

# The Risk Readiness Report.

*Get ready for risk*

**Mishcon de Reya**  
It's business. But it's personal.



# Executive Summary

**Entrepreneurs are not natural risk takers.**

Nearly half (48%) of entrepreneurs regard themselves as risk-averse, while 23% say they are risk-tolerant, and a final 30% believe they are neither risk-averse nor risk-tolerant.

**Risk tolerance appears to increase as businesses grow older.**

Thirty-one percent of founders who have run their business for more than five years describe themselves as risk-tolerant, compared to 17% of founders who have run their business for less than three years. Moreover, a majority of founders (59%) agreed that they became more open to taking risks after launching their business. Only 19% of founders believed that they had not become more open to taking risks.

**Entrepreneurs agree that risk-taking is important to business growth.**

Three fifths of founders said that risk-taking is important to their business' growth, compared to just one fifth who did not.

**The difficult economic climate is the most common risk affecting entrepreneurs' businesses.**

Forty-nine percent of founders believe it is affecting them. This is followed by supply chain disruptions (38%), and Britain's unfavourable tax regime (27%). When asked what risks founders are most concerned about in the coming year, a difficult economic climate remained the most common fear, again followed by supply chain disruption and an unfavourable tax regime.

**Entrepreneurs expect the level of risk in the business environment to get worse.**

Not even a quarter (23%) of entrepreneurs believe the level of risk in the business environment will be lower in 12 months' time. Nearly two fifths (39%), meanwhile, believe that the level of risk will increase, and a similar proportion (38%) believe it will stay about the same. When viewed by revenue, entrepreneurs with smaller businesses (less than £1 million in annual revenue) are far more pessimistic about what the level of risk in the business environment will be in 12 months' time. Eighty-three percent expected things to either get worse or stay the same, while only 68% of entrepreneurs running larger businesses did.

**Entrepreneurs rely on external support to mitigate a range of risks relating to running their business.**

The issue businesses most commonly require external professional support with is managing data privacy risks and ensuring regulatory compliance, with 71% of larger business owners and 49% of smaller business owners reporting 'always' or 'often' calling upon external professionals to help them do so. Protecting intellectual property and raising finance were the next most commonly selected issues entrepreneurs said they require external support on.

**Labour politicians have won the trust of entrepreneurs.**

Entrepreneurs comfortably view politicians from the Labour Party as the most understanding of their business needs – with 43% believing that Labour politicians understand what their business needs to succeed, against 26% who disagreed, giving a net score of +17%. After the Labour Party came Liberal Democrats (+5%), the Conservative Party and the Green Party (both -2%), and finally the Scottish National Party (-3%).

**Entrepreneurs running smaller businesses are less likely to think politicians of all parties understand what their businesses need to succeed.**

Compared to entrepreneurs running larger businesses, those with smaller ones were less likely to think politicians – of all parties – understand what they need to succeed. They also held a particularly dim view of the Conservatives, with 45% thinking they do not know what their businesses need to succeed.

**Entrepreneurs hold a better view of other important stakeholders in the entrepreneurial ecosystem.**

When asked about whether other important actors within the entrepreneurial ecosystem know what they need to succeed, founders are generally more positive. Sixty-one percent believe potential investors know what they need to succeed (against 11% who do not), 51% believe regulators relevant to their industry do (against 16% who do not), and 40% believe universities do (against 26% who do not).

**Entrepreneurs are split on whether AI is a risk to their business, but most think it will be an opportunity too.**

Of entrepreneurs who came down on one side of the debate or the other, precisely half believe Artificial Intelligence threatens their current business model, while precisely half think the opposite. Yet, a sizable chunk also appears undecided – with 30% of entrepreneurs we polled viewing AI neither as a threat nor not as a threat. When asked whether AI was an opportunity for their current business model, among those giving an opinion one way or the other, 76% thought it was an opportunity versus just 24% who did not. Again, however, 30% of entrepreneurs appeared unsure – saying that it was neither an opportunity nor not an opportunity.

**Most entrepreneurs think they can attract funding or reach an appropriate market valuation in the UK.**

Nearly three fifths of entrepreneurs believe it will be easy to attract the funding their business needs or to achieve an appropriate market valuation within the next 12 months in Britain, against 13% who think it would be difficult. They are less sure about being able to do so in Europe (43% saying it would be easy, against 27% who think it would be difficult), and even more so in the US (34% saying it would be easy, against 34% who think it would be difficult). Founders of larger businesses appear far more bullish about attracting funding or getting an appropriate valuation than those of smaller businesses, in all three of the markets we asked about.

# Risk is central to most stories in business. From Jeff Bezos believing Amazon had a 30% shot at success, to Richard Branson launching Virgin during a recession, many successful enterprises were founded in inauspicious circumstances, but managed the risks and came out on top.

That's why, even though the word risk often carries negative connotations, it's far from an inherently negative feature of business. While it's true that if uncertainty is managed poorly it can wreak havoc; if dealt with masterfully, it will unlock opportunities. It shouldn't be shocking to say that successful entrepreneurs are risk-takers but their real trademark is a mastery in managing risk.

Against the backdrop of economic instability, technological leaps, geopolitical tensions and a global pandemic, we felt there was a value in understanding how entrepreneurs have been dealing with risk in the UK. That's why we came together with The Entrepreneurs Network to survey business owners across Britain, to query their views on the general risk environment (and how it may evolve), on the emergence of new and extraordinary technological capabilities and how they

may affect their businesses, and on who they trust as stakeholders to manage these risks.

Perhaps unsurprisingly, the majority of entrepreneurs think that the risks facing their businesses either stayed the same or got worse in the past year and only 23% of them claim that there will be less risk a year from now. Smaller businesses have an even more pessimistic disposition.

However, our survey – which will be repeated annually – also revealed that entrepreneurs are excited about opportunities on the horizon. On the topic of Artificial Intelligence, for example, many more entrepreneurs view it as an opportunity to their business model than a threat. Evidence like this should be kept firmly in mind when questions of AI regulation are raised – while it's right to want to mitigate risks, we must be careful not to stifle innovation.

Entrepreneurs are pivotal actors in ensuring that we continue to innovate and grow. Their ability to do this, however, is limited if they're preoccupied with battling headwinds. Some risks are inherent, but many others can be reduced, and we hope this research gives policymakers a better idea of how to go about doing that.

**Ed Turner**  
Chair, Mishcon Future



Discussions of entrepreneurship are often laden with cliches and oversimplification. Numerous caricatures of entrepreneurs themselves abound, but perhaps none more so than the idea that they are all “risk junkies.”

Luckily for us, the Jordan “Wolf of Wall Street” Belforts of this world are extreme outliers. Consistently successful entrepreneurs aren’t reckless gamblers. But neither do they avoid risk altogether. Rather, they get to where they are by being good at calculating risks – recognising them as much as opportunities as they are threats.

The capacity to skillfully demonstrate this ability appears to be especially important given the state of the world in which we currently find ourselves. Countries are still emerging from the calamity of a global pandemic, and the economic headwinds it set in motion. Climate change is now regularly manifesting itself with devastating impacts. Artificial intelligence has been thrust into the mainstream – with experts warning of serious consequences.

In light of these enormous disruptions, we wanted to better understand how entrepreneurs are approaching various questions related to risk. To do so, we polled a sample of founders from across the United Kingdom, representing a wide variety of sectors – and in this report, we reveal what we discovered.

# Fortune favours

## Risk is an inherent part of being an entrepreneur. We are all born into a world not entirely of our making.

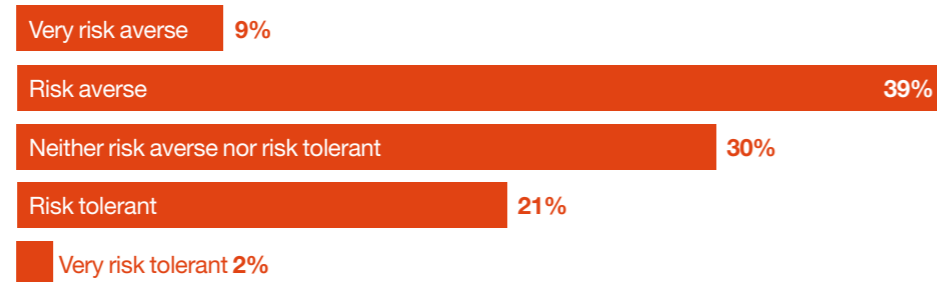
But it is also a world in which individuals can either choose to accept the status quo, or decide to change it. Of course, starting a business isn't the only way to do this, and entrepreneurial instincts can be realised without personally starting a company. But there are few things quite like the risk of deciding to strike out and start a business. After all, of all the firms founded in the UK in 2016, less than two-fifths were still operating five years down the line<sup>1</sup>.

But the decision to start a business is generally a calculated one – because it is only by taking risks, in the end, that lucrative opportunities can also be seized. While not every entrepreneur would be as empirical in their assessments, all of them make the sort of estimates used by the likes of Jeff Bezos (who gave himself a 30% chance that Amazon would succeed)<sup>2</sup> or Elon Musk (who gave SpaceX a 10% chance of success), when considering the possible future success of their venture.<sup>3</sup>

To better understand entrepreneurs' relationship with risk, our survey began by asking business owners the extent to which they are risk-averse or risk-tolerant when it comes to running their businesses.<sup>4</sup> Perhaps surprisingly, we found that nearly half of entrepreneurs actually see themselves as risk-averse (48%). Only 23% describe themselves as risk tolerant, with just 2% seeing themselves as very risk tolerant.

Yet this headline figure obscures a deal of variation between different sorts of entrepreneurs. Owners of younger businesses and those of more established ones, for instance, displayed different risk appetites on average. Among founders whose businesses had been operating for five years or more, 31% described themselves as risk-tolerant, compared to just 17% of founders who started their companies in the past three years. On the other side of the same coin though, a majority (54%) of founders of businesses operating for less than three years described themselves as risk-averse, this fell to only 37% of founders of businesses over five years old.

**Chart 1**  
To what extent are you risk averse or risk tolerant with regards to running your business?



<sup>1</sup>Office for National Statistics (2022). *Business demography*. UK.

<sup>2</sup>Jennifer Taylor (2023). *Jeff Bezos' Most Outrageous Business Failures*.

<sup>3</sup>Y Combinator (2017). *Elon Musk On Fear*.

<sup>4</sup>Please note, throughout this research, we have rounded figures to the nearest integer. As such, some charts may not sum exactly to 100%.

<sup>5</sup>Tom Eisenmann. (2021) *Why Start-ups Fail*.

<sup>6</sup>Y Combinator (2017). *Mark Zuckerberg on Taking Risks and Finding Talented People*.

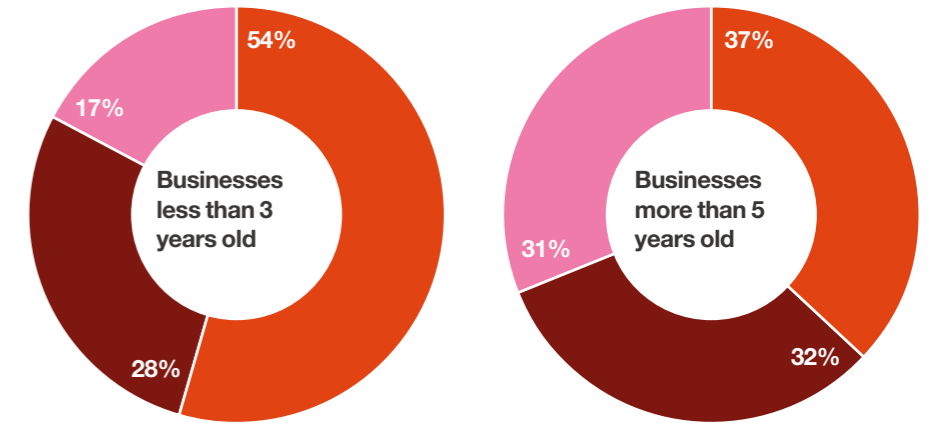
There might be a number of explanations for this difference. First, it is a brutal fact of reality that the majority of startups fail to survive their first few years.<sup>5</sup> It's rather difficult to be risk-tolerant while fighting to keep the shop open. The process of creative destruction might naturally weed out founders who fail to embrace risk as much as perhaps they should. Secondly, experience brings with it deeper networks and know-how. Founders learn to manage risks when they have access to the tools that can protect their businesses. Thirdly, the timing of our research may have influenced entrepreneurs' answers as well. Businesses less than three years old have lived through a pandemic, a war, and Brexit as infants. These formative experiences may have made them less prone to risk.

We then sought to understand how entrepreneurs' attitudes towards risk had – if at all – changed since they had launched their business. On this question, nearly three-fifths (59%) of entrepreneurs believe that they became more open to taking risks after launching their businesses. Just less than a fifth (19%), meanwhile, thought that the act of starting and running a business hadn't made them more open to risk. The mechanism for this is easy to imagine, with the day-to-day ups and downs of being an entrepreneur making them more comfortable with uncertainty. This hypothesis is further supported by the fact that over three times as many entrepreneurs agreed (60%) than disagreed (20%) with the statement that risk-taking is important to their business' growth.

Fortune favours the bold. To quote Peter Thiel: "In a world that is changing so quickly, the biggest risk you can take is not taking any risk."<sup>6</sup> Our results suggest he might be right.

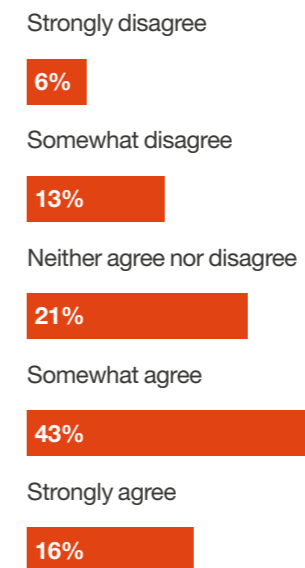
**Chart 2:**  
To what extent are you risk averse or risk tolerant with regards to running your business?

- Risk averse
- Neither risk averse nor risk tolerant
- Risk tolerant

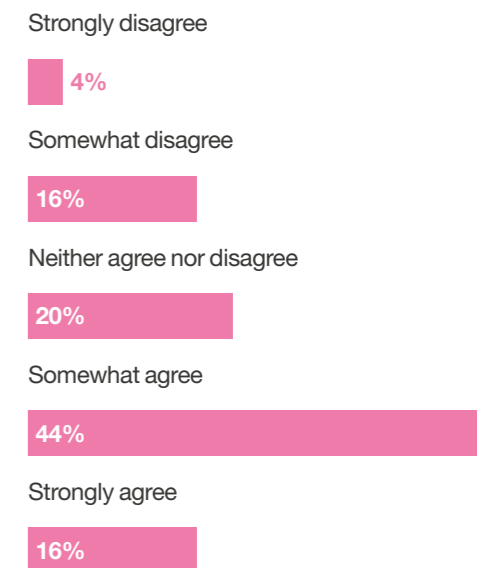


**Chart 3:**  
To what extent do you agree or disagree with the following statements?

**After launching my business, I became more open to taking risks**



**Risk-taking is important to my business' growth**



# It really is the economy

## Poll after poll shows that the public believes the state of the economy is the most important issue the country is facing.

To choose just one, according to data from YouGov’s weekly public opinion tracker, 54% of respondents picked the economy as the most important issue, well ahead of health (44%), immigration and asylum (39%), and the environment (27%).<sup>7</sup>

This reflects the concerns of entrepreneurs in our own survey, which found the ‘difficult economic climate’ and ‘supply chain disruption’ were considered the biggest potential risks affecting entrepreneurs’ businesses right now – being selected by 49% and 38% of entrepreneurs respectively. These are followed by an ‘unfavourable tax regime’ – selected by 27% of entrepreneurs – which is clearly another broadly ‘economic’ factor.

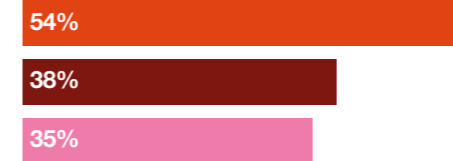
**Table 1:**  
Present dangers, future risks

What potential risks, if any, are affecting your business right now?	What potential risks, if any, are you most concerned about the impact of in the coming year?
1. Difficult economic climate (49%)	1. Difficult economic climate (46%)
2. Supply chain disruption (38%)	2. Supply chain disruption (33%)
3. Unfavourable tax regime (27%)	3. Difficulty in attracting talent (26%)
4. Cybersecurity attacks (26%)	4. Unfavourable tax regime (26%)
5. Regulatory environment (24%)	5. Cybersecurity attacks (26%)
6. Difficulty in attracting talent (23%)	6. Regulatory environment (21%)
7. Geopolitical conflict (16%)	7. Geopolitical conflict (17%)

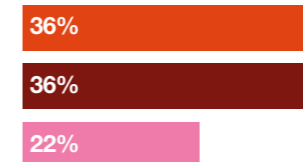
**Chart 4:**  
Which potential risks, if any, are you most concerned about the impact of in the coming year? (Comparison by revenue)

Under £1 million  
£1-9.99 million  
£10+ million

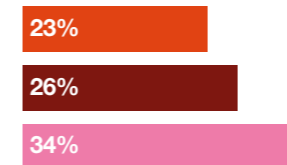
**Difficult economic climate**



**Supply chain disruption**



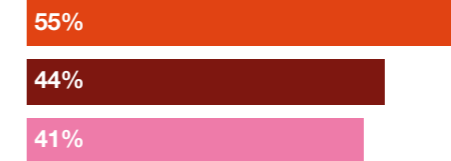
**Difficulty in attracting talent**



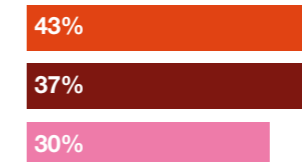
**Chart 5:**  
What, if any, potential risks are affecting your business right now? (Comparison by revenue)

Under £1 million  
£1-9.99 million  
£10+ million

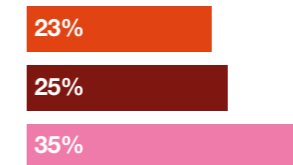
**Difficult economic climate**



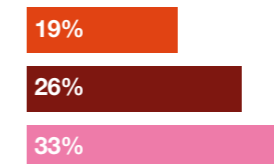
**Supply chain disruption**



**Cybersecurity attacks**



**Regulatory environment**



Most companies contend with many of these challenges in some way, but not all of them are affected equally or by every single one. The most striking difference we found is the disproportionate impact which difficult economic conditions seem to pose to smaller businesses. According to founders of companies with fewer than ten employees, 62% said that the economic conditions are having an effect on their businesses. This fell, however, to just 38% of founders of firms with over 50 employees.

A familiar split is visible when companies are compared according to their revenues. Founders of firms with annual revenues of under £1 million were more likely (55%) to rank ‘difficult economic climate’ as a primary risk to them, compared to owners of larger firms with above £10 million annual revenue (41%). Similarly, supply chain disruption risks are felt more commonly among smaller firm founders compared to bigger businesses.

We also asked entrepreneurs what potential risks they are most concerned about the impact of 12 months from now. Broadly speaking, we found that they expect the ordering of their concerns to remain consistent – with ‘difficult economic climate’ the leading concern among entrepreneurs.

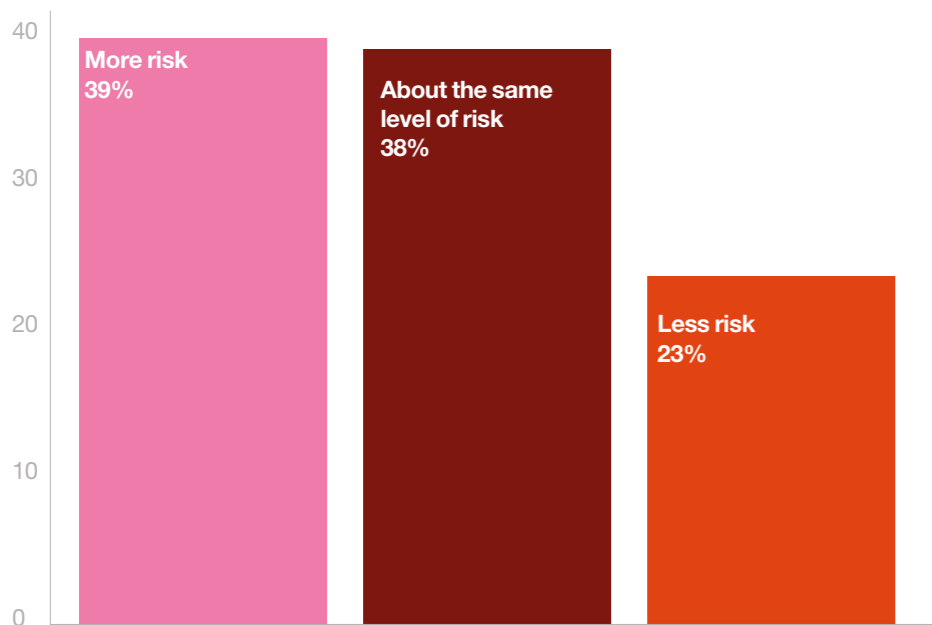
When evaluating future risks, founders of smaller businesses, as defined by lower revenues, remain more likely to highlight supply chain risks and economic difficult climate issues compared to bigger businesses’ founders. However, the increasing scale comes with problems of its own. For instance, 35% of founders of businesses turning over more than £10 million a year see more future risk in cyberattacks, and 33% list the regulatory environment as a possible challenge to their firms. These issues are less commonly highlighted by the founders of smaller firms.

<sup>7</sup> YouGov (2023). The most important issues facing the country.

# Things can only get... worse

Entrepreneurs are famously optimistic. Even in the face of spiralling inflation or geopolitical tensions, businesses get launched and founders look for opportunities to grow. Yet our survey suggests that this optimism is being put to the test.

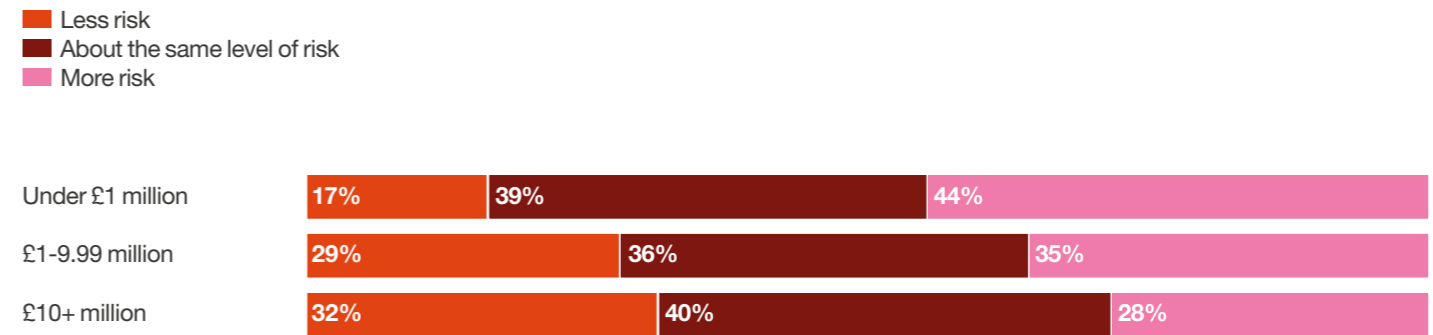
**Chart 6:** What do you anticipate the overall level of risk in the business environment will be like in 12 months' time?



<sup>8</sup>Bank of England (2022). Bank Rate increased to 1.75% - August 2022.  
<sup>9</sup>Office for National Statistics (2022). GDP monthly estimate, UK: June 2022.  
<sup>10</sup>BBC (2022). UK inflation: Food costs push price rises to new 40-year high.  
<sup>11</sup>Jeffrey Funk (2017) *Assessing public forecasts to encourage accountability: The case of MIT's Technology Review.*

<sup>12</sup>Steve Jobs (2005). 'You've got to find what you love'.  
<sup>13</sup>The Economist (2023). Economists and investors should pay less attention to consumers.  
<sup>14</sup>Hao Zhao, Scott E. Seibert (2006). *The Big Five personality dimensions and entrepreneurial status: A meta-analytical review.*

**Chart 7:** What do you anticipate the overall level of risk in the business environment will be like in 12 months' time? (Comparison by revenue)



One of the most concerning things we found was that 39% of entrepreneurs believe they are contending with more risk today than they were a year ago and 33% say that they have been facing 'about the same level of risk' in the past year. But even more concerning is the fact that entrepreneurs expect the overall level of risk in the business environment to increase over the next year. Only 23% of founders said that there will be less risk a year from now, while 38% foresee no change, and a further 39% are actively braced for a riskier business environment.

A year prior to our survey being undertaken, things were bleak. The Bank of England had just raised its base interest rate from 1.25% to 1.75% – the biggest increase in 27 years.<sup>8</sup> The ONS was reporting that the economy had shrunk by 0.6% in June.<sup>9</sup> Public sector strikes were in full swing, inflation was rampant, and news outlets were splashing headlines like: "Food costs push price rises to new 40-year high."<sup>10</sup>

Let's be clear. We know what happened precisely a year ago because we can Google it. Entrepreneurs completing our survey didn't have the luxury of hindsight before answering. But what's revealing isn't the extent to which the landscape is more risky today, it's the extent that entrepreneurs feel it's more or less risky, and what that tells us about the present.

The sentiment of growing risk isn't equally distributed among entrepreneurs either, with some feeling it more strongly than others. For founders of firms with revenues under £1 million, the future looks much bleaker than it does to those of larger firms. Only 17% of the former expect the level of risk in the business environment to decrease in the coming year, and a staggering 82% expect the risks to either stay as they are or get worse. Founders of larger firms, on the other hand, tend to have more positive expectations for the year ahead, even if on net they still expect things to be riskier.

Back to the future. Humans are notoriously bad at predicting it. While it's a national pastime to criticise weather forecasters, they're oracles of Delphic proportions compared to experts on the economy, politics or technology. You can count on one hand the scholars of international affairs who predicted the fall of the Berlin Wall, and on the other the technology commentators who foresaw the impact of smartphones and the rise of social media.<sup>11</sup>

While Philip Tetlock's Good Judgment Project suggests that there are people who are better than others at predicting the future, and that business leaders more widely employ techniques like scenario planning to try to prepare for uncertainties, there is no reason to think that entrepreneurs are particularly prescient. As Steve Jobs once remarked: "You can't connect the dots looking forward; you can only connect them looking backward."<sup>12</sup>

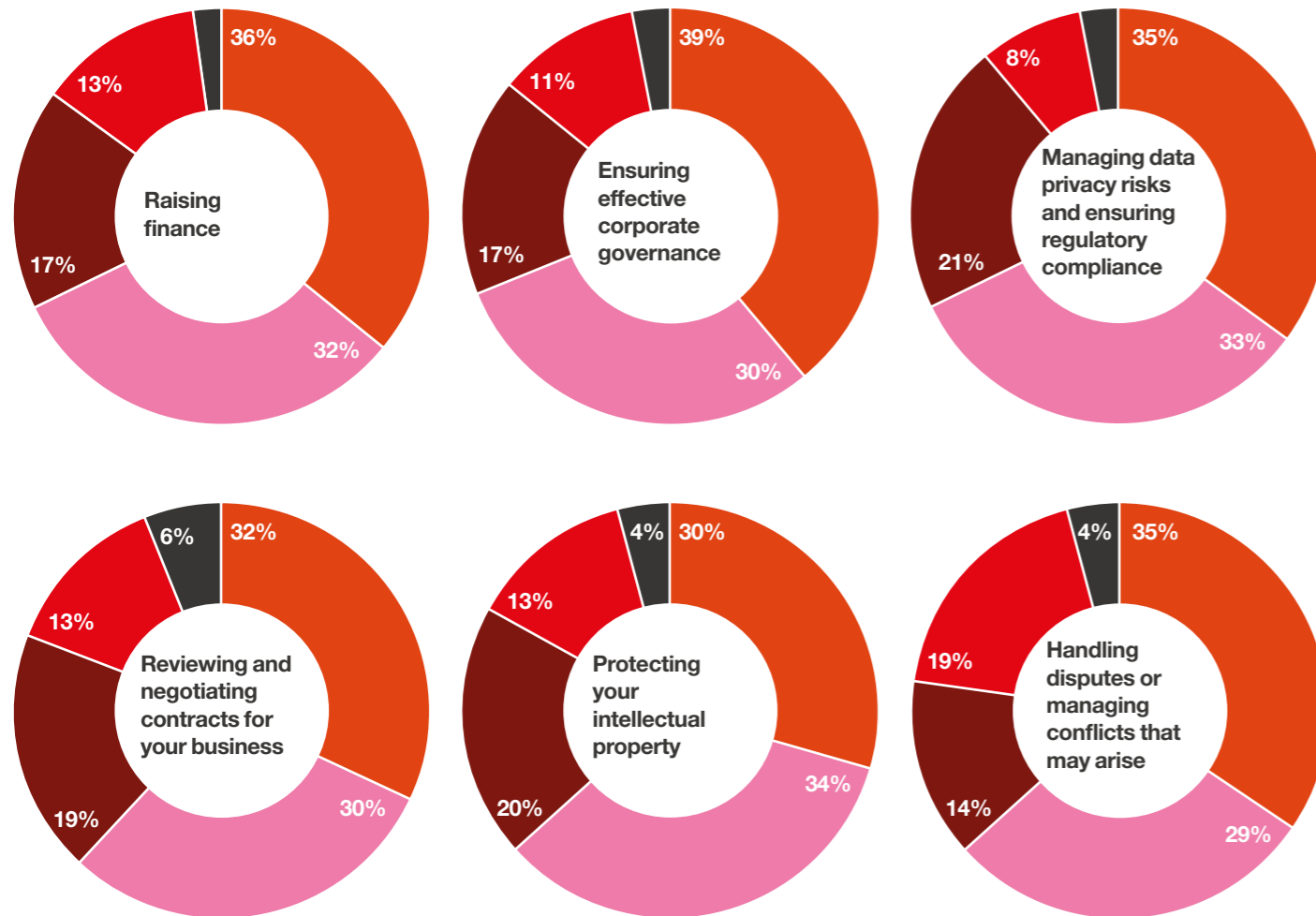
Sentiment isn't destiny.<sup>13</sup> So while we shouldn't take their economic predictions too seriously, we should take very seriously our finding that most expect things to get worse. Even if sentiments are grounded more in feelings than facts, they still tangibly influence decision making. Entrepreneurs who aren't confident about the future might think twice about making that next hire, taking on that next project, or expanding their business in some other way.

Successful entrepreneurs are nothing if not tenacious. Just ask Sir Richard Branson, Brent Hoberman, Martha Lane Fox, Kristo Käärman and Taavet Hinrikus, who all started businesses during recessions. Entrepreneurs tend to be more optimistic than the general population.<sup>14</sup> So, seeing the rise of pessimism among entrepreneurs should be a warning sign.

# With a little help Running a business isn't easy.

**Chart 8:**  
How often, if at all, do you/would you rely on external, professional support when...

● Sometimes    ● Rarely  
● Often        ● Never  
● Always



<sup>15</sup>For the purposes of this report, we classify larger businesses as those with revenues of £10 million or more per annum, and smaller businesses as those with revenues of up to £1 million per annum. We interpret 'most commonly' here to mean the sum of businesses reporting they either always or often require support on an issue.

There are a number of skills entrepreneurs need to excel at and few have time, energy or expertise to master every single one. That's why roping in external help to deal with some of these skills is part and parcel of heading up a successful firm.

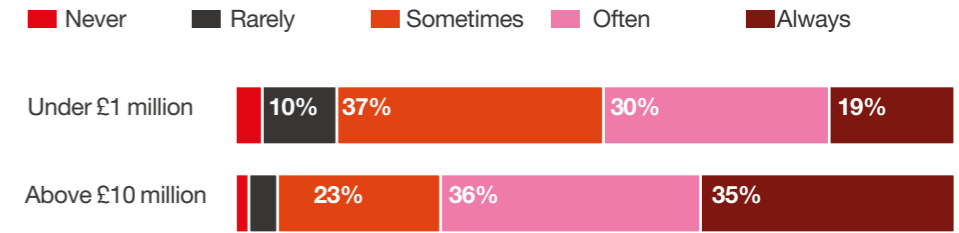
To better understand on which fronts British business owners need help, we asked about their relationship with external professionals on a variety of issues – namely raising finance, ensuring effective corporate governance, managing data privacy risks, reviewing contracts, protecting intellectual property, and handling disputes. Our survey clearly revealed that on all the aforementioned issues, entrepreneurs are more likely to bring in external help than not. Unsurprisingly, larger firms are generally more likely to use external support for all the mentioned objectives.

The issue businesses – large and small – most commonly require external professional support with is managing data privacy risks and ensuring regulatory compliance.<sup>15</sup> Seventy-one percent of larger business owners reported 'always' or 'often' calling upon external professionals to help them do so, while only 6% reported 'rarely' or 'never'. Among smaller businesses, 49% reported either always or often requiring this helping hand, with just 14% saying that they rarely or never get external professionals involved.

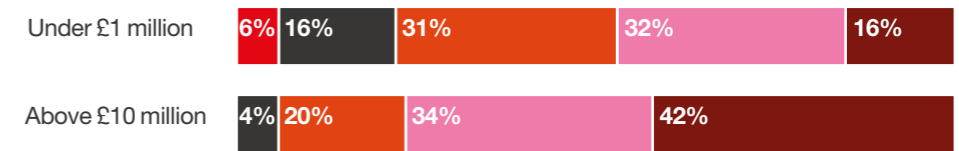
The next most commonly selected issue in our survey which entrepreneurs need external help with is protecting intellectual property. Here, 76% of larger business owners say that they always or often seek external help, with just 4% saying they rarely or never require external help. For smaller businesses, 48% always or often seek external help with protecting intellectual property, while 22% say that they never or rarely do.

On the other hand, 67% of owners of larger businesses said that they rely on external support for raising finance – split 30% for 'always' and 37% for 'often'. Meanwhile, for smaller businesses, the ratio stands at 41%, with 13% of owners saying that they 'always' get help when raising finance and 28% claiming that they 'often' do. Only 4% of owners of larger firms say that they 'never' or 'rarely' call on external help to raise funds. For smaller businesses, this stands at 19%. Overall, this reveals that

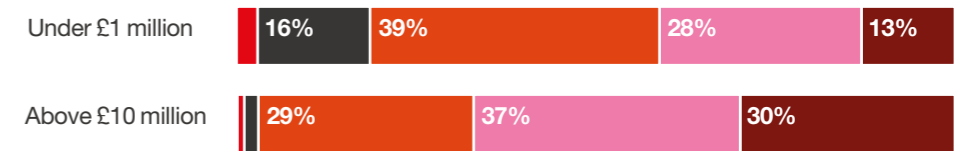
**Chart 9:**  
Managing data privacy risks and ensuring regulatory compliance



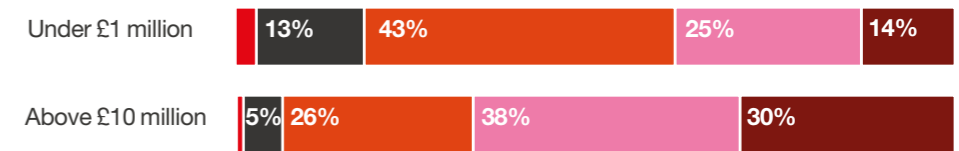
**Chart 10:**  
Protecting your intellectual property



**Chart 11:**  
Raising finance



**Chart 12:**  
Ensuring effective corporate governance



the risk of not getting help is sometimes taken by smaller businesses, but it's a rarity among bigger ones.

According to owners of larger businesses, relying on external help for effective corporate governance is also common, with 68% of them reporting getting help for it 'always' or 'often', compared to just 39% of entrepreneurs running smaller businesses. However, this doesn't mean that the smaller businesses don't look for help on

this issue – as 43% say that they 'sometimes' bring in external support to ensure corporate governance.

For owners of smaller businesses, handling disputes or conflicts is typically something that they deal with on their own, with 31% of them saying that they either 'never' or only 'rarely' rely on external help. Only 6% of entrepreneurs running larger businesses, meanwhile, say the same.

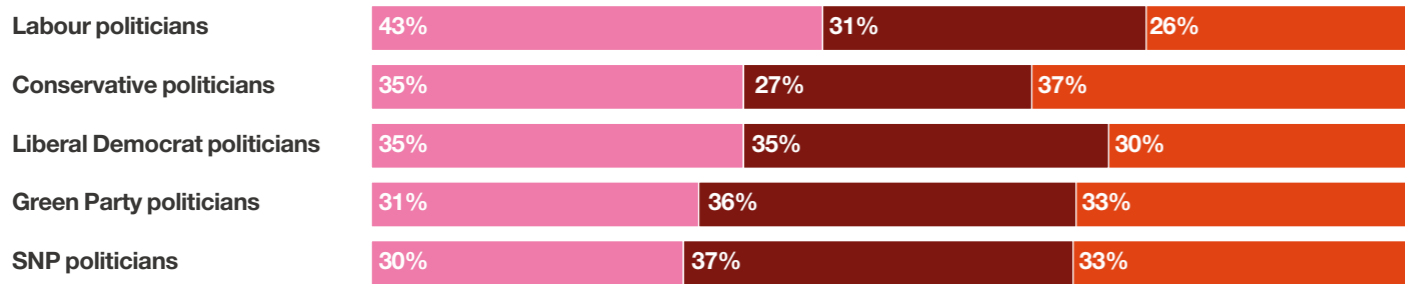


# Opposition attracts

Anyone even remotely interested in British politics will be abundantly aware of the rebuild of the Labour Party which Sir Keir Starmer has overseen since taking the reins as leader.

**Chart 13:** To what extent do you agree or disagree that the following people understand what your business needs to succeed?

Agree Neither agree nor disagree Disagree



Indeed, in terms of headline voting intention, most opinion polls show that Labour has enjoyed a lead over the Conservatives since around late 2021.<sup>16</sup> The British public once again views Labour as a credible party to govern the country.

That may be true for the average voter, but how do entrepreneurs as a distinct group feel? Do they share the general public's support for a change in government? Our polling suggests so.

We asked entrepreneurs to rate the extent to which they think politicians of all the

major UK political parties understand what their businesses need to succeed. In net terms,<sup>17</sup> Labour comes out comfortably on top, with a net score of +17%. Some way behind them are the Liberal Democrats, with +5%. We then head into negative territory – the Conservatives and Green Party each tie on -2%, and the Scottish National Party come last on -3%.

Interpreting the data further, Labour leads all other parties among owners of smaller businesses and medium-sized businesses (those with revenues of between £1 million and £10 million per

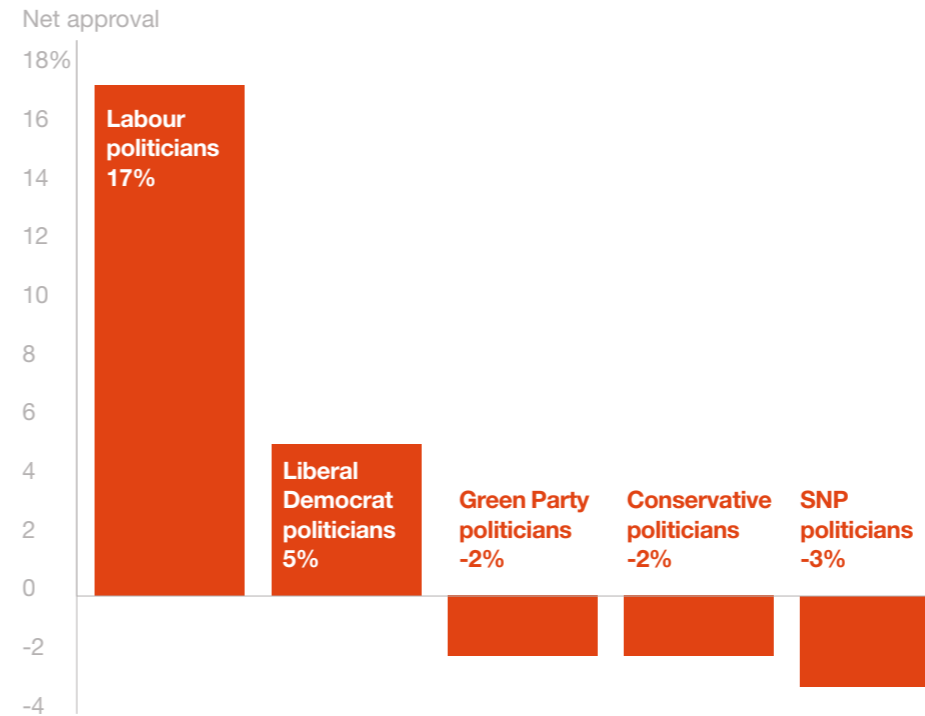
annum), while it's head to head with the Conservatives and Liberal Democrats among founders of larger businesses.

Strikingly, all political parties performed better with founders of larger businesses than they did with those of smaller businesses. Nearly half of the founders of larger businesses agreed that Labour politicians understand what they need to succeed, in comparison to just 34% of smaller business founders, which was the highest among all parties.

<sup>16</sup>YouGov (2023). Voting Intention: Con 24%, Lab 44% (22-23 Aug 2023).  
<sup>17</sup>Whereby the percentage of respondents who disagree that a party's politicians understand what their businesses need to succeed is subtracted from the percentage of respondents who do agree that a party's politicians understand what their businesses need to succeed.

<sup>18</sup>The Economist (2022). After a frosty decade, business leaders are warming to the Labour Party.  
<sup>19</sup>Rowena Mason and Aubrey Allegretti (2023). Labour postpones £28bn green plan as it seeks to be trusted on public finances.

**Chart 14:** To what extent do you agree or disagree that the following people understand what your business needs to succeed?



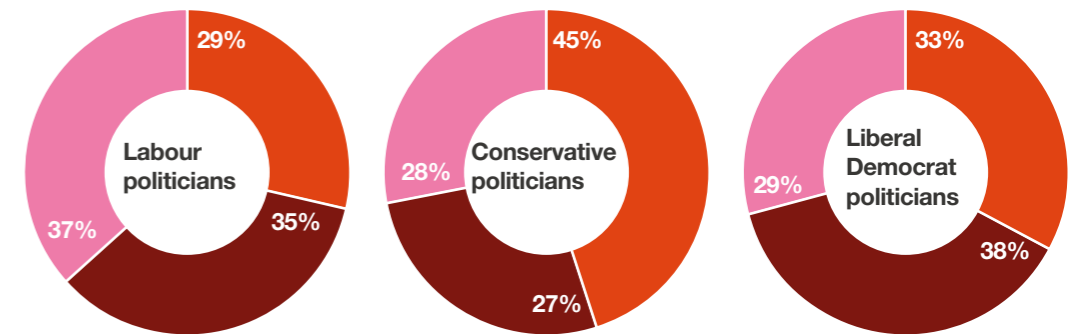
The difference is even more stark for the Conservatives and Liberal Democrats. While half of entrepreneurs who own larger businesses think that Conservatives understand what their business needs are (50%), among founders of smaller businesses, this falls to 28%. Forty-six percent of founders of larger businesses think the Liberal Democrats understand what businesses need to succeed, compared to just 29% of founders of smaller businesses.

Our data isn't an aberration, but proof that Labour's pivot to business is paying dividends. In the so-called "smoked-salmon offensive," Rachel Reeves allegedly met with more than 250 business executives in her first year as Shadow Chancellor.<sup>18</sup> On the policy front, Reeves has stayed adamant on fiscal discipline, refusing to consider tax increases and showing restraint on questions of public spending.<sup>19</sup>

It seems the business community – from large multinationals to fledgling entrepreneurs – is showing a level of trust in Labour on the economy, in a way that would have been entirely unthinkable just a few years prior.

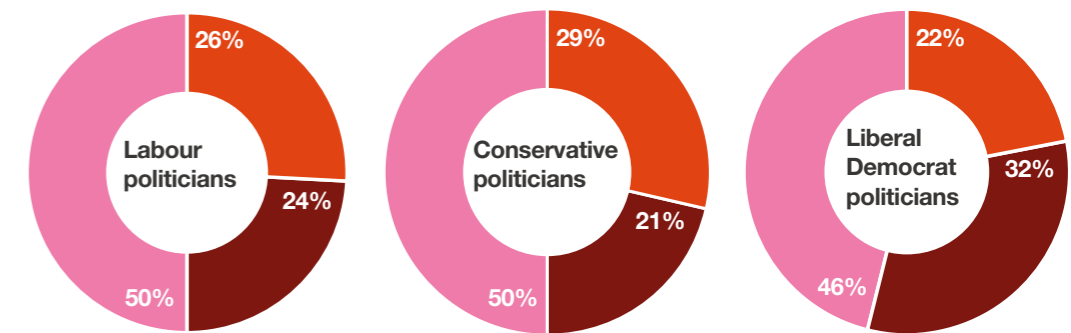
**Chart 15:** To what extent do you agree or disagree that the following people understand what your business needs to succeed? (Among owners of businesses with under £1 million annual revenue)

Disagree Neither agree nor disagree Agree



**Chart 16:** To what extent do you agree or disagree that the following people understand what your business needs to succeed? (Among owners of businesses with above £10 million annual revenue)

Disagree Neither agree nor disagree Agree



# Follow the money

## Politicians may be the ones who ultimately set the rules of the game, but they're far from the only people whose decisions can impact – for ill or for good – the business landscape.

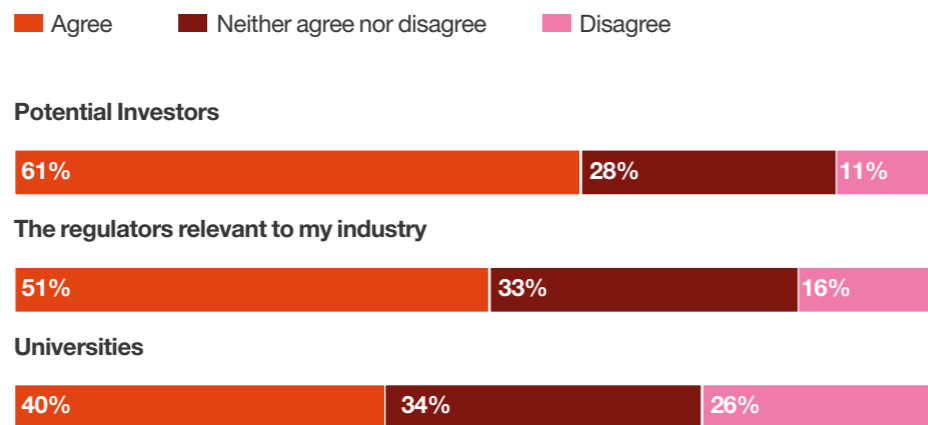
As a part of our survey, we also wanted to find out what entrepreneurs think about other key stakeholders who they might engage with, and the extent to which they understand what their businesses need to succeed too.

First, even though there is much noise within the startup community regarding the lack of understanding from potential investors, this doesn't seem to be the overall case from our polling. More than three fifths (61%) of our respondents said that potential investors do have a good understanding of their needs, while only 11% thought they did not.

Maintaining this positive relationship will be essential given how critical adequate access to capital is for startups.<sup>20</sup> Due to high-interest rates and uncertainty regarding the world economy, it will take time for the market to plough money into untested ideas. In the meantime, business owners and investors must maintain a healthy relationship to sail safely in uncharted waters. According to the Venture Capital Trust Association, a trade body, this has been the case at the upper end of the market.<sup>21</sup> To support portfolio companies against inflation, VCs deployed more capital last year despite raising less cash.

<sup>20</sup>Enterprise Nation and The Entrepreneurs Network (2022). Access all areas: Finance.  
<sup>21</sup>Rafe Uddin (2023). *Venture capital funds prop up young companies as inflation bites.*

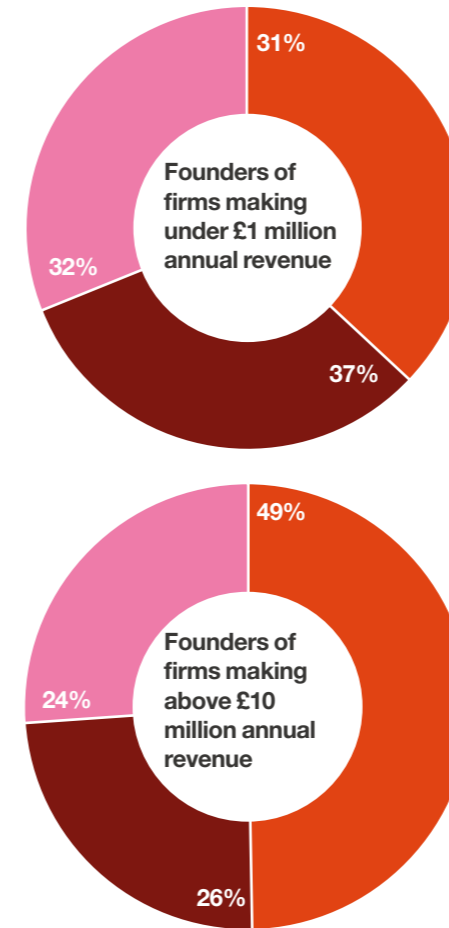
**Chart 17:**  
**To what extent do you agree or disagree that the following people understand what your business needs to succeed?**



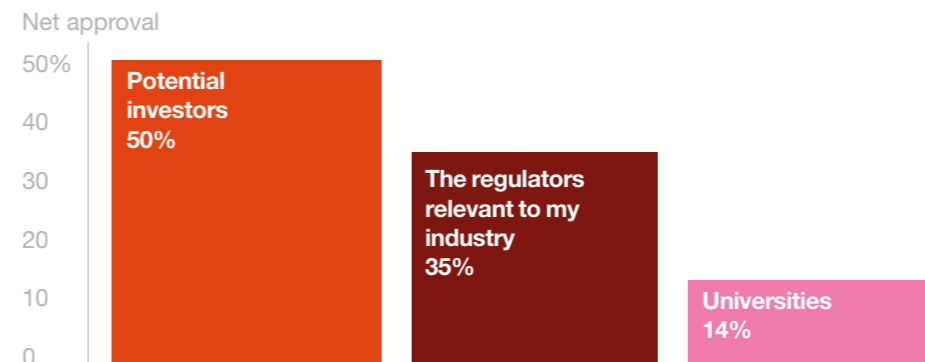
<sup>22</sup>Enterprise Nation and The Entrepreneurs Network (2022). Access all areas: people.  
<sup>23</sup>ibid.  
<sup>24</sup>World Economic Forum (2020). *The Global Risks Report 2020.*

**Chart 18:**  
**To what extent do you agree or disagree that universities understand what your business needs to succeed?**

- Agree
- Neither agree nor disagree
- Disagree



**Chart 19:**  
**To what extent do you agree or disagree that the following people understand what your business needs to succeed?**



Secondly, over half (51%) of our respondents said that regulators relevant to their industries understood what their business needs, while only 16% disagreed. Whether the respondents were founders of larger businesses or smaller ones didn't make a great difference to their answers either. However, our survey did reveal that older businesses, as defined by those aged five years and over, are more likely (57%) to believe regulators know what they need compared to younger ones (44%), as defined by those aged under three years old. This may very well be pointing to a learning curve – younger firms are less likely to have a direct engagement with regulatory bodies while older ones get accustomed to them. Younger firms may also be more entrepreneurial by their nature, bringing new products or business models to market, which don't necessarily align to existing regulatory structures.

Regulators are responsible for creating an environment of fair competition, where no firm is discriminated against and all are given the chance to succeed. For that reason, maintaining a relationship based on mutual understanding between regulatory bodies and businesses is crucial in creating a competitive market which works for consumers. High levels of understanding are only beneficial for both sides of that relationship.

Lastly, we asked entrepreneurs whether they thought universities had a good understanding of their needs. We found that 40% of entrepreneurs believed they did, against 26% who thought they did not. Among owners of larger businesses, the sentiment towards universities was more positive (49%) than compared to entrepreneurs running smaller firms (31%). This may simply be driven by the differences in skills needed in larger firms and SMEs.

How we should interpret all of these results is up for debate. Investors, regulators, and universities all posted net positive scores, with more entrepreneurs agreeing that these three stakeholders understand what their businesses need than disagreeing. Yet one could have this reading while still thinking that there is certainly room for improvement.

Business leaders have been pointing to 'access to talent' as a key concern for the future of their companies for some time now.<sup>22</sup> Many think that recent graduates lack the necessary skills to hit the ground running in the world of work.<sup>23</sup> This will only get more urgent over time, as technological advances change the workplace further, with the World Economic Forum estimating that half of workers will need reskilling in this decade to stay as productive as they are today.<sup>24</sup> Universities will certainly play a large part in this endeavour, through building the right policies and programmes to ease the talent anxiety facing businesses.

With all that being said, perhaps the take-home message from this question is that despite a lot of negative press around investors, regulators and universities, they are mostly well-trusted by entrepreneurs – certainly more than most politicians.

# Threat and opportunity

## In 2023, AI went mainstream. Increasing numbers of businesses began adopting it as a matter of course, while it served as the basis for countless new startups, permeated endless political speeches, and became used by ordinary people each and every day. And the year is still not out.

If it was ever in doubt, AI looks set to transform how we live our lives, both at home and at work – and the disruption it will bring represents both a risk and an opportunity for entrepreneurs.

There is certainly a clash between the doomsters who claim that the overall result of the AI revolution will be unemployment for many (if not the end of humanity),<sup>25</sup> and the ‘accelerationists’ who think that AI will be a general-purpose technology, similar to electricity, that could make us markedly more productive (if not save humanity).<sup>26</sup> Of course, between these extremes, there are also many more nuanced and cautious points of view that highlight both the risks AI poses and the opportunities it offers.<sup>27</sup>

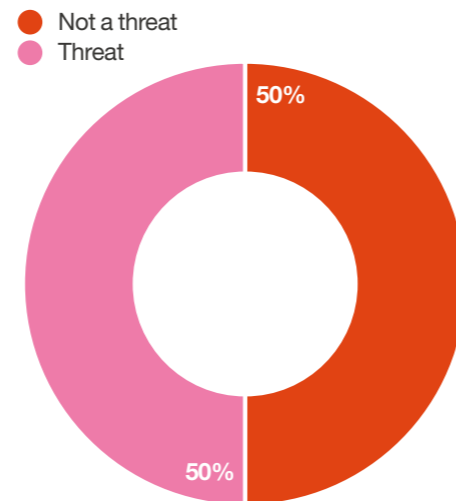
With respect to the threat of AI to entrepreneurs’ business models, our survey reveals a perfect split among founders. Of those who came down on one side of the debate or the other,

precisely half of the entrepreneurs we surveyed believe AI threatens their current business model, while precisely half think the opposite. Interestingly, there is also a sizable chunk who appear undecided – with 30% viewing AI neither as a threat nor not as a threat – perhaps as should be expected given how much of a recent phenomenon mainstream AI has been in the economy.

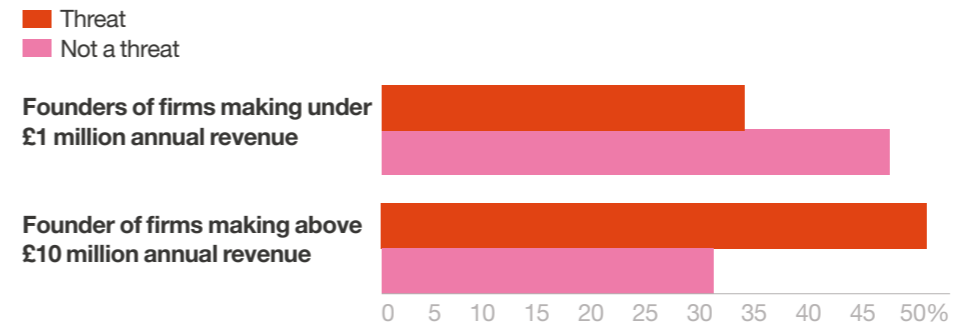
Strikingly, founders of larger businesses are more likely (44%) to see AI as a threat to their business model than founders of smaller ones (30%). Around two fifths (41%) of entrepreneurs with smaller businesses regard AI as ‘not a threat’, while only 27% of owners of larger businesses share that sentiment.

These results must be taken into consideration when potential outcomes of AI are being debated. Further research should focus on specific potential risks AI poses to larger businesses, and why

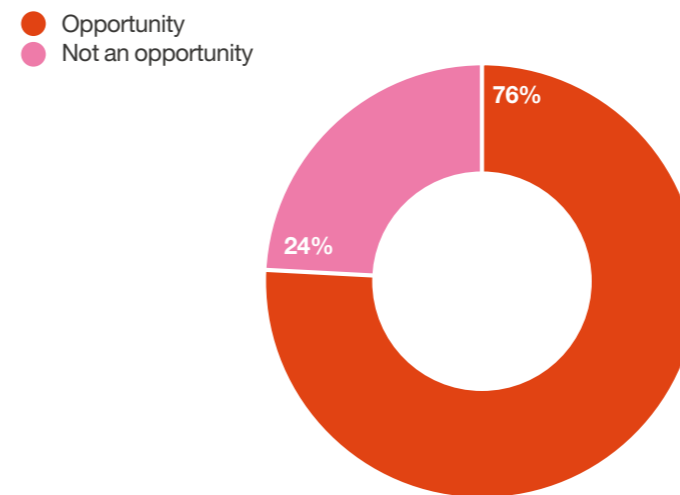
**Chart 20:**  
To what extent is AI a threat to your current business model?



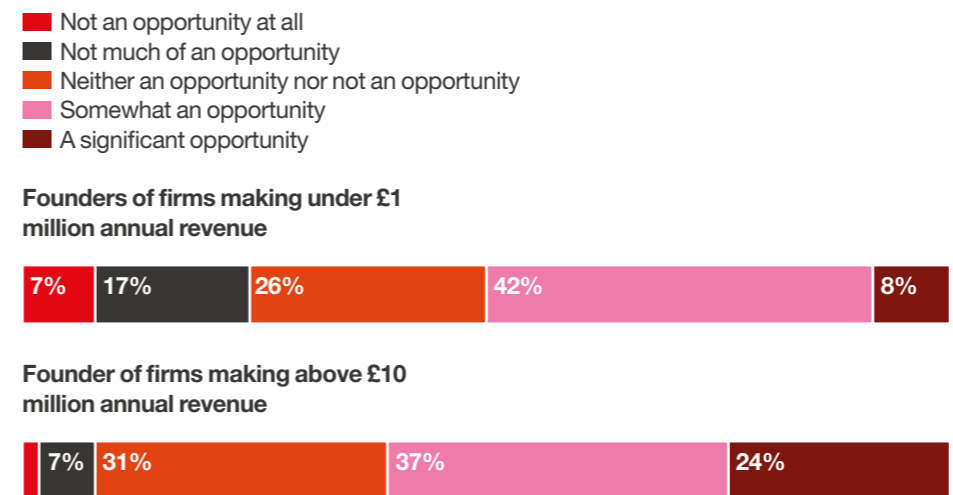
**Chart 21:**  
To what extent is AI a threat to your current business model?



**Chart 22:**  
To what extent is AI an opportunity for your current business model?



**Chart 23:**  
To what extent is AI an opportunity for your current business model?



smaller firm founders are more likely to feel immune. As this technology is still in its infancy and a consensus of its implications is nonexistent, the public debate can easily shift these perceptions.

So much for the risks; what about the opportunities? Interestingly, entrepreneurs appear to be much more optimistic here. When asked about whether AI was an opportunity for their current business model, among those giving an opinion one way or the other, 76% thought it was an opportunity versus just 24% who did not.

Again, on this question, there is more to be learnt by seeing how founders of different sorts of companies responded.

While founders of both smaller and larger businesses regard AI as a positive for them, those running larger businesses seem especially bullish, with almost a quarter of them seeing it not just as an opportunity, but as a significant opportunity. For comparison, this is three times the proportion of founders of smaller businesses.

Overall, it’s striking to see that owners of larger businesses interpret AI both more of a threat and an opportunity compared to smaller business owners. This may suggest that smaller businesses see themselves safer and more stable against AI while larger businesses attempt to understand both risks and potential benefits.

Such has been the explosiveness with which AI has entered the economy and society at large, governments have scrambled to appear ahead of the curve. In March of this year, Technology Secretary Michelle Donelan said that the Government “want[s] to make sure that AI is complementing the way we work in the UK, not disrupting it – making our jobs better, rather than taking them away”.<sup>28</sup> What our polling reveals is that, while entrepreneurs certainly appreciate the challenges AI poses, many more believe its development will be an opportunity than a threat. As policymakers proceed with efforts to regulate AI, these findings should be at the forefront of their minds.

<sup>25</sup>Steve Rose (2023). *Five ways AI might destroy the world: ‘Everyone on Earth could fall over dead in the same second’*.  
<sup>26</sup>Marc Andreessen (2023). *Why AI Will Save the World*.

<sup>27</sup>Bill Gates (2023). *The risks of AI are real but manageable*.  
<sup>28</sup>Natasha Clark (2023). *Brits must learn to trust latest computers and not fear AI, says Tech Secretary*.

# More money, no problem

For much of the last decade or so, inflation barely registered as an issue to take notice of. If anything, inflation being too low was the challenge of the day. That’s certainly not the case now.

As the result of supply chain snarls and pent-up consumer demand, inflation is at levels not seen for more than 30 years.<sup>29</sup>

In response, the Bank of England has repeatedly hiked its base interest rate – with the current rate, 5.25%, last seen in early 2008.<sup>30</sup> And this isn’t just a British problem – stubbornly high rates of inflation have beset America and Europe too.<sup>31</sup>

The consequences of the uncertain economic conditions are already being felt by entrepreneurs. According to Crunchbase data, in the first quarter of 2023, there was a 53% fall in venture capital investment globally. Compared to 2021’s optimism of the end of the COVID-19 age, startups in the US received 35% less investment in 2022 (though not lower than the previous decade’s trends).<sup>32</sup> VCs are more interested in reinvesting in portfolio companies to help them manage through difficult economic conditions than to venture into untested ideas.<sup>33</sup>

Entrepreneurs’ need for money will not go away any time soon. Accessing finance is a matter of survival for many businesses, and a must for fuelling expansion.<sup>34</sup> In this context, we asked entrepreneurs how easy they thought it would be for them to either attract more funding to cover their

firms’ needs, or to achieve an appropriate market valuation in the UK, Europe or the US.

Overall, they had the most positive attitude towards Britain, with 58% of entrepreneurs claiming that accessing funding or getting a fair market evaluation would be easy in the UK in the coming year, while just 13% said it would be difficult. For Europe, the sentiment was still a net positive as 43% claimed that funding and valuation would be easy there and 27% the contrary. However, for the US, the sentiment was more negative – only 34% said that accessing finance or reaching an appropriate valuation would be easy in America, perfectly balanced against 34% who claimed it would be difficult.

This might come as a surprise, given the economic conditions in these places. But we hypothesise close proximity and know-how might explain entrepreneurs’ attitudes – after all, the majority of the respondents will have some experience in navigating the British market. At the best of times, US funding is harder to access due to all the challenges of distance – during troubled times those challenges are only exacerbated.

Further analysis of the data shows that among all company sizes, the same ranking holds true. However, founders of larger businesses report easier access to capital and appropriate valuation in all three markets compared to their smaller counterparts. For the UK, 70% of entrepreneurs running larger businesses claimed that they could reach funding ‘easily’ in the UK, while the rate stood at 57% for entrepreneurs running smaller firms.

The difference was more pronounced for Europe and the US, pointing to a possible disengagement of our smaller businesses from international markets: 63% of founders of larger businesses stated that they could attract capital or achieve an appropriate valuation in Europe while only 35% of founders of smaller businesses agreed with them. For America, the scores were 48% and 26% respectively.

Similarly, only 16% of entrepreneurs running larger firms said that it would be difficult to achieve these capital needs in Europe and 13% claimed the same for the US. Among entrepreneurs running smaller firms, the expectation of ‘difficult’ access to capital and valuation in Europe stood at 31%, for the US it was 43%.

<sup>29</sup>Office for National Statistics (2023). CPIH annual rate.  
<sup>30</sup>Bank of England (2023). Official Bank Rate history.  
<sup>31</sup>Pew Research Centre (2022). In the U.S. and around the world, inflation is high and getting higher.

<sup>32</sup>Dealroom (2023). USA.  
<sup>33</sup>Rafe Uddin (2023). Venture capital funds prop up young companies as inflation bites.  
<sup>34</sup>Enterprise Nation and The Entrepreneurs Network (2022). Access all areas: Finance.

Chart 24:

How easy or difficult do you think it will be/would be either to attract the funding your business needs or to achieve an appropriate market valuation for it from the following sources over the next twelve months?

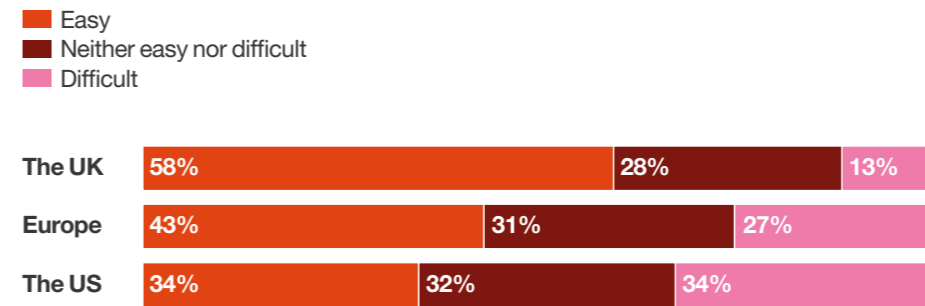


Chart 25:

Among owners of businesses that report under £1 million annual revenue

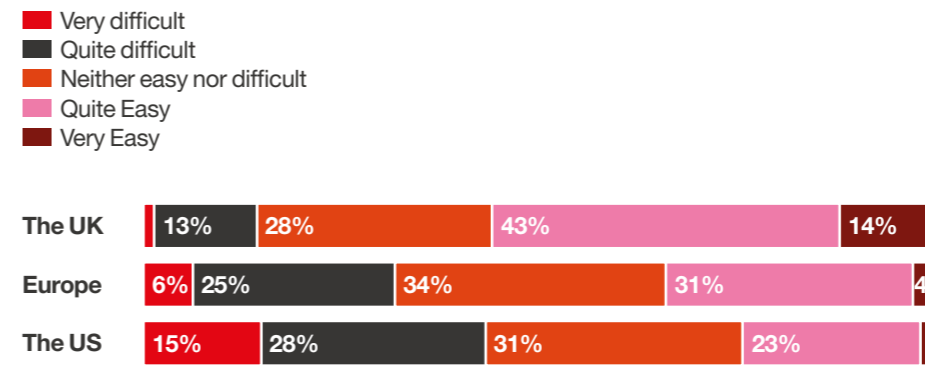
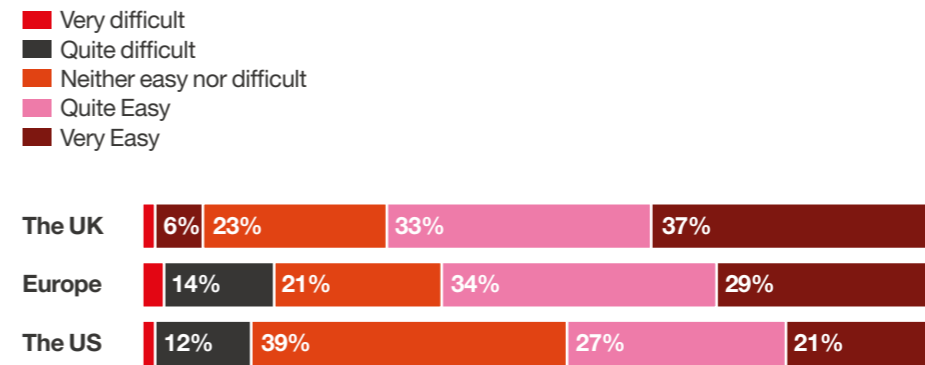


Chart 26:

Among owners of businesses that report above £10 million annual revenue



Expert comment:

**Chris Keen**  
 Partner, Mishcon de Reya



The findings of our Risk Readiness Report are a revealing and insightful window into the perspectives of the entrepreneurial clients who are at the heart of what we do in Mishcon Future.

Our experience is that the existence of risk is an inevitable part of operating at the cutting edge of innovation, and that starting a disruptive business and bringing novel products, services and technologies to market requires an inherent tolerance for uncertainty and an understanding that opportunity and risk often go hand-in-hand.

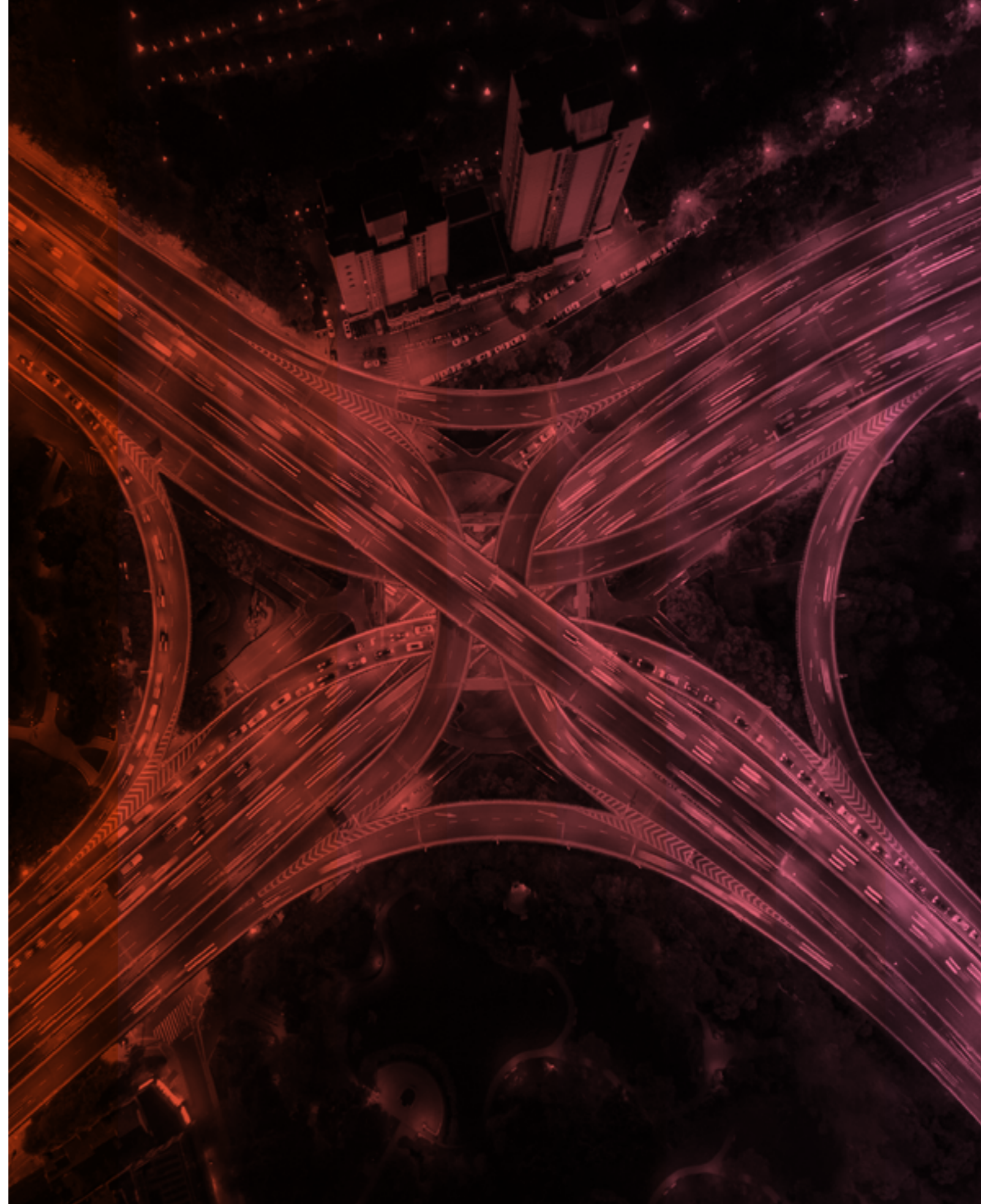
The clients we work with tell us that they are not intrinsically more tolerant of risk in their businesses than other industry leaders, but rather that they take a different attitude to risk – an outlook which is reflected in the opinions shared in the report. As lawyers to the innovation economy, our job is not to help our clients to avoid risk, but rather to enable them to understand, identify and manage it in a way that gives their companies the greatest likelihood of growing and succeeding. It is really pleasing to see the report’s conclusions endorse that methodology and we are grateful to all of those who participated for taking part.

# There can be no reward without risk. Entrepreneurs up and down the country appreciate this fact acutely, and the most successful ones are able to maximise the former by managing the latter.

In this research, we set out to better understand entrepreneurs' attitudes towards risk. What we discovered at times corroborated and at times confounded our initial expectations. Perhaps our most telling finding was that entrepreneurs not only believe they're operating in a more risky environment today than they were a year ago, but that they expect that risk to intensify in the future.

One would be foolish to think all risk in business can be eliminated – but by listening to entrepreneurs, we can mitigate threats they have to contend with, and give them the best possible shot at taking their businesses to the next level.

Britain boasts one of the most capable entrepreneurial communities in the world. As a collective whole, it has navigated political upheaval and economic turbulence the likes of which have rarely been seen before. Despite these headwinds, innovative companies continue to be founded, and grown into lucrative assets.



The polling for this research was conducted by Censuswide with 508 UK business owners aged 18+ (who founded their company) who have raised funds for their business (50% including external investment, 40% business/start up loan and 10% using their own money), in companies of all turnovers (excluding sole traders) between 17th August 2023 and 25th August 2023. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles and are members of The British Polling Council.

Polling questions:

1. To what extent are you risk averse or risk tolerant with regards to running your business? (Very risk averse / Somewhat risk averse / Neither risk averse nor risk tolerant / Risk tolerant / Very risk tolerant)
2. To what extent do you agree or disagree with the following statements? (Strongly disagree / Disagree / Neither agree nor disagree / Agree / Strongly agree)
  - 2.1. After launching my business, I became more open to taking risks.
  - 2.2. Risk-taking is important to my business' growth.
3. What, if any, potential risks are affecting your business right now? Tick all that apply. (Difficult economic climate / Supply chain disruption / Unfavourable tax regime / Cybersecurity attacks / Regulatory environment / Difficulty in attracting talent / Geopolitical conflict / N/A There are no potential risks affecting my business right now / Other, please specify)
4. How would you describe the level of risk in the business environment today compared to one year ago? (Much less risk / Somewhat less risk / About the same level of risk / Somewhat more risk / Much more risk / Not applicable – my business is less than one year old)
5. Which potential risks, if any, are you most concerned about the impact of in the coming year? Tick up to three. (Difficult economic climate / Supply chain disruption / Unfavourable tax regime / Cybersecurity attacks / Regulatory environment / Difficulty in attracting talent / Geopolitical conflict / N/A There are no potential risks affecting my business right now / Other, please specify)
6. What do you anticipate the overall level of risk in the business environment will be like in 12 months' time? (Much less risk / Somewhat less risk / About the same level of risk / Somewhat more risk / Much more risk / Unsure)
7. How often, if at all, do you/would you rely on external, professional support when? (Always / Often / Sometimes / Rarely / Never)
  - 7.1. Raising finance
  - 7.2. Ensuring effective corporate governance
  - 7.3. Managing data privacy risks and ensuring regulatory compliance
  - 7.4. Reviewing and negotiating contracts for your business
  - 7.5. Protecting intellectual property (e.g., trademarks, patents, copyrights)
  - 7.6. Handling disputes or conflicts that may arise
8. To what extent do you agree or disagree that the following people understand what your business needs to succeed? (Strongly disagree / Disagree / Neither agree nor disagree / Agree / Strongly agree / Unsure)
  - 8.1. Conservative politicians
  - 8.2. Labour politicians
  - 8.3. SNP politicians
  - 8.4. Liberal Democrat politicians
  - 8.5. Green Party politicians
  - 8.6. The regulators relevant to my industry
  - 8.7. Universities
  - 8.8. Potential investors
9. To what extent is AI a threat to your current business model? (A significant threat / Somewhat a threat / Neither a threat nor not a threat / Not much of a threat / Not a threat at all)
10. To what extent is AI an opportunity for your current business model? (A significant opportunity / Somewhat an opportunity / Neither an opportunity nor not an opportunity / Not much of an opportunity / Not an opportunity at all)
11. How easy or difficult do you think it will be / would be either to attract the funding your business needs, or to achieve an appropriate market valuation for it from the following sources over the next twelve months? (Very easy / Quite easy / Neither easy nor difficult / Quite difficult / Very difficult / Unsure)
  - 11.1. The UK
  - 11.2. Europe (excluding the UK)
  - 11.3. The US

Mishcon de Reya LLP is an independent law firm, which now employs over 1450 people with more than 600 lawyers offering a wide range of legal services to companies and individuals. The firm has grown rapidly in recent years, showing almost 60% revenue growth in the past five years alone.

With presence in London, Oxford, Cambridge, Singapore and Hong Kong (through its association with Karas So LLP), the firm services an international community of clients and provides advice in situations where the constraints of geography often do not apply. The work the firm undertakes is cross-border, international and complex, spanning six core practice areas: Corporate; Dispute Resolution; Employment; Innovation; Private; and Real Estate.

The Entrepreneurs Network is a think tank for Britain's most ambitious entrepreneurs.

We support entrepreneurs by:

- Producing cutting-edge research into the best policies to support entrepreneurship;
- Campaigning for policy changes that will help entrepreneurship flourish;
- Hosting regular events to bridge the gap between entrepreneurs and policymakers;
- Updating entrepreneurs on how policy changes will impact their business;
- Making the case in the media for entrepreneurs' contributions to society;
- Serving as the Secretariat for the All-Party Parliamentary group for Entrepreneurship.

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