar Publishing, pp. 77–93. Available at: https://doi.org/10.4337/9781800379305.00012.

Pickard, H., Dohmen, T. and Van Landeghem, B. (2024) 'Inequality and risk preference', *Journal of Risk and Uncertainty*, 69(2), pp. 191–217. Available at: https://doi.org/10.1007/s11166-024-09440-8.

Pisoni, A. and Onetti, A. (2018a) 'When startups exit: comparing strategies in Europe and the USA', *Journal of Business Strategy*, 39(3), pp. 26–33. Available at: https://doi.org/10.1108/JBS-02-2017-0022.

Pisoni, A. and Onetti, A. (2018b) 'When startups exit: comparing strategies in Europe and the USA', *Journal of Business Strategy*, 39(3), pp. 26–33. Available at: https://doi.org/10.1108/JBS-02-2017-0022.

Prado, T.S. and Bauer, J.M. (2022) 'Big Tech platform acquisitions of start-ups and venture capital funding for innovation', *Information Economics and Policy*, 59, p. 100973. Available at: https://doi.org/10.1016/j.infoecopol.2022.100973.

Quas, A. *et al.* (2022) 'The scale-up finance gap in the EU: Causes, consequences, and policy solutions', *European Management Journal*, 40(5), pp. 645–652. Available at: https://doi.org/10.1016/j.emj.2022.08.003.

Reilly, D., Sokol, D.D. and Toniatti, D. (2023) 'The Importance of Exit via Acquisition to Venture Capital, Entrepreneurship, and Innovation', *Minnesota Journal of International Law*, 32(1). Available at: https://doi.org/10.2139/ssrn.3981970.

Rieger, M.O., Wang, M. and Hens, T. (2015) 'Risk Preferences Around the World', *Management Science*, 61(3), pp. 637–648. Available at: https://doi.org/10.1287/mnsc.2013.1869.

Ritter, J.R., Signori, A. and Vismara, Silvio (2013) 'Economies of scope and IPO activity in Europe', in M. Levis and S. Vismara (eds) *Handbook of Research on IPOs*. Edward Elgar Publishing, pp. 11–34. Available at: https://doi.org/10.4337/9781781955376.00008.

Roche, M., Oettl, A. and Catalini, C. (2022) *(Co-)Working in Close Proximity: Knowledge Spillovers and Social Interactions*. 30120. Cambridge, MA. Available at: https://doi.org/10.3386/w30120.

Saez, E. and Zucman, G. (2016) 'Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data *', *The Quarterly Journal of Economics*, 131(2), pp. 519–578. Available at: https://doi.org/10.1093/qje/qjw004.

Salazar Miranda, A. and Claudel, M. (2021) 'Spatial proximity matters: A study on collaboration', *PLoS ONE*, 16(12), p. e0259965. Available at: https://doi.org/10.1371/journal.pone.0259965.

ScaleUp Institute (2024) *ScaleUp Annual Review 2024*. Available at: https://www.scaleupinstitute.org.uk/reports/annual-review-highlights-2024/ (Accessed: 1 May 2025).

Sevde Selvi, B. and Garling, O. (2024) *Exploring sectoral relatedness in East Anglia: a new approach*.

Sevde Selvi, B. and Garling, O. (2025) *Connected clusters 2: mapping interregional connections in the UK*.

Shuwaikh, F. *et al.* (2024) 'Venture capital activities under uncertainty: US and UK investors behavior', *Annals of Operations Research*, 334(1–3), pp. 885–917. Available at: https://doi.org/10.1007/s10479-022-04962-3.

Startup Genome (2025) *The Global Startup Ecosystem Report 2025*. Available at: https://startupgenome.com/report/gser2025/state-of-the-global-startup-economy (Accessed: 16 June 2025).

Stratton, A. *et al.* (2022) *Research into access-to-talent issues faced by scale-up businesses*.

Tech Nation (2024) *The Tech Nation Report 2024*. Available at: https://technation.io/tech-nation-annual-report-pre-reg-2024/ (Accessed: 13 March 2025).

Techstars (2024) *2024 State of Innovation Survey*. New York.

Tran, A.L. and Jeon, B.N. (2011) 'The dynamic impact of macroeconomic factors on initial public offerings: evidence from time-series analysis', *Applied Economics*, 43(23), pp. 3187–3201. Available at: https://doi.org/10.1080/00036840903493267.

Vermeulen, E.P.M. (2015) 'New Metrics for Corporate Governance: Shifting Strategies in an Aging IPO Market', in J.N. Gordon and W.-G. Ringe (eds) *The Oxford Handbook of Corporate Law and Governance*. Oxford University Press. Available at: https://doi.org/10.1093/oxfordhb/9780198743682.013.36.

Weik, S., Achleitner, A.-K. and Braun, R. (2024) 'Venture capital and the international relocation of startups', *Research Policy*, 53(7), p. 105031. Available at: https://doi.org/10.1016/j.respol.2024.105031.

Yao, T. and O'Neill, H. (2022) 'Venture capital exit pressure and venture exit: A board perspective', *Strategic Management Journal*, 43(13), pp. 2829–2848. Available at: https://doi.org/10.1002/smj.3432.

Bennett School for Public Policy
Alison Richard Building

Email: enquiries@bennettschool.cam.ac.uk