

HIE BUSINESS PANEL SURVEY

SUMMARY FINDINGS - JANUARY 2018

PERFORMANCE AND PROSPECTS

- In line with previous surveys, the majority (79%) of businesses in the Highlands and Islands reported good (41%) or steady (38%) performance over the last year. Looking ahead, 77% are optimistic about their prospects for the next 12 months and 88% anticipate growth (41%) or stability (47%) in the next year or two.
- Most businesses once again reported stability in levels of employment, staff training, working hours and exports. However, while two fifths reported an increase in sales/turnover, only a quarter (24%) saw a corresponding uplift in profit margins.

ECONOMIC CONFIDENCE AND COMPETITIVENESS

- Around half of businesses (54%) reported that their confidence in Scotland's economic outlook remained unchanged over the last six months. Levels of confidence declined for 30% of businesses and increased for 15%, in line with the levels seen in the previous survey.
- Tourism businesses were more likely than average to report increased economic confidence (27% versus 15% overall).
- When asked to consider Scotland's productivity and the approaches businesses thought should be taken to improve the country's competitive position, a desire for additional investment and support for businesses was highlighted.

“Which of these approaches, if any, do you think should be taken to help improve our competitive position?”



RELATIONSHIP WITH THE EUROPEAN UNION

- Over the last six months, recognition of the importance of free movement of people across the EU to the Scottish economy amongst businesses in the Highlands and Islands has increased from 75% to 84%. Two fifths (40%) felt this aspect was important to their business.
- Around eight in ten (78%) businesses view membership of the European single market as important to the Scottish economy, while just over half (52%) regard membership as important to their business. Food and drink businesses were significantly more likely to cite this aspect as **very** important to them (42% versus 26% overall).
- Nine in ten (89%) businesses in the region see access to the European single market and/or free movement of people across the EU as important to the Scottish economy, and 64% to the operation of their business.

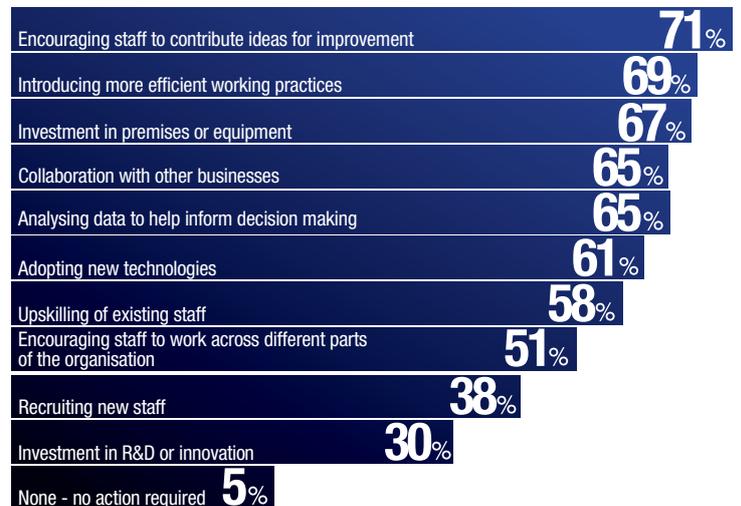
BUSINESS PRODUCTIVITY

The vast majority of businesses in the Highlands and Islands (90%) were very (19%) or fairly (71%) satisfied with their own productivity over the last 12 months. Those in the tourism and financial and business services sectors were more likely than average to be very satisfied with productivity levels (32% and 29% respectively).

95% of businesses have taken action to improve their productivity and competitive position

The high level of satisfaction with productivity may be driven by the fact that almost all businesses (95%) had taken some form of action in the last 12 months to help improve their productivity and competitive position. The most common actions taken were encouraging staff to contribute ideas for improvement (71%), introducing more efficient working practices (69%) and investment in premises or equipment (67%).

“Thinking about the last 12 months, what action, if any, has your business taken to help improve its productivity and competitive position?”



- Actions were more likely to be taken by larger than smaller businesses. This echoes patterns seen in relation to investment behaviour in the previous survey, where larger businesses were more likely than smaller businesses to have invested in the last year.
- Tourism businesses were more likely than average to have encouraged staff to contribute ideas (80%) or recruited new staff (54%), while those in the financial and business services sector were more likely to have upskilled existing staff (70%).



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- Just under three-quarters (72%) of businesses that had taken action said this had enhanced their overall productivity. Other benefits cited included attracting new business (67%) and staff feeling more engaged (66%).
- Those in the creative industries sector were more likely than average to say they had developed new products or services as a result of taking action to improve productivity (61%), and tourism businesses that they were able to attract new business (76%) or recruit new staff (38%).

43% of businesses introduced flexible contracts to help improve productivity

“What benefits have you seen as a result of taking action to improve productivity?”



- Almost nine in ten businesses (88%) had faced challenges when trying to enhance their productivity, most commonly a lack of time to plan for and implement change (49%) and attracting the right skills into the workforce (42%). The latter was a particular challenge for tourism businesses (51%).
- Other challenges cited were a lack of understanding of new techniques and technologies (28%), lack of skills within workforce to implement change (28%), resistance to change (24%), and difficulty accessing finance (24%) or advice and support (23%).

- Of those that introduced flexible contracts, the most common measure was flexible working patterns (89%). Other approaches included more part time rather than full-time contracts (42% of businesses), employing more permanent rather than temporary staff (35%) or more temporary rather than permanent staff (24%) and the use of zero hours contracts (13%).
- Meeting the needs of existing staff (87%) was the most common reason for introducing flexible contracts. However, some variation across business size and type was apparent:
 - Small businesses (1-4 employees) in response to weather related challenges (33% compared to 26% overall);
 - Larger businesses (25+ staff) to make them more attractive for new staff (70% versus 48% on average);
 - Tourism and food and drink businesses to meet seasonal changes in demand (81% and 68% respectively compared with 54%). This reflects the fact that these sectors were the most likely to have used more temporary instead of permanent staff.
- Notable differences were also apparent amongst those who had introduced zero hour contracts. They were more likely than average to have done so to: respond to seasonal demand (83% versus 54%); allow them to draw on expertise as and when required (68% compared with 47%); be more attractive to new staff (64% versus 48%) and respond to weather related challenges (48% versus 26%).

“What is your main reason for introducing these more flexible arrangements?”



WORKFORCE PRODUCTIVITY

- Almost all (98%) businesses with staff had taken measures in the past year to make the best use of their employees. This ranged from engaging with the local community (81% of businesses) to providing financial (35%) or non-financial incentives (22%).
- Those in the financial and business services sector were more likely than average to say they had offered competitive levels of pay (92%) and flexible contracts (53%), and those in the creative industries (62%) and tourism (53%) sectors to have offered work experience, apprenticeships or placements.

“In the last 12 months what measures, if any, has your business taken to make the best use of its employees?”



The survey fieldwork was conducted between 25th October and 29th November 2017, using telephone interviewing. A total of 1,001 businesses and social enterprises across the Highlands and Islands participated.

Findings are weighted to ensure a representative sample of the regional business base in terms of geographical location, organisation size and sector

From July 2016, HIE Business Panel Surveys have been undertaken on a quarterly basis.

To view reports and find out more about being a panel member visit: www.hie.co.uk/businesspanel