

Supporting the Technology Industry: A framework for Jersey

Introduction

For many years the Island's politicians have been paying lip service to "diversifying the economy," and there are finally signs of real movement in this direction. The creation of Digital Jersey, the Innovation Review and the current 'Digital Policy Framework' consultation all point towards technology as a potential new industry for Jersey. This document has been written to provide a vision and to help States Members understand the views of some members of the technology industry locally.

The Opportunity

Technology has the potential to provide economic value to Jersey on a scale far beyond any other industry. There are many businesses operating in Jersey with a headcount and floorspace similar to technology companies that have an economic size many times that of *Jersey as a whole*. Capturing even a small percentage of the global technology market would be of enormous economic benefit to the Island.

The Goal

We need to set simple goals in concrete, measurable, terms. The "strategic goals" set out in the Draft Digital Policy Framework are all qualitative. We should set ambitious quantitative goals such as:

20% of Jersey's GVA to be provided by Technology by 2025.

In 2014 Jersey's GVA was £3.9 Billion. This implies a goal of a technology industry with a GVA of £780 million. Only by defining the output we wish to see can we judge the scale of the challenge, derive the required inputs to make it happen and assess what investment is appropriate. Only by knowing where we want to get to can we know if we are on course - and if not, do something about it.

Where are we now?

Jersey currently has a very small technology industry mainly characterised by Professional Services (consultants), Agencies and some Managed Services (outsourcing IT functions.) These business models only scale in a linear fashion, because they rely primarily on selling people's time. In 2014 the average GVA per FTE in Jersey was £65,000 and £143,000 per FTE in Finance; however, successful Technology companies generate £500,000 to £1,500,000 annual revenue per employee. This is a unique opportunity to provide economic growth at a far lower population and resource impact.

In order to scale the industry to meet the goal we set we will have to shift from providing *services* to building *products* - and sell them *globally*. The Finance, Tourism and Agriculture industries all export globally and so must Technology. A "local for local" strategy will not scale.

Jersey has not been a producer of products for a long time and we need to re-learn how to do it.

What do we need?

We need:

- A strong funnel of product ideas.
- Access to experienced product builders to help us assess and select viable ideas.
- Collaborative links with technology centres such as California, Taiwan and South Korea.
- IP and copyright protections in line with international standards.

- Access to capital - not just administering money, but the people who decide where to invest it.
- Strong incentives for Research and Development.
- Government Departments involved with technology roadmapping and proactively planning for and updating legislation and regulations to align with anticipated changes.

We also need certain cultural shifts:

- A move to an open, collaborative style (no more closed-door meetings!) embracing healthy disagreement.
- An expectation for, and understanding the value of, failure: the catalyst of learning.
- An understanding that we need the experience and advice from people deeply engaged in global technology centres. A shopping list of desires from local businesses will not work.
- A better communal understanding of innovation processes.
- Increased pace: the rate of change in both public and private spheres is painfully slow.
- A change from a risk-averse to an optimistic, virtuous-circle “how can I help you?” culture for developing and trying out ideas.

What does success look like?

What success looks like will depend on what we set out to do, and should be based on comparisons with jurisdictions that have already achieved it. So, for the suggested goal above, we might compare with Taiwan or Shenzhen and see:

- A high attrition-rate of startups (up to 90%)
- 2 companies with revenues in excess of £100 million, 3 in excess of £50 million and 20 above £10 million
- R&D spend at 10% of GVA
- Venture Capital of £100 million raised per year

What can we do?

- Define measurable end-goals.
- Build a data-driven model to understand what achieving those goals entails.
- Reform Population Office rules to reflect realities of the technology industry, including that an individual’s value to the Island is more than just their taxable income.
- Set up an advanced research institution to seed R&D efforts and attract post-graduate researchers.
- Hold a well-funded competition to host startup activity with high-calibre, world class mentors and incentives.
- Implement ways to get startups access to mentors, capital and global markets.

Summary

This would be a bold undertaking, but no more ambitious than was founding the Finance industry if we go about it in a systematic and intelligent way. It also needs to be understood that network effects and obtaining a critical mass will be important success factors, and this means we can’t just pick a comfortable point on a sliding scale: we have to aim big. By developing a technology product industry, integrated with the global marketplace, we can secure Jersey’s economic future. This has been done before elsewhere in the world, and we should learn from those experiences and not try to reinvent this particular wheel.

Authors' Note

This paper reflects the views of some members of the technology community in Jersey, but does not claim to represent all. It was written in open collaboration on the #digitalpolicyfw channel on the TechTribes.je Slack.

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